



A year in the LGA

2016  
2017

The national voice of local government

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# Chief Executive's report

Year ended 31 March 2017

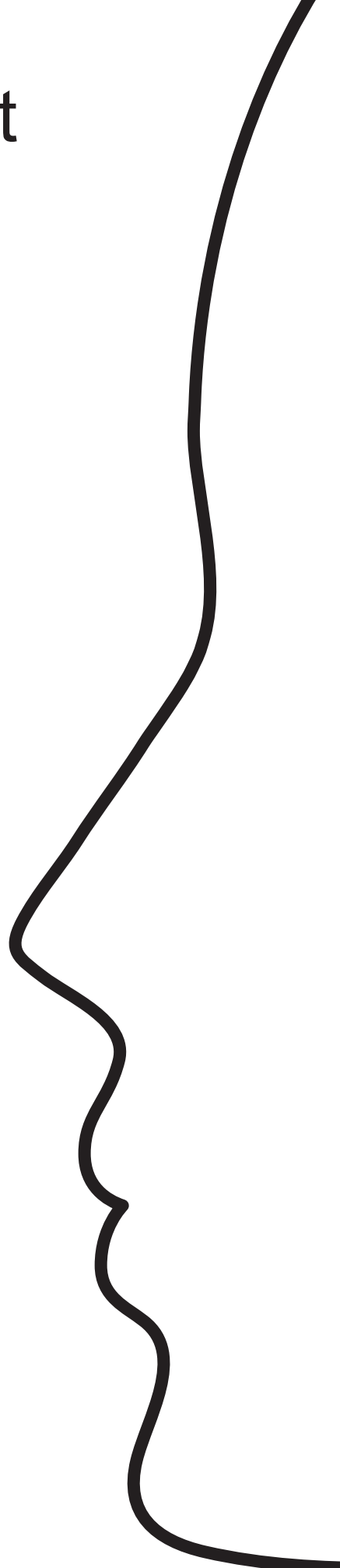
The Local Government Association (LGA) is the national voice of local government, working with councils to support, promote and improve local government.

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

We 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 2016/17 we had 435 member authorities in England and Wales. The 22 Welsh authorities are in corporate membership through the Welsh Local Government Association.

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

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



## LGA in Parliament

Promoting and defending the reputation of local government and representing councils' interests in Parliament are key areas of work that are priorities for our member councils.

In making the case for local government, the LGA has been referenced on **691** occasions in the House of Commons and on **362** occasions in the House of Lords during this parliamentary session, or the equivalent of 4 times every day that Parliament sat in 2016/17.

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

- **Bus Services Act 2017**
- **Children and Social Work Act 2017**
- **Digital Economy Act 2017**
- **Homelessness Reduction Act 2017**
- **Investigatory Powers Act 2017**
- **National Citizen Service Act 2017**
- **Neighbourhood Planning Act 2017**
- **Policing and Crime Act 2017**
- **Local Government Finance Bill.**

In 2016/17, we gave evidence to more than **40 parliamentary inquiries**, encompassing a range of issues including health and care, housing, council finances, child migrants, food waste, rural tourism, multi-academy trusts and housing for older people.

## The year in focus

For our members, 2016/17 was another difficult one with unprecedented challenges on finance, housing and social care. Councils are also facing opportunities and challenges from Britain's exit from the European Union.

But the challenges also bring with them once in a generation opportunities. Sound, democratically-elected local leadership will be more important than ever to secure the best outcomes for residents, communities and the country.

It is in this context that over the last year, we have been working with councils to ensure they're heard by all parts of Government.

We've called for the funding and powers needed to make sure that councils are in the best position to serve communities and improve residents' lives. As well as securing extra money for councils, much of our behind the scenes work and collective actions have prevented additional burdens, both costs and duties, being placed on councils.

In the last year, we have focused our campaigning work, both publicly and in meetings with ministers and officials, on a number of things that you have asked us to focus on – overall funding for local government, housing, social care, devolution and ensuring local government is front and centre in any discussion about our exit from the EU.

## Our priorities

Our priorities, agreed every year by our politicians, are based on feedback from councils. In 2016/17, our priorities for local government were:

- funding for local government
- Britain's exit from the EU
- inclusive growth, jobs and housing
- children, education and schools
- promoting health and wellbeing
- devolution
- sector-led improvement.

## LGA in the media

Over the last year, through our proactive media work, we generated more than **71,000 media hits for local government – that's on average 1,365 times a week or 194 times each day** in national, regional, local and specialist trade press.

**2,207** separate national media hits during 2016/17.

**45%** increase in national media hits, from **1,520** in 2015/16.

**87%** of coverage was positive about local government.

**85%** of coverage was through pro active media work by the LGA, often working with member councils.

## AT A GLANCE A YEAR IN THE LGA

### APRIL

Launched our 'Journey to integration' independent report detailing the experience of seven local areas in developing integrated care.

### MAY

Our national broadband campaign, 'Up to Speed', which called on the Government to ensure broadband provision kept pace with minimum speeds across the country, launched.

### JUNE

Published the first in our 'Don't be left in the Dark' series of short explainers on business rate retention and devolution.

### JULY

Brought together more than 1,400 delegates at our Annual Conference in Bournemouth.

### AUGUST

Launched a new manual for councils to support them to take account of the health implications of the decisions they make.

## Funding for local government

Our campaigning work on the crisis in social care successfully united charities and health and care providers to achieve wide agreement on the urgent need to help councils tackle the immediate social care pressures they face. In the Spring Budget 2017, the Chancellor used his Statement to announce that councils will receive £2 billion of new funding over the next three years, including £1 billion in 2017/18. We are now working on securing a long-term solution to the pressures facing adult social care.

We have consistently argued for local government to be able to keep more of its business rates income. The Local Government Finance Bill was an important step on the road towards this. It contained a number of provisions which come as a result of our lobbying on behalf of local government. Whilst it did not complete its passage through Parliament before the general election was called, we will be calling for the new Government to reintroduce the Bill.

## Britain's exit from the EU

On Britain's membership of the EU, there was a diversity of views among local government. To reflect this, the LGA remained neutral during the referendum campaign. This has put local government in a strong position. It is clear that the EU referendum result is an opportunity to reshape the way this country is run. Local government is clear that money and powers do not stop in Whitehall and must be transferred from Brussels to local areas. We will continue to use our seat at the negotiating table to get the best solutions for councils and local communities.

## Inclusive growth, jobs and housing

Following the launch of our Housing Commission report, we secured a wide range of wins from the Government's Housing White Paper, including a minimum 20 per cent increase in funding for local planning developments and a commitment to further flexibilities for councils to build council homes. We have pushed to make the case for councils to have the powers and money to resume their historic role in house building, to increase housing supply and promoted affordable housing for people who need it.

Government also responded to our call for investment in infrastructure for housing with a £2.3 billion Housing Infrastructure Fund accessible to councils.

### SEPTEMBER

Unveiled 'Come Back to Social Work' – a recruitment drive in partnership with Government – which saw hundreds of candidates registering for refresher training.

### OCTOBER

Hosted debates at the autumn party political conferences and secured more than 40 opportunities for our councillors to contribute to stakeholder events, including debates and roundtables.

### NOVEMBER

#OurDay took place with people and organisations from across local government sending nearly 37,000 tweets.

### DECEMBER

Published the final report from the LGA's Housing Commission which was established to help councils deliver their ambition for places and which engaged with over 100 partners; hearing from councils, developers, charities, health partners, and many others.

### JANUARY

In response to our ongoing calls for funding for roads maintenance, the Government announced £1.2 billion for roads to be allocated to councils in 2017/18.

### FEBRUARY

We launched our new, customisable website with a searchable database of council best practice.

### MARCH

LGA Chairman, Lord Porter, spoke during the debate on the Budget, raising concerns that the Budget did not include greater measures to facilitate local authority housebuilding, but acknowledging the announcement of £2 billion to alleviate the immediate pressures on social care.

In response to concerns about changes to bus services we supported the Bus Services Act through Parliament. The Act gives elected mayors and local transport authorities the power to improve bus services for the people who use them.

Our national broadband campaign, 'Up to Speed,' resulted in the Government committing to "keeping the initial minimum download speed under review...to make sure it keeps pace with consumers' needs." Following our work with Ofcom, it recommended that the Government implement a social tariff for those who would face undue hardship by paying for a connection. Our work with the Advertising Standards Agency has led to it publicly calling for the way broadband providers advertise speeds to be reviewed to ensure they are more fair and transparent.

Following the 'Up to Speed' activity, Government has also agreed it will trial new 5G technology in rural areas and provide a further investment of £200 million to fund a programme of local projects to test ways to accelerate market delivery of new full-fibre broadband networks.

Following our calls for much needed additional road maintenance money the Government announced £1.2 billion of roads funding for 2017/18.

## Children, education and schools

Over the course of the last Parliament, we worked with parliamentarians and the Government to remove the power, contained in the Children and Social Work Bill, to relax or amend children's social care legislation in local authority intervention without proper local consultation or support. The proposal to relax or amend social care legislation was subsequently withdrawn by the Government.

Our calls for independent fostering agencies to stop using "golden hellos" when approaching council foster carers resulted in the largest independent fostering company in the UK agreeing to end the practice to entice foster carers away from councils, meaning lower costs for councils and councils more likely to be able to retain talent.

When the previous Government announced that all council maintained schools would be forced into academisation, we provided a robust opposition on behalf of councils which was echoed by MPs, teachers and parents and backed up by evidence. The Government listened and the Education Secretary responded by announcing that schools rated as 'good' or 'outstanding' will not be forced in to academy status.



## Promoting health and wellbeing

We have been a strong voice calling for and ensuring the role and expertise of local government, and in particular, councillors, is recognised in the Sustainability and Transformation Plans (STP) process. There remain many issues we are still pressing to improve, but there is now clear recognition from NHS national bodies that councils, which are skilled at leading and engaging with their local communities, must be involved closely in shaping local STPs.

We also ensured that the Better Care Fund (BCF) rules in 2016/17 delivered protection for NHS funding to social care, except where there was local agreement for an alternative.

We secured the removal of an unfair policy which meant some of our armed forces veterans were required to use their service pension to pay for social care. We listened to your concerns on this issue and as a result of our subsequent campaigning work on your behalf, the War Disablement Pension is no longer regarded as income. We also secured £14 million of funding from the Department of Health and Ministry of Defence to cover the cost of the change.

In 2016, the National Aids Trust challenged NHS England's decision that it did not have the power to commission the drug PrEP for those with HIV. NHS England's argument was that councils were responsible for preventative medication. The costs of commissioning PrEP could have been in the region of £20 million. We made representations on behalf of local government in the High Court proceedings and then in the Court of Appeal. The Court of Appeal upheld the High Court's decision that NHS England did, in law, have the power to commission PrEP.

## Devolution

We provided initial support and preparation for combined authorities ahead of the Mayoral elections in May 2017, including voter registration campaign and communications support.

This year we launched our devolution support programme, helping interested councils to secure the benefits of devolution for their residents. Based on feedback from councils, we have put in place bespoke support packages that can include:

- leadership support from member and officer peers with experience of setting up new governance arrangements and/or negotiating deals
- access to technical advice to support the development of business cases and financial modelling to support proposals
- strategic advice for negotiations with government departments including up-to-date assessments of the national picture on devolution
- policy advice to support the development and implementation of deals
- support to develop devolution communications strategies
- support with civic and community engagement to ensure residents and communities are involved
- expert support from the Centre for Public Scrutiny to develop governance arrangements and advice on overview and scrutiny arrangements within combined authorities
- expert support from Local Partnerships for transformation and service redesign

- access to an officer devolution network involving a cohort of officers from councils who are negotiating or implementing deals. The network receives regular devolution updates, and meets when appropriate to share experiences and learning on devolution.

## Sector-led support

Sector-led improvement (SLI) is the approach to improvement put in place by local authorities and the LGA alongside the abolition of the previous national performance framework. Through a coordinated approach to SLI across local government, LGA support helps councils continue their own improvement journey and contribute to the improvement of local government as a whole.

In the last 12 months for example, the LGA has delivered 119 peer challenges to councils. This approach, helping to co-ordinate improvement work on behalf of councils, has helped them to deliver millions of pounds of savings. Our offer however is far wider than simply peer challenges and so far over the last year has included the support listed below.

Over the last year, we supported councils by:

- delivering 119 peer challenges
- providing tailored support to 222 different local authorities
- providing councils localised data through our LG Inform system, helping them to better understand their local communities and providing them with data to help better plan services
- providing support to 34 councils with total projected savings of £26.5 million through the Productivity Experts Programme
- providing leadership training for 714 councillors
- supporting a further 122 councils to transform their workforces and modernise the way they are managed
- Phase 5 of the One Public Estate programme (OPE) was launched in January 2017 with an additional 89 councils, bringing the total number of councils supported to 249
- the Planning and Advisory Service supported every council at risk of designation.

# Strategic Report

Year ended 31 March 2017

## Principal activities

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

During 2016/17 the LGA continued to streamline its merged 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.

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 2016/17. From 1 April 2016, IDeA became the recipient of Direct Government Grant (DCLG Grant) to pay for improvement services to councils, replacing Revenue Support Grant (RSG top slice). Although our income from subscriptions, DCLG Grant and other income including grants fell by a total of 11.4 per cent in 2016/17 as compared with the previous year, we kept costs down and invested in reducing costs of back office services, at the same time as continuing to deliver on our key priorities and deliver direct support to councils. Both the LGA and the IDeA continued to make significant payments towards their pension fund deficit.

## Future developments

As with many other parts of the public sector, we face possible reductions in our core funding over the medium term and are taking steps to ensure we develop new sources of income as well as continuing to reduce our costs.

Our future success will rely heavily on our delivering ever greater value to local government at a time when councils themselves are facing significant reductions in their own funding and are, more than ever, questioning the value of every item of expenditure. As agreed by the Leadership Board, the 2016/17 consolidated operating surplus has been allocated to the risk and contingency reserve in our balance sheet. This will be used to provide opportunities to invest to save costs or generate additional commercial income, and also to cover the potential risks to the three year plan included in the LGA's Financial Strategy.

During 2017/18 the LGA's Financial Strategy for the property companies is to develop the assets to provide capital growth to offset the liabilities arising from our pension funds, as well as reducing costs and / or delivering additional commercial income to maximise the level of support we deliver to our members.

### **Principal risks and uncertainties**

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

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

Our principal liabilities other than those arising in ordinary day to day business relate to our combined pension deficit and three main liabilities: structural interest free debt of £8.2 million due to the predecessor local authority associations and related to the purchase of the Smith Square property; bank debt of £4.16

million on separate loans due to Barclays relating to the Smith Square property, which is currently being repaid at the rate of £0.52 million each year; and a liability of £0.27 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 £124.99 million at 31 March 2017 (£94.75 million deficit at 31 March 2016). In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions averaging over £4 million per annum. Actuarial advice indicates that on reasonable long term assumptions, these contributions will be sufficient to eliminate the deficit over a period of 22 years for the LGA and 15 years for the IDeA. The LGA's Leadership Board has commissioned further work to investigate ways in which the management of the pension deficit can be improved and has agreed to the refurbishment of Layden House from 2017 as part of this strategy.

### **Price risk**

We have relatively low exposure to price risk. Our employee costs are controlled through formal annual negotiations with employee representatives. Our back office services are now mainly delivered in house, with ICT services delivered through a jointly owned company with Brent Council, by Brent ICT team. Other services are procured from a range of external providers through competitive tendering arrangements in line with our formal procurement procedures.

**Credit risk**

We have a debt management policy and clear credit control procedures which include regular review and follow-up of our trade debtors.

**Liquidity risk**

Our agreed approach is to manage our revenue budget so as to deliver a balanced budget that does not require a net call on cash for the financial year as a whole. We maintain an adequate level of day to day liquid funds to pay liabilities promptly as they fall due.

**Cash flow risk**

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

**Key performance indicators**

We have reviewed the impact of our work and the delivery of our priorities through robust performance management which has included regular reports to the LGA's Leadership Board. In addition we have reviewed our own efficiency and effectiveness through a number of key indicators. These include the number of organisations in membership, which has decreased to 415 in 2016/17, with only four councils out of membership. The National Association of Local Councils entered into a corporate membership with the LGA and requested that 22 town/parish councils had access to our associate membership scheme.

In December 2015 we carried out a survey of our members which gave us important information about customer satisfaction with 76 per cent of members indicating that they were satisfied with our services. We have set

ourselves the target of increasing member satisfaction and also their perceptions of the value for money we offer and we will monitor our progress with these through annual surveys.

We review our financial sustainability by carefully controlling our staff costs. Following a reduction in our core grant funding, over the last four years employee numbers have fallen from 529 employees in the year ended March 2012 to 319 employees in the year ended 31 March 2017. We continue to monitor employee absence, which has fallen from an average annual number of sick days per employee of 4.2 days in March 2016 to 2.14 days in March 2017.

We continue to pay close attention to the collection of outstanding debt. The percentage of debtors over 12 months was 4 per cent of the total trade debtors at March 2017.

**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 2017 to be £22.970 million with a net reduction of £12.880 million in the year as it is undergoing refurbishment and is vacant. Refurbishment costs capitalised in the year amounted to £2.024 million. In the group accounts 11 per cent of the above market value is reflected as an investment in the groups' balance sheet. The remainder is held as an operational asset at the current net 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 £28.175 million (£25.800 million 2016). As mentioned above, the LGA's Leadership Board has now agreed to the refurbishment of Layden House from 2017.

## Environment

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

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

## Employees

Details of the number of employees and related costs can be found in note 3 to the financial statements. In line with the LGA Pay Policy the LGA publishes the salaries of its Corporate Leadership Team on its website. These are updated annually to reflect the national pay award.

Consultation with employees and their

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

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

## Political and charitable contributions

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

## Dividends

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



Mark Lloyd  
**Chief Executive**



# Report of the Chairman of the Leadership Board

Year ended 31 March 2017

## Business review

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

The Leadership Board has taken the decision to maintain membership subscriptions at the same level between 2013/14 and 2016/17, following a real terms reduction in subscription income of over 44 per cent over the last six years in response to the financial challenges faced by member authorities.

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

## Governance

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

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



### **Lord Porter of Spalding CBE**

LGA Chairman and Chairman of the LGA Leadership Board

# Membership of the Leadership Board

The members of the Leadership Board for the year were:

## Conservative

**Lord Porter of Spalding CBE**  
Chairman

**David Hodge** Vice-chairman  
Resigned 23 March 2017

**David Simmonds CBE** Deputy-chairman/  
Acting Vice-chairman  
Appointed 24 March 2017

**Peter Fleming OBE** Deputy-chairman

**Sean Anstee** Deputy-chairman

**Colin Noble** Acting Deputy-chairman  
Appointed 31 March 2017

## Labour

**Nick Forbes** Senior Vice-chairman

**Anne Western** Deputy-chairman

**Sue Murphy CBE** Deputy-chairman

**Sharon Taylor OBE** Deputy-chairman

**Mayor Sir Steve Bullock** Deputy-chairman

**Keith Wakefield** Former Deputy-chairman

**Peter Box CBE** Deputy-chairman  
Appointed 5 July 2016

## Independent

**Marianne Overton MBE** Vice-chairman

**Peter Reeve** Deputy-chairman

## Liberal Democrat

**Gerald Vernon-Jackson** Vice-chairman

**Mayor Dorothy Thornhill MBE**  
Deputy-chairman



# LOCAL GOVERNMENT ASSOCIATION

## STATEMENT OF THE LEADERSHIP BOARD'S RESPONSIBILITIES

Year ended 31 March 2017

The Leadership Board of the LGA has accepted responsibility for the preparation of these financial statements for the year ended 31 March 2017. The Leadership Board has decided to prepare these financial statements in accordance with UK Generally Accepted Accounting Practice.

In preparing these financial statements, the Leadership Board has:

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

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

## Provision of information to auditor

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

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

## Auditors

PKF Littlejohn LLP has expressed its willingness to continue in office. A resolution proposing the reappointment of PKF Littlejohn LLP will be proposed at the next board meeting.

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



**Lord Porter of Spalding CBE**

Chairman of the LGA Leadership Board

15 June 2017

# LOCAL GOVERNMENT ASSOCIATION

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION

**Year ended 31 March 2017**

We have audited the financial statements of the LGA for the year ended 31 March 2017 which comprise the Consolidated and Association Statements of Comprehensive Income, Balance Sheets, Statements of Cash Flows and Statements of Changes in Equity and the related Notes 1 to 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 17, the Members of the Leadership Board are responsible for the preparation of the financial statements and for being satisfied that they have been properly prepared. Our responsibility is to audit, and express an opinion on, the financial statements in accordance our contract dated 22 January 2016, with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

# LOCAL GOVERNMENT ASSOCIATION

## 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 2017 and of the Group's and Association's surplus for the year then ended; and
- have been properly prepared in accordance with the basis of preparation and accounting policies set out in Note 1 to the accounts

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

Alastair Duke  
Senior Statutory Auditor

For and on behalf of  
PKF Littlejohn LLP  
Date:

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

# LOCAL GOVERNMENT ASSOCIATION

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017

	Note	2017 £000	2016 £000
Income: Group and share of Joint Ventures' income		55,732	62,012
Less share of joint ventures' income		(8,244)	(8,419)
Group Income	2	47,488	53,593
Administrative expenses		(48,834)	(55,120)
<b>GROUP OPERATING DEFICIT BEFORE INTEREST</b>	<b>4</b>	<b>(1,346)</b>	<b>(1,527)</b>
Interest receivable and similar income		437	237
Interest payable		(109)	(186)
Contract restructuring costs		-	-
Share of operating surplus of joint ventures		2,025	1,660
Dividend and profits share from Joint Ventures	9	1,375	1,750
Finance discounts allowed	5	(526)	(526)
Share of joint ventures distribution to members		(1,385)	(1,771)
Unrealised gain on revaluation in respect of investment property		548	3,523
<b>GROUP OPERATING SURPLUS FOR THE FINANCIAL YEAR</b>		<b>1,019</b>	<b>3,160</b>
<b>Other Comprehensive Income:</b>			
Actuarial (loss)/gain recognised in respect of the pension fund	15	(29,230)	19,924
<b>GROUP TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(28,211)</b>	<b>23,084</b>

All amounts relate to continuing operations.

The accounting policies and notes in pages 27 to 48 form part of these financial statements.

# LOCAL GOVERNMENT ASSOCIATION

## ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME Year ended 31 March 2017

	Note	2017 £000	2016 £000
Income	2	19,762	24,039
Administrative expenses		(19,924)	(24,655)
<b>OPERATING DEFICIT BEFORE INTEREST</b>	<b>4</b>	<b>(162)</b>	<b>(616)</b>
Interest receivable and similar income		252	158
Contract restructuring costs		-	-
Finance discounts allowed	5	(526)	(526)
Dividend and profits share from Joint Ventures	9	-	-
<b>OPERATING DEFICIT FOR THE FINANCIAL YEAR</b>		<b>(436)</b>	<b>(984)</b>
<b>Other Comprehensive Income:</b>			
Actuarial (loss)/gain recognised in respect of the pension fund	15	(1,855)	4,107
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(2,291)</b>	<b>3,123</b>

All amounts relate to continuing operations.

The accounting policies and notes in pages 27 to 48 form part of these financial statements.


# LOCAL GOVERNMENT ASSOCIATION

## CONSOLIDATED BALANCE SHEET

As at 31 March 2017

	Note	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	16,380	15,707
Investment Properties	8	31,137	30,006
Intellectual Copyright Assets		1	1
Investments - MBA	9	500	500
Investments in Joint Ventures:			
Share of gross assets of joint ventures	9	6,018	6,838
Share of gross liabilities of joint ventures	9	(1,589)	(3,098)
		52,447	49,954
<b>CURRENT ASSETS</b>			
Debtors	11	6,118	5,840
Short term Investments	12	15,147	17,272
Cash at bank and in hand		3,001	2,642
		24,266	25,754
<b>CREDITORS:</b>	13	(9,414)	(9,123)
<b>Amounts falling due within one year</b>		14,852	16,631
<b>NET CURRENT ASSETS</b>		67,299	66,585
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(13,333)	(14,581)
<b>CREDITORS:</b>	13	(13,333)	(14,581)
<b>Amounts falling due after more than one year</b>			
<b>PROVISIONS FOR LIABILITIES</b>			
Provision for organisation restructuring	14	(222)	(468)
Pension Fund deficit	15	(124,991)	(94,751)
<b>NET LIABILITIES</b>		<b>(71,247)</b>	<b>(43,215)</b>
<b>ACCUMULATED FUNDS</b>			
General Reserve		28,264	28,264
Revaluation Reserve		22,033	21,485
Risk & Contingency Reserve		3,447	1,787
Pension Deficits Reserve			
- Pension Fund Assets		283,283	224,054
- less Defined Liabilities		(408,274)	(318,805)
		<b>(71,247)</b>	<b>(43,215)</b>

These financial statements were approved by the LGA Leadership Board on 15 June 2017 and signed on their behalf by

**Lord Porter of Spalding CBE** 

The accounting policies and notes in pages 27 to 48 form part of these financial statements.

# LOCAL GOVERNMENT ASSOCIATION

## ASSOCIATION BALANCE SHEET

For the year ended 31 March 2017

	Note	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Tangible Assets	7	220	439
Investments	9	1,370	1,500
<b>LONG TERM DEBTORS</b>			
	10	15,000	120
<b>CURRENT ASSETS</b>			
Debtors	11	2,377	8,009
Short term Investments	12	3,763	645
Cash at bank and in hand		23	53
		6,163	8,707
<b>CREDITORS: amounts falling due within one year</b>	13	(2,407)	(2,224)
<b>NET CURRENT ASSETS</b>		3,756	6,483
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		20,346	8,542
<b>CREDITORS: amounts falling due after more than one year</b>	13	(11,550)	(768)
<b>PROVISIONS FOR LIABILITIES</b>			
Provision for Organisation restructuring	14	-	(22)
Pension Fund deficit	15	(38,378)	(35,042)
<b>NET LIABILITIES</b>		<b>(29,582)</b>	<b>(27,290)</b>
<b>ACCUMULATED FUNDS</b>			
General Reserve		7,091	7,091
Risk & Contingency Reserve		1,705	661
Pension Deficits Reserve			
- Pension Fund Assets		137,812	103,136
- less Defined Liabilities		(176,190)	(138,178)
		<b>(29,582)</b>	<b>(27,290)</b>

These financial statements were approved by the LGA Leadership Board on 15 June 2017 and signed on their behalf by

**Lord Porter of Spalding CBE**



The accounting policies and notes in pages 27 to 48 form part of these financial statements.

# LOCAL GOVERNMENT ASSOCIATION

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Risk & Contingency Reserve	Revaluation Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	-	17,962	(112,860)	28,309	(66,589)
<b>Changes in equity for 2015/16</b>					
Income for the year	-	-	-	3,160	3,160
Pensions Adjustments in Statement of Consolidated income	-	-	(1,815)	1,815	-
Actuarial gains on defined benefit plans	-	-	19,924	-	19,924
Unrealised gain on revaluation in respect of investment property	-	3,523	-	(3,523)	-
<b>Total comprehensive income for the year</b>	-	3,523	18,109	1,452	23,084
Movement on Joint Venture Reserves	-	-	-	290	290
Transfer to Risk and Contingency reserve (LGA and IDEA only)	1,787	-	-	(1,787)	-
<b>Balance as at 31 March 2016</b>	<b>1,787</b>	<b>21,485</b>	<b>(94,751)</b>	<b>28,264</b>	<b>(43,215)</b>
<b>Balance at 1 April 2016</b>	<b>1,787</b>	<b>21,485</b>	<b>(94,751)</b>	<b>28,264</b>	<b>(43,215)</b>
<b>Changes in equity for 2016/17</b>					
Income for the year	-	-	-	1,019	1,019
Pensions Adjustments in Statement of Consolidated income	-	-	(1,010)	1,010	-
Actuarial losses on defined benefit plans	-	-	(29,230)	-	(29,230)
Unrealised gain on revaluation in respect of investment property	-	548	-	(548)	-
<b>Total comprehensive income for the year</b>	-	548	(30,240)	1,481	(28,211)
Movement on Joint Venture Reserves	-	-	-	179	179
Transfer to Risk and Contingency reserve (LGA and IDEA only)	1,660	-	-	(1,660)	-
<b>Balance as at 31 March 2017</b>	<b>3,447</b>	<b>22,033</b>	<b>(124,991)</b>	<b>28,264</b>	<b>(71,247)</b>



# LOCAL GOVERNMENT ASSOCIATION

## ASSOCIATION STATEMENT OF CHANGES IN EQUITY Year ended 31 March 2017

	Risk & Contingency Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	-	(37,504)	7,091	(30,413)
<b>Changes in equity for 2015/16</b>				
Operating Deficit for the year	-	-	(984)	(984)
Pension adjustment included in Operating Surplus / Deficit for the year	-	(1,645)	1,645	-
Actuarial gains/(losses) on defined benefit plans	-	4,107	-	4,107
Total comprehensive income for the year	-	<b>2,462</b>	<b>661</b>	<b>3,123</b>
Transfer to Risk and Contingency reserve	661	-	(661)	-
<b>Balance as at 31 March 2016</b>	<b>661</b>	<b>(35,042)</b>	<b>7,091</b>	<b>(27,290)</b>
<b>Balance at 1 April 2016</b>	661	(35,042)	7,091	(27,290)
<b>Changes in equity for 2016/17</b>				
Operating Deficit for the year	-	-	(437)	(437)
Pension adjustment included in Operating Surplus / Deficit for the year	-	(1,481)	1,481	-
Actuarial gains/(losses) on defined benefit plans	-	(1,855)	-	(1,855)
Total comprehensive income for the year	-	<b>(3,336)</b>	<b>1,044</b>	<b>(2,292)</b>
Transfer to Risk and Contingency reserve	1,044	-	(1,044)	-
<b>Balance as at 31 March 2017</b>	<b>1,705</b>	<b>(38,378)</b>	<b>7,091</b>	<b>(29,582)</b>

# LOCAL GOVERNMENT ASSOCIATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Net cash outflow from operating activities</b>		
Surplus/(Deficit)	1,019	3,160
Adjustments for:		
FRS17 Pension adjustments	1,010	1,815
Investment and dividend Income	(1,812)	(1,987)
Revaluation gains on Investment Properties	(548)	(3,523)
Joint Venture Non Cash Adjustments	(640)	111
Finance discounts for former members of AMA	526	526
Interest expense	110	186
Depreciation	536	600
Loss on Disposal of Fixed Asset	584	-
Decrease/(increase) in debtors	(278)	2,306
(Decrease)/increase in creditors	290	(173)
(Decrease)/Increase in provisions	(246)	(448)
(Decrease)/Increase in creditors due after one year	(1,248)	(857)
<b>Cash generated from operations</b>	<u>(697)</u>	<u>1,716</u>
Interest paid	(110)	(186)
<b>Net cash generated from operating activities</b>	<u>(807)</u>	<u>1,530</u>
<b>Cash flow from investing activities</b>		
Interest received	437	237
Repayment of Loan Capital from Local Partnerships	130	300
Investment in redevelopment of Property, Plant and Equipment	(1,792)	(1,418)
Investment in redevelopment of Investment Properties	(583)	(966)
Distribution from Joint Venture	1,375	1,750
	<u>(433)</u>	<u>(97)</u>
<b>Cash flow from financing activities</b>		
Finance discounts for former members of AMA	(525)	(526)
	<u><b>(525)</b></u>	<u><b>(526)</b></u>
Net (Decrease)/ Increase in cash	(1,765)	907
<b>Cash and cash equivalents at the start of the year</b>	<u>19,913</u>	<u>19,006</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><b>18,148</b></u>	<u><b>19,913</b></u>

The accounting policies and notes in pages 27 to 48 form part of these financial statements.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 1. ACCOUNTING POLICIES

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

The Association is considered to be a public benefit entity.

#### 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 £71.3 million as at 31 March 2017. 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 15. Payments to clear pension deficits are financed from the Association's and related entities' general income. In view of these arrangements the Leadership Board expects that the Association and entities under its control will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis. However, in the event of dissolution, any excess of the Association's liabilities over its assets would be required, under the terms of its constitution, to be covered by its member authorities, including authorities that had left membership within the period of five years prior to dissolution.

#### Accounting convention

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

#### Basis of consolidation

The group financial statements consolidate the financial statements of the Association and companies under its control for the year ended 31 March 2017. 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 17 gives details of the companies under the control of the Association and the Association's other related entities.

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

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

### 1. ACCOUNTING POLICIES (Continued)

#### Tangible Fixed Assets and Depreciation

Tangible fixed assets are held at historical cost net of depreciation and provisions for impairment. Under FRS102 mixed use property must be separated between investment property and tangible fixed assets. In the Group Accounts 89 per cent of Local Government House cost and depreciation will be accounted for as Tangible Fixed Assets for the Financial Years 2015/16 and 2016/17 to reflect the area of the building utilised by the group.

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

Freehold buildings	25 years
Furniture and equipment	15 years
ICT and Computer equipment	3 years

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

#### Investment Property

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

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

In the Group Accounts 11 per cent of Local Government House valuation on the above basis will be accounted for as Investment Property Assets for the Financial Years 2015/16 and 2016/17 to reflect the area of the building available for occupation by third parties.

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

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

### 1. ACCOUNTING POLICIES (Continued)

#### Investments

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

Note 9 provides details of the Association's investments in Local Partnerships LLP, Municipal Bonds Agency PLC and LGA Digital Services Limited.

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

#### Financial Instruments – loans, swaps and hedging

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

#### Stocks and work in progress

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

#### Revenue recognition

##### Income

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

##### Government grants

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

##### Debtors

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

##### Provisions

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

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

### 1. ACCOUNTING POLICIES (Continued)

#### Employee benefits

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

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

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

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

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

#### Reserves

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

#### Status of the Association

The LGA is an unincorporated association governed by its constitution.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 2. INCOME

<b>CONSOLIDATED</b>	<b>2017 £000</b>	<b>2016 £000</b>
<b>Group</b>		
Subscriptions	9,979	9,947
Conferences and seminars	1,724	2,429
Government grants	30,242	34,264
Shared Services – external to group	574	468
Other income	4,969	6,485
	<u>47,488</u>	<u>53,593</u>
<b>Joint Ventures</b>	<u>8,244</u>	<u>8,419</u>
	<u>55,733</u>	<u>62,012</u>
	<b>2017 £000</b>	<b>2016 £000</b>
<b>ASSOCIATION</b>		
Subscriptions	9,956	9,947
Conferences and seminars	1,398	2,112
Shared Services	4,843	6,206
Other income	3,565	5,774
	<u>19,762</u>	<u>24,039</u>

The Association operates Shared Services arrangements under which the companies it controls, and certain other entities, are recharged for the costs of accommodation and various other business services, some of which are provided under a contract between the Association and Liberata Ltd. This contract ended in June 2016 and Agresso IT Services are the only part of the services still provided.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 3. STAFF INFORMATION

	CONSOLIDATED		ASSOCIATION	
	2017	2016	2017	2016
<b>Average number of persons employed</b>	319	322	162	160
<b>Staff costs</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	17,726	17,880	9,152	9,000
Social security costs	1,971	1,679	962	801
Pension costs – employer payments	2,195	2,229	730	699
Pension costs – employer deficit payments	3,570	3,330	494	362
Pension costs – current service costs less contributions	(2,417)	147	131	147
Less income from secondments	(867)	(1,196)	(426)	(665)
	22,178	24,069	11,043	10,344
<b>Staff related costs</b>				
Agency, freelance and secondment costs	1,217	1,397	513	620
Redundancy costs and provision	129	1,171	164	804
Travel, subsistence and staff expenses	1,173	1,318	439	755
Recruitment costs	114	150	28	102
Training costs	94	63	72	34
Other personnel costs	60	46	45	40
	2,787	4,145	1,261	2,355
<b>Total staff costs</b>	<b>24,965</b>	<b>28,214</b>	<b>12,304</b>	<b>12,699</b>



# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 3. STAFF INFORMATION (continued)

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

	2017		2016	
	Salary	Employer pension contribution	Salary	Employer pension contribution
	£	£	£	£
<b>Senior staff employed by the Association and associated organisations</b>				
Carolyn Downs – Chief Executive	-	-	68,532	6,785
Mark Lloyd – Chief Executive	201,690	20,098	83,750	8,291
Stephen Hughes - Executive Director	-	-	53,028	-
Sarah Pickup – Deputy Chief Executive	161,600	15,998	93,333	9,240
<b>Other senior staff</b>				
Andrew Webster – Associate Director of Health	-	-	92,900	16,443

#### Current Employees

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

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

#### Ex - Employees

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

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

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

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

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 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 2017 figures include six staff (2016: six staff) seconded to other organisations, of which two were employed by the Association.

CONSOLIDATED	2017		2016	
	Remuneration including redundancy	Remuneration including redundancy	Remuneration including redundancy	Remuneration including redundancy
£50,000 - £54,999	7	10	10	9
£55,000 - £59,999	9	15	15	23
£60,000 - £64,999	21	14	14	25
£65,000 - £69,999	16	30	30	10
£70,000 - £74,999	30	29	29	26
£75,000 - £79,999	10	3	3	4
£80,000 - £84,999	1	8	8	6
£85,000 - £89,999	3	1	1	2
£90,000 - £94,999	2	6	6	2
£95,000 - £99,999	5	6	6	8
£100,000 - £104,999	5	4	4	3
£105,000 - £109,999	3	-	-	-
£110,000 - £114,999	1	1	1	2
£115,000 - £119,999	-	4	4	3
£120,000 to £124,999	1	-	-	-
£135,000 to £139,999	-	1	1	1

ASSOCIATION	2017		2016	
	Remuneration including redundancy	Remuneration including redundancy	Remuneration including redundancy	Remuneration including redundancy
£50,000 - £54,999	4	4	6	5
£55,000 - £59,999	2	2	9	7
£60,000 - £64,999	7	7	1	1
£65,000 - £69,999	3	3	11	10
£70,000 - £74,999	13	13	14	13
£75,000 - £79,999	5	5	2	2
£80,000 - £84,999	-	-	5	4
£85,000 - £89,999	3	3	-	-
£90,000 - £94,999	2	2	1	1
£95,000 - £99,999	-	-	2	1
£100,000 - £104,999	1	1	1	1
£105,000 - £109,999	2	2	2	2
£110,000 - £114,999	1	1	1	1
£115,000 - £119,999	-	-	1	1
£120,000 - £124,999	1	1	-	-

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 4. OPERATING SURPLUS

	CONSOLIDATED		ASSOCIATION	
	Year ended	Year ended	Year ended	Year ended
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Operating surplus is after charging:</b>				
Depreciation and amortisation	537	599	219	219
Loss on disposal of fixed assets		-	-	-
Auditor's remuneration				
- audit fee	38	38	15	15
- non audit services	3	3	-	-

### 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 (with the except of Local Government Management Board Limited) 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.

LGMB has sought tax advice and our advisors have confirmed that as a result Layden House being treated as an investment asset, the Company is no longer exempt from tax on its revenue income and gains or capital gains. Discussions are ongoing with HMRC to determine if there is any historic tax liability.

### 7. FIXED ASSETS

#### Group Assets

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

As a result of the introduction FRS102 89 per cent of Local Government House cost and depreciation have been accounted for as Tangible Fixed Assets in the Group figures for the Financial Years 2015/16 and 2016/17 to reflect the area of the building utilised by the group.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### TANGIBLE FIXED ASSETS

CONSOLIDATED	Freehold Land and Buildings	Fixtures, fittings and equipment	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2016	18,477	2,559	21,036
Additions	1,792	-	1,792
Disposals	-	(1,900)	(1,900)
<b>At 31 March 2017</b>	<b>20,269</b>	<b>659</b>	<b>20,928</b>
<b>Depreciation</b>			
At 1 April 2016	3,856	1,473	5,329
Charge for year	254	283	537
Disposal in year	-	(1,317)	(1,317)
<b>At 31 March 2017</b>	<b>4,110</b>	<b>439</b>	<b>4,549</b>
<b>Net book value</b>			
At 31 March 2017	16,159	220	16,380
At 31 March 2016	14,621	1,086	15,707

### Association Assets

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

ASSOCIATION	ICT equipment £000	Total £000
<b>Cost</b>		
At 1 April 2016	659	659
Additions	-	-
At 31 March 2017	659	659
<b>Depreciation</b>		
At 1 April 2016	220	220
Charge for year	219	219
At 31 March 2017	439	439
<b>Net book value</b>		
At 31 March 2017	220	220
At 31 March 2016	439	439

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 8. INVESTMENT PROPERTIES

<b>CONSOLIDATED</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Brought forward valuation	30,006	25,517
Capital Expenditure	583	966
Unrealised gain on revaluation	548	3,523
<b>Carried forward valuation</b>	<b>31,137</b>	<b>30,006</b>

Until May 2011, the IDeA operated from Layden House, Farringdon, London EC1, a building owned by Local Government Management Board. Layden House was occupied during 2015/16 by unrelated third parties who were granted short term leases on normal commercial terms. These leases have now come to an end, with the property vacated to allow for the redevelopment to commence in 2017/18.

As a result of the requirements of FRS102, in the Group Accounts 11 per cent of Local Government House valuation have been accounted for as Investment Property Assets for the Financial Years 2015/16 and 2016/17 to reflect the area of the building available for occupation by 3rd parties.

The freehold land and buildings Layden House and Local Government House were valued at open market value on a commercial rental use basis. The valuations were performed as at 31 March 2017 by an independent professional valuer, Farebrother Chartered Surveyors.

### 9. INVESTMENTS IN JOINT VENTURES - GROUP

#### LOCAL PARTNERSHIPS LLP

Balance Sheet	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Current Assets</b>	4,341	5,246
Share of gross assets	4,341	5,246
Liabilities due within one year or less	(828)	(596)
Other	-	(1,350)
Loans and other debts due to members	(70)	(200)
Share of gross liabilities	(898)	(2,146)
<b>Share of net assets</b>	<b>3,443</b>	<b>3,100</b>

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 9. INVESTMENTS IN JOINT VENTURES - GROUP (continued)

The operating results for Local Partnerships LLP are shown below:

Profit and Loss Summary	Year ended	Year ended
	31 March	31 March
	2017	2016
	£000	£000
Revenue	9,238	9,086
Operating costs	(8,548)	(8,545)
Interest Receivable	23	21
Operating profit	713	562
<b>Share of operating profit</b>	<b>357</b>	<b>281</b>

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

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

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

In the Financial Year 2016/17 Local Partnerships LLP did not pay any dividends to either party. In 2016/17 Local Partnerships LLP repaid £130,000 of the 6 per cent Convertible Loan Stock each to the Association and HM Treasury.

### GEOPLACE LLP

Balance Sheet	31 March	31 March
	2017	2016
	£000	£000
Fixed Assets	-	14
Intangible Assets	88	88
Current Assets	1,276	907
Share of gross assets	1,364	1,009
Liabilities due within one year or less	(378)	(369)
Share of gross liabilities	(378)	(369)
<b>Share of net assets</b>	<b>986</b>	<b>640</b>

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 9. INVESTMENTS IN JOINT VENTURES - GROUP (continued)

The operating results for GeoPlace LLP are shown below:

<b>Profit and Loss Summary</b>	<b>Year ended 31 March 2017 £000</b>	<b>Year ended 31 March 2016 £000</b>
Revenue	13,248	13,173
Operating costs	(6,577)	(7,659)
Interest Receivable and Payable	-	-
Operating profit	6,671	5,514
<b>Share of operating profit</b>	<b>1,668</b>	<b>1,379</b>

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 IDeA and the LGA, for the formation of a new joint venture, the limited liability partnership GeoPlace LLP. The purpose of the LLP is to create, manage and, through separate licensing arrangements with Ordnance Survey, commercially exploit a single definitive National Address Gazetteer. Ordnance Survey and IDeA each contributed £1 by way of equity capital. Immediately prior to completion of the joint venture agreement, which took place on 31 March 2012, IDeA and Ordnance Survey made loans to GeoPlace LLP of £1.500 million and £4.773 million respectively. These loans have now been repaid. The distributable profits of GeoPlace LLP are allocated 25 per cent to IDeA and 75 per cent to Ordnance Survey.

GeoPlace LLP commenced trading on 1 April 2011 and has traded profitably in the years to 31 March 2017.

### LGA DIGITAL SERVICES

<b>Balance Sheet</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Fixed Assets	-	-
Intangible Assets	-	-
Current Assets	313	583
Share of gross assets	313	583
Liabilities due within one year or less	(313)	(583)
Share of gross liabilities	(313)	(583)
<b>Share of net assets</b>	<b>-</b>	<b>-</b>

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 9. INVESTMENTS IN JOINT VENTURES - GROUP (continued)

The operating results for LGA Digital Services are shown below:

Profit and Loss Summary	Year ended	Year ended
	31 March	31 March
	2017	2016
	£000	£000
Revenue	626	1,165
Operating costs	(626)	(1,165)
Operating profit	-	-
<b>Share of operating profit</b>	<b>-</b>	<b>-</b>

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

### 9. INVESTMENTS

Investment in UK Municipal Bonds Agency PLC (MBA)	Year ended	Year ended
	31 March	31 March
	2017	2016
	£000	£000
Opening balance	500	500
Invested in year	-	-
Closing Value	<b>500</b>	<b>500</b>

#### LGA

Investment in Local Partnerships LLP	Equity	Debt	Total
	£000	£000	£000
<b>Year ended 31 March 2016</b>			
Opening balance	800	500	1,300
Reversal of impairment in year	-	(300)	(300)
Closing value	800	200	1,000
<b>Year ended 31 March 2017</b>			
Opening balance	800	200	1,000
Repaid in year	-	(130)	(130)
Closing value	800	70	870



# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 9. INVESTMENTS (continued)

#### Investment in LGA Digital Services Limited

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

### 10. LONG TERM DEBTORS

There has been a £6 million loan between the LGA and Local Government Management Board Limited and a £9 million loan between LGA and Local Government (Properties) Limited to finance the refurbishment of the buildings. These loans are due to mature in 20 years (2037) and interest is charge at 0.5 per cent over the PWLB rates.

### 11. DEBTORS

	CONSOLIDATED		ASSOCIATION	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade debtors	4,385	3,780	1,460	1,010
Due from related entities	7	625	288	1,793
Loan due from LGA (Properties)	-	-	120	1,600
Loan due from Local Government Management Board	-	-	-	2,500
Other debtors	460	339	138	605
Prepayments and accrued income	1,266	1,096	371	501
	<u>6,118</u>	<u>5,840</u>	<u>2,377</u>	<u>8,009</u>

### 12. SHORT TERM INVESTMENTS

Surplus cash balances held by the Association, the companies it controls and related parties are pooled and lent to financial institutions on the Association's approved counterparty list. Investments are typically for periods not exceeding 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 Association's Investment Strategy. The Association's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and the Association does not expect any losses on short term investments

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

### 13. CREDITORS

	CONSOLIDATED		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Amounts falling due within one year</b>				
Accounts payable and accruals	3,982	4,093	543	746
Income received in advance	3,735	3,402	601	453
Other creditors	1,697	1,628	891	859
Owed to related entities	-	-	372	166
	<u>9,414</u>	<u>9,123</u>	<u>2,407</u>	<u>2,224</u>
<b>Amounts falling due beyond one year</b>				
1 to 2 Years	270	918	270	270
2 to 5 years	1,840	2,214	280	498
More than 5 years	11,223	11,449	11,000	-
	<u>13,333</u>	<u>14,581</u>	<u>11,550</u>	<u>768</u>

In 2011/12 the Association received a distribution of £2,707,612 from the liquidation of ADC. Trustees Ltd, the company that had held the property and assets for the Association of District Councils. The Leadership Board of the Association has determined that funds from this distribution should be applied, to provide support of £217,945 p.a. for 10 years to the District Councils Network, a special interest group of the Association; secondly to provide a new additional discount from 1 April 2013 at a rate of 1.5 per cent on the subscriptions of non-metropolitan unitary authorities. The current rate of support has been increased to £270,000 per annum, with creditors payable after more than one year including an amount of £279,725 representing the final two instalments of the support due for the District Councils Network.

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

	2017 £000	2016 £000
Bank loans	3,640	4,160
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Barclays Swap Liability	943	1,131
	<u>12,783</u>	<u>13,491</u>

The above Swap agreement liability is the value on the balance sheet as at 31 March 2017 that would be payable if the loan was repaid. The £188,000 loss as a result of this liability reducing has been credited to the Statement of Consolidated Income. The Bank Loans and the Barclays Swap Liability are secured against Local Government House party valued as a Property asset in note 7 at £16.1 million and partly as Investment Property Asset at £4.4 million.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 13. CREDITORS (continued)

The loans from ACC (Properties) Ltd and AMA (Properties) Ltd are only repayable in the event of the sale of Local Government House. There is no intention to dispose of the property in the foreseeable future. The loan from ACC (Properties) Ltd bears compound interest at 1.5 per cent above the base rate with payment conditional upon the disposal of the property. The accumulated interest to date on the loan is £2.780 million.

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

On 1 January 2017, a loan of £11 million was issued from the IDeA bearing interest of 2.94 per cent per annum. The loan is repayable on 31 December 2036.

### 14 PROVISION FOR ORGANISATION RESTRUCTURING

	CONSOLIDATED		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Balance at 1 April	468	680	22	393
Arising during year	222	468	-	22
Utilised during year	(468)	(680)	(22)	(393)
Balance at 31 March	222	468	-	22

The provision for the year to 31 March 2017 relates actual redundancy costs and provision has been set up to cover further cost of redundancies. There is no LGA provision for 2016/17.

### 15 PENSION COMMITMENTS

The LGA and companies under the Association's control are admitted bodies to two local government pension funds: the Merseyside Pension Fund, administered by Wirral Metropolitan Borough Council; and the London Borough of Camden Pension Fund. These funds are administered in accordance with the LGPS 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 2017 as £1.621 million (2016 £1.652 million). 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 2016. The actuarial assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The assumptions made by the actuaries (Mercer Ltd (M) for the Merseyside fund and Hymans Robertson (HR) for the Camden funds) are stated below.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 15. PENSION COMMITMENTS (continued)

#### Investment returns

The investment returns on the funds used in calculating the year end assets were in the range 12.37 per cent to 21.90 per cent (2016, 1.2 per cent to 12.37 per cent).

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

	31 March 2017	31 March 2016
Equities	53.6% to 78.0%	51.8% to 75.0%
Bonds (HR)	11.0%	13.0%
Government Bonds (M)	4.0%	4.6%
Other Bonds (M)	11.4%	11.3%
Property	7.8% to 9.0%	8.9% to 11.0%
Cash	2.0% to 3.4%	1.0% to 3.4%
Other (M)	19.8%	20.0%

#### a) Actuarial assumptions

Full actuarial valuations were carried out at 31 March 2016 and updated to 31 March 2017 by qualified independent actuaries. The next Triennial valuation will be as at 31 March 2019.

The range of assumptions used by the actuaries was:

	31 March 2017 % per annum	31 March 2016 % per annum
Pension increase rate	2.3% to 2.4%	2.0% to 2.2%
Salary increase rate	3.0% to 3.8%	3.5% to 4.2%
Discount rate	2.5% to 2.6%	3.4% to 3.5%
Inflation assumption	2.3%	2.0% to 2.2%

Mortality Rates*	31 March 2017 Years	31 March 2016 Years
Current Pensioners – Male	22 to 22.5	22 to 22.5
Current Pensioners – Female	21.9 to 24.1	24.4 to 25.4
Future Pensioners – Male	23.9 to 24.9	24.3 to 24.9
Future Pensioners – Female	24.9 to 26.1	26.8 to 28.2

\*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 2017

### 15. PENSION COMMITMENTS (continued)

#### b) Scheme assets

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

	<b>Fair value at 31 March 2017 £000</b>	<b>Fair value at 31 March 2016 £000</b>
<b>Fair value of employer assets</b>		
Equities	73,867	53,425
Bonds (HR)	-	-
Government Bonds (M)	5,512	4,744
Other Bonds (M)	15,711	11,654
Property	10,749	9,179
Cash	4,686	3,507
Other (M)	27,287	20,627
<b>Total Market Value of Assets</b>	<u>137,812</u>	<u>103,136</u>

The above asset values are at bid value as required under FRS102.

<b>Balance sheet</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Fair value of employer assets	283,283	224,054
Present value of funded liabilities	(394,588)	(305,238)
Net underfunding in funded plans	(111,305)	(81,184)
Present value of unfunded liabilities	(13,686)	(13,567)
<b>Net liability</b>	<u>(124,991)</u>	<u>(94,751)</u>

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 15. PENSION COMMITMENTS (continued)

Recognition in the statement of Comprehensive Income	Year to 31 March	Year to 31 March
	2017	2016
	£000	£000
Current service cost	(603)	(1,073)
Interest cost	8,981	8,402
Expected return on employer assets	(9,826)	(9,603)
Administration expenses	37	35
Past service cost	-	-
Losses on curtailments and settlements	118	234
<b>Total</b>	<b>(1,293)</b>	<b>(2,005)</b>
Actual return on plan assets	<b>21,107</b>	<b>632</b>
<b>Reconciliation of defined benefit obligation</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	318,805	339,535
Current service cost	3,409	3,983
Interest cost	11,026	10,779
Contribution by members	1,353	1,376
Actuarial (gains)/losses	84,027	(28,026)
Past service costs	32	88
Losses on curtailments	150	322
Estimated unfunded benefits paid	(606)	(600)
Estimated benefits paid	(9,922)	(8,652)
<b>Closing defined benefit obligation</b>	<b>408,274</b>	<b>318,805</b>

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2017

### 15. PENSION COMMITMENTS (continued)

Reconciliation of fair value of employer assets	2017 £000	2016 £000
Opening fair value of employer assets	224,054	226,675
Expected return on assets	7,781	7,226
Contributions by members	1,353	1,376
Contributions by the employer	5,257	5,566
Contributions in respect of unfunded benefits	606	600
Administrative Expenses	(37)	(35)
Actuarial (losses)/gains	54,797	(8,102)
Unfunded Benefits paid	(440)	(434)
Benefits paid	(10,088)	(8,818)
<b>Closing fair value of employer assets</b>	<b>283,283</b>	<b>224,054</b>

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

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Fair value of employer assets	283,283	224,054	226,675	202,130	168,408
Present value of defined benefit obligation	(408,274)	(318,805)	(339,535)	(294,067)	(235,382)
<b>Deficit</b>	<b>(124,991)</b>	<b>(94,751)</b>	<b>(112,860)</b>	<b>(91,937)</b>	<b>(75,570)</b>
Experience gains/(losses) on assets	(54,797)	(8,102)	6,224	977	13,921
Experience gains/(losses) on liabilities	-	-	1,451	(13,075)	253

The total of employer pension contributions estimated to be payable in 2017/18 is £6.184 million (£2.423 million of which relates to the Association).

### 16. CONTINGENT LIABILITIES

LGA Properties has a loan from ACC (Properties) Ltd that bears compound interest at 1.5 per cent above the base rate, with payment conditional on the disposal of the property. The accumulated interest to date on the loan is £2.780 million.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

### 17. 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 (IDeA)

Local Government Management Board Ltd

Local Government Association (Properties) Ltd

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

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

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

The IDeA 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 the IDeA takes a 25 per cent share of profits and losses, with the balance going to Ordnance Survey

### 18. EXCEPTIONAL ITEM

During 2016/17 there were no exceptional items to report.

### 19. POST BALANCE SHEET EVENTS

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

### 20. CONTROLLING ENTITY

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





**Local Government Association**

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