

1415

A year in the LGA

The national voice of local government



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Chief Executive's report

Year ended 31 March 2015

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 2014/15 we had 415 member authorities in England and Wales. The 22 Welsh authorities are in corporate membership through the Welsh Local Government Association.

A year in focus

Over the last few years, local government has had to deal with a greater reduction in funding than any other part of the public sector. Councils have worked hard to shield residents from the impact of funding cuts but efficiencies cannot be re-made.

The LGA has championed the work that local government does to keep vital services running but we've also raised the need for a radical reform of public services and what councils should continue to provide. As a sector, we're trusted over national government to lead these changes to the services we deliver and, as an organisation, speaking with one voice we are in the best possible position to represent local government's voice at a national level.

In 2014/15 we focused on making a powerful case for greater independence for local government, campaigning for more financial and decision-making autonomy for democratically elected councils while supporting them in driving innovation and improvement. The launch of our 'Investing in the nation's future: The first 100 days of the next government' campaign at our annual conference in July offered the new government a ready-made, fully-costed, long-term answer to the hard questions they will have to face after the election.

We also launched campaigns focused on two issues facing local government: Future Funding, a campaign for fairer funding; and DevoNext which calls for more devolution to local areas.

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 coordinate improvement work on behalf of councils, has enabled them to deliver millions of pounds of savings.

LGA in Parliament

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

1,429

mentions of the in Parliament over the course of 2014/2015 – on average we were quoted seven times each day Parliament was sitting to debate policy and legislation.

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

- The Deregulation Act
- The Serious Crime Act
- The Infrastructure Act
- The Small Business Enterprise and Employment Act
- The Care Act.

Our annual survey of members showed we have maintained satisfaction over the last 12 months in most areas and increased satisfaction in others.

Seventy seven per cent of members say we effectively represent their views to central government – the same as in 2013 – and 73 per cent say we are influential in shaping the agenda for local government – compared to 68 per cent in 2013. Members' satisfaction with the work of the LGA on behalf of the local government sector increased from 70 percent in 2013 to 74 per cent in 2014.

Our priorities

The LGA's priorities, laid out each year by the LGA Executive, are the ones that matter most to our membership.

In 2014/15, 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.

Together with CIPFA, we set up the Independent Commission on Local Government Finance, to review and find better ways to fund local services and promote economic growth locally. The Commission reported in February and was welcomed across local government.

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

These included:

- ensuring that the draft allocations of funding for 0-5s public health commissioning responsibilities reflect the costs of projected expenditure for each local authority area, securing an extra £2 million
- jointly lobbying with ADASS, securing £37 million for councils to help tackle winter pressures for 2014/15, and a further £12 million for 2015/16
- securing an extra £25 million for new duties in adult social care regarding Deprivation of Liberty Safeguards
- highlighting the challenges councils face in delivering more than 900,000 extra school places that will be needed by 2023. This won an additional £2.35 billion in capital funding for new schools places which has provided councils with three-year capital budgets to allow them to plan ahead
- working with DWP to identify seven local partnerships testing out a range of Universal Support services including co-location, data sharing and complex claimants, delivering £680,000 to fund these trials
- almost 60 councils joining with the LGA as investors in the Municipal Bonds Agency.

LGA in the media

In the last year, through our proactive media work, we generated nearly **30,000 media hits** for local government – **that's 76 a day**.

29% increase in national coverage year-on-year from **1,182** media hits in 2013/14 to **1,529** in 2014/15

85% of coverage was positive about local government

81% of coverage was through pro-active media work by the LGA, often working with member councils

At a glance

A year in the LGA

MORE THAN 7,000 DELEGATES ATTENDED OVER 90 LGA EVENTS WITH 67% OF EVENTS FREE TO ATTEND.

WE HAD 4.5 MILLION WEBSITE VIEWS WITH 783,000 UNIQUE USERS OF THE WEBSITE. OUR CORPORATE TWITTER ACCOUNT GAINED OVER 3,000 NEW FOLLOWERS AND RECEIVED 9,052 MENTIONS.

APRIL

Published 'Get in on the Act: The Local Audit and Accountability Act 2014' summarising the work the LGA undertook to influence the legislation.

MAY

Released our 'Making a difference for those living with dementia' film

JUNE

Published 'Get in on the Act, The Care Act 2014' and the LGA's work making the case for a reformed and fairly funded care system.

JULY

Launched 'Investing in our nation's future: The first 100 days of the next government' campaign at our annual conference which attracted over 1,000 delegates.

AUGUST

Launched our 100 days interactive tool which allowed councils to create their own infographics laying out the issues facing the next government.

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 setting up the Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England, which reported in March laying out seven steps to growth and prosperity.

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

- developing amendments to the Small Business and Enterprise Bill to avoid a one-size fits all approach
- producing analysis showing that councils in England face a funding gap of £5.8 billion, due to reduced government funding and rising demand on services, in particular for older people.

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. We:

- secured over £2 million from the Social Care Innovation Fund to establish a centre of excellence to help end the practice of FGM, through a joint bid with Barnardo's
- hosted three LGA Vice-President briefings in Parliament. The sessions were an opportunity to update on our work influencing party manifestos and to secure ideas and feedback on the devolution, future funding and social care campaigns
- hosted a meeting of the All Party Parliamentary Group on devolution, decentralisation and reform at which the Leader of the House of Commons, William Hague MP, spoke about the government's approach to devolution
- launched a new 'devolution hub' to help councils find out what has been achieved in different areas of England, what is possible and a toolkit to assist in planning for future devolution
- launched the first report of the Learning Disability Services Efficiency Project, supporting five councils to develop new and innovative approaches to savings in learning disability services
- successfully lobbied Government to remove a clause in the Deregulation Bill that would have allowed anyone to drive a vehicle marked as a minicab without a criminal records check
- secured an amendment to the Serious Crime Bill at Report Stage to the offence of participating in an organised crime group, so that unwitting activity by local authorities is no longer caught by this offence.

At a glance

A year in the LGA

SEPTEMBER

Hosted debates at the autumn party political conferences and secured 141 opportunities for our councillors to contribute to stakeholder events, including debates and roundtables.

OCTOBER

Submitted evidence to the Autumn Statement process, followed up by letters to ministers.

NOVEMBER

#OurDay took place with over 16,000 tweets and 8,079 twitter handles from across local government taking part.

DECEMBER

LGA Chief Executive Carolyn Downs gave evidence to the Public Accounts Committee inquiry into planning for the Better Care Fund.

JANUARY

Hosted the All Party Parliamentary Group on the Reform, Decentralisation and Devolution in the United Kingdom hearing from the then Leader of the House of Commons, William Hague MP, on the subject of devolution.

FEBRUARY

The Independent Commission on Local Government Finance published its final report – 'Financing English Devolution'.

MARCH

The Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England published its final report: 'Seven Steps to Growth and Prosperity'.

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:

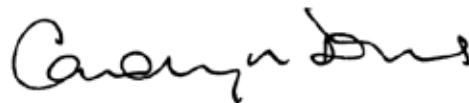
- councils are responsible for their own performance
- councils are primarily accountable to their local communities
- stronger local accountability and increased transparency drive improvement
- councils have collective responsibility for the performance of local government as a whole.

Over the last year, the LGA has supported local authorities by:

- delivering over 130 peer challenges
- launching a consultation paper 'Taking stock: where next with sector-led improvement'
- launching the Highlighting Leadership programme for both councillors and officers
- working with over 250 councils in relation to our various improvement support offers
- continuing to recruit graduates to the National Graduate Development Programme
- establishing the Local Government Public Services Network Programme Board, to enable different parts of government to share information securely.

Looking ahead

This year local government has made great strides but fundamental changes to how we deliver services and how they are funded are long overdue. We have a once in a generation chance to get it right and through devolution and radical public sector reform, we will continue to play our part.



Carolyn Downs
Chief Executive

Strategic Report

Year ended 31 March 2015

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 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 2014/15. Although our income from subscriptions, RSG top-slice and other income including grants fell by a total of 3.2 per cent in 2014/15 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 possible reductions in our core funding over the medium term and are taking steps to ensure we develop new sources of income as well as continuing to reduce our costs. During 2014/15 we took the decision to terminate the contract with Liberata, who currently provide our back office services, with a view to achieving significant efficiencies. 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.

Support for the sector

132 peer challenges

111 graduates placed in **53** councils across England and Wales through the National Graduate Development Programme

577 councillors and **27** officers took part in our Highlighting Leadership programmes

£22m of savings/income generation for **16** councils from LGA productivity experts

Principal risks and uncertainties

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

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

Our principal liabilities other than those arising in ordinary day to day business relate to our combined pension deficit and three main liabilities: structural interest free debt of £8.2 million due to the predecessor Local Authority Associations and related to the purchase of the Smith Square property; bank debt of £5.56 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 £112.86 million at 31 March 2015. In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions averaging over £4 million per annum. Actuarial advice indicates that on reasonable long term assumptions, these contributions will be sufficient to eliminate the deficit over a period of 22 years for the LGA and 15 years for the IDeA. The LGA's Leadership Board has commissioned further work to investigate ways in which the management of the pension deficit can be improved and has agreed to the refurbishment of Layden House from 2016 as part of this strategy.

Price risk

We have relatively low exposure to price risk. Our employee costs are controlled through formal annual negotiations with employee representatives. Our back office services are outsourced to Liberata and provided through a fixed price contract. During 2014/15 we took the decision to terminate the contract to take effect from January 2016. Other services are procured from a range of external providers through competitive tendering arrangements in line with our formal procurement procedures.

Credit risk

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

Liquidity risk

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

Cash flow risk

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

Key performance indicators

We have reviewed the impact of our work and the delivery of our priorities through robust performance management which has included regular reports to the LGA's Leadership Board. In addition we have reviewed our own efficiency and effectiveness through a number of key indicators. These include the number of organisations in membership, which has been maintained at 415 in 2014/15, with only two councils out of membership, the same number as were in membership in March 2014.

In December 2014 we carried out a survey of our members which gave us important information about customer satisfaction with 74 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 77 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 three years employee numbers have fallen from 529 employees

in the year ended March 2012 to 306 employees in the year ended 31 March 2015. We continue to monitor employee absence, which has fallen from an average annual number of sick days per employee of 3.1 days in March 2014 to 2.6 days in March 2015.

We continue to pay close attention to the collection of outstanding debt. The percentage of debtors over 12 months was 3 per cent of total debtors at March 2015.

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 2015 to be £30.7 million, which is £14.5 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 £22 million.

As mentioned above, the LGA's Leadership Board has now agreed to the refurbishment of Layden House from 2016.

Environment

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

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

Employees

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 29.

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

Report of the Chairman of the Leadership Board

Year ended 31 March 2015

Business review

Over the last year, the LGA's Leadership Board has undertaken significant work to develop the medium term financial strategy of the LGA and its associated organisations. As part of this, it has supported the development of a commercial strategy for the LGA which is now being implemented. Following an options appraisal of Layden House – in which the LGA has the freehold – work is underway on the refurbishment of the property with a view to increasing its rental and capital value.

The Leadership Board has also reviewed the strategy for managing the pension costs of the LGA and the IDeA, in view of the additional contributions to reduce deficits which currently exceed more than £4 million annually. The Leadership Board has regularly monitored the LGA's financial performance against the agreed budget.

The Leadership Board has taken the decision to maintain membership subscriptions at the same level 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 Jonathan Owen, whose membership is independent of the LGA's other Boards and Panels.



Councillor David Sparks

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

Gary Porter

[Vice-chairman]

David Hodge

[Deputy Chairman]

Appointed 8 July 2014

Phillipa Roe

[Deputy Chairman]

Appointed 8 July 2014

Neil Clarke

[Deputy Chairman]

Appointed 8 July 2014

Sir Merrick Cockell

[Chairman]

Resigned 8 July 2014

Andrew Lewer MBE

[Deputy-chairman]

Resigned 8 July 2014

Robert Light

[Deputy-chairman]

Resigned 8 July 2014

Labour

David Sparks OBE

[Chairman]

Sharon Taylor OBE

[Deputy-chairman]

Mayor Sir Steve Bullock

[Deputy-chairman]

Keith Wakefield

[Deputy-chairman]

Liberal Democrat

Gerald Vernon-Jackson

[Vice-chairman]

Mayor Dorothy Thornhill MBE

[Deputy-chairman]

Independent

Marianne Overton MBE

[Vice-chairman]

LOCAL GOVERNMENT ASSOCIATION

STATEMENT OF THE LEADERSHIP BOARD'S RESPONSIBILITIES

Year ended 31 March 2015

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 2015. The Leadership Board has decided to prepare these financial statements in accordance with UK Generally Accepted Accounting Practice.

In preparing these financial statements, the Leadership Board has:

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

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

Provision of information to Auditor

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

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

Auditors

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

Approved by the Leadership Board and signed on their behalf



10 June 2015

Councillor David Sparks

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 2015

We have audited the financial statements of the Local Government Association (LGA) for the year ended 31 March 2015 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 16, the Members of the Leadership Board are responsible for the preparation of the financial statements and for being satisfied that they have been properly prepared. Our responsibility is to audit, and express an opinion on, the financial statements in accordance 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 2015

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 2015 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 2015

	Note	2015 £000	2014 £000
Income: Group and share of joint ventures' income		64,865	66,100
Less share of joint ventures' income		(8,090)	(7,426)
Group Income	2	56,775	58,674
Administrative expenses		(49,149)	(53,195)
GROUP OPERATING SURPLUS	4	7,626	5,479
Contract restructuring costs		(236)	-
Share of operating surplus of joint ventures	8	1,787	1,950
Dividend and profits share from Joint Ventures		1,786	1,350
Gain on Disposal of EGS Group Limited Shares		-	128
Finance discounts allowed	5	(534)	(542)
Share of joint ventures distribution to members		(1,816)	(1,398)
Interest receivable and similar income		136	124
Interest payable		(386)	(428)
Pension scheme – interest cost and expected return on assets	16	34	(1,400)
Pension scheme – past service costs and losses on settlements and curtailments	16	(16)	(184)
SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR BEFORE AND AFTER TAX	6,15	8,381	5,079

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2015

	Note	2015 £000	2014 £000
Surplus for the year		8,381	5,079
Unrealised gain on revaluation in respect of investment property		4,450	5,150
Actuarial loss recognised in respect of the pension fund	16	(36,464)	(19,051)
Actuarial gain recognised in respect of the pension fund transfer between West Sussex and Merseyside	16	9,995	-
Total recognised loss relating to the year		(13,638)	(8,822)
Total recognised (loss)/gain relating to			
Group		(13,609)	(9,374)
Joint Ventures		(29)	552
TOTAL RECOGNISED LOSS IN THE YEAR		(13,638)	(8,822)

All amounts relate to continuing operations.

The accounting policies and notes in pages 25 to 43 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2015

	Note	2015	2014
		£000	£000
Income	2	25,515	27,500
Administrative expenses		(23,623)	(25,035)
OPERATING SURPLUS	4	1,892	2,465
Contract restructuring costs	19	(236)	-
		1,656	
Finance discounts allowed	5	(533)	(542)
Interest receivable and similar income		163	201
Dividend and profits share from Joint Ventures	8	361	-
Pension scheme – interest cost and expected return on assets	16	503	(543)
Pension scheme – past service costs and gains/losses on settlements and curtailments	16	(16)	-
SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR BEFORE AND AFTER TAX	6,15	2,134	1,581

ASSOCIATION STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2015

	Note	2015	2014
		£000	£000
Surplus for the year		2,134	1,581
Actuarial (loss)/gain recognised in respect of the pension fund	16	(7,295)	1,191
Total recognised (loss)/gain relating to the year		(5,161)	2,772

All amounts relate to continuing operations.

The accounting policies and notes in pages 25 to 43 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED BALANCE SHEET

Year ended 31 March 2015

	Note	2015 £000	2014 £000
FIXED ASSETS			
Tangible assets	7	16,716	17,105
Investment Properties	7	22,000	17,550
Intellectual Copyright Assets		1	1
Investments - LCFC		500	
Investments in Joint Ventures:			
Share of gross assets of joint ventures	8	6,784	6,489
Share of gross liabilities of joint ventures	8	(2,922)	(2,603)
		<u>43,079</u>	<u>38,542</u>
CURRENT ASSETS			
Debtors	11	8,146	4,707
Short term Investments	12	16,320	14,694
Cash at bank and in hand		2,686	3,894
		<u>27,152</u>	<u>23,295</u>
CREDITORS: amounts falling due within one year	13	<u>(8,913)</u>	<u>(7,607)</u>
NET CURRENT ASSETS		18,239	15,688
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>61,318</u>	<u>54,230</u>
CREDITORS: amounts falling due after more than one year	13	(14,150)	(15,068)
PROVISIONS FOR LIABILITIES			
Provision for contract restructuring	19	(236)	
Provision for Organisation restructuring	14	(680)	
Pension Fund deficit	16	<u>(112,860)</u>	<u>(91,937)</u>
NET LIABILITIES		<u>(66,608)</u>	<u>(52,775)</u>
ACCUMULATED FUNDS			
General Reserve	15	29,515	26,875
Revaluation Reserve		16,737	12,287
Pension Deficits Reserve			
- Pension Fund Assets		226,675	202,130
- less Defined Liabilities		<u>(339,535)</u>	<u>(294,067)</u>
		<u>(66,608)</u>	<u>(52,775)</u>

These financial statements were approved by the LGA Leadership Board on 10th June 2015 and signed on their behalf by



Councillor David Sparks

The accounting policies and notes in pages 25 to 43 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

ASSOCIATION BALANCE SHEET

As at 31 March 2015

	Note	2015 £000	2014 £000
FIXED ASSETS			
Investments	9	1,800	1,100
LONG TERM DEBTORS			
	10	220	320
CURRENT ASSETS			
Debtors	11	6,724	6,808
Short term Investments	12	1,885	2,774
Cash at bank and in hand		718	1,433
		<u>9,327</u>	<u>11,015</u>
CREDITORS: amounts falling due within one year	13	<u>(2,382)</u>	<u>(2,446)</u>
NET CURRENT ASSETS		<u>6,945</u>	<u>8,569</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,965	9,989
CREDITORS: amounts falling due after more than one year	13	(1,090)	(1,308)
PROVISIONS FOR LIABILITIES			
Provision for Contract restructuring	19	(236)	-
Provision for Organisation restructuring	14	(393)	-
Pension Fund deficit		<u>(37,504)</u>	<u>(33,759)</u>
NET LIABILITIES		<u>(30,239)</u>	<u>(25,078)</u>
ACCUMULATED FUNDS			
	15		
General Reserve		7,265	8,681
Pension Deficits Reserve			
- Pension Fund Assets		105,881	94,138
- less Defined Liabilities		<u>(143,385)</u>	<u>(127,897)</u>
		<u>(30,239)</u>	<u>(25,078)</u>

These financial statements were approved by the LGA Leadership Board on 10 June 2015 and signed on their behalf by



Councillor David Sparks

The accounting policies and notes in pages 25 to 43 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2015

	Note	2015 £000	2014 £000
Net cash outflow from operating activities	(i)	(84)	(203)
Returns on investments and servicing of finance			
Interest received		136	124
Interest paid		(386)	(428)
Dividend and profits share from Joint Ventures		1,786	1,350
Finance discounts for former members of AMA		(534)	(542)
		<u>1,002</u>	<u>504</u>
Acquisitions and disposals			
Funding receipts from GeoPlace LLP		-	-
Funding receipts from Local Partnerships LLP		(500)	300
Leadership Centre disaggregation from Group		-	(979)
Gain on Disposal of EGS Group Limited Shares		-	128
		<u>(500)</u>	<u>(551)</u>
Management of liquid resources			
Decrease in short term investments		(1,626)	885
Decrease in cash		<u>(1,207)</u>	<u>635</u>
Net funds at the start of the year		3,894	3,259
Net funds at the end of the year		<u><u>2,686</u></u>	<u><u>3,894</u></u>

The accounting policies and notes in pages 25 to 43 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2015

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

	2015	2014
	£000	£000
Operating surplus	7,269	5,479
Contract restructuring costs	(236)	-
Reversal of Impairment on Local Partnerships Investment	(200)	-
Depreciation	389	389
Pension costs – current service cost less contributions	(5,095)	(3,592)
Pension costs – contributions in respect of unfunded benefits	(433)	(676)
Decrease in current assets:		
- stocks	-	20
- debtors	(3,439)	257
Decrease in current liabilities:		
- creditors	1,306	(1,162)
- provisions	915	-
(Decrease)/increase in creditors due after one year	<u>(918)</u>	<u>(918)</u>
Net cash outflow from operating activities	<u>(84)</u>	<u>(203)</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	3,894	(1,208)	-	<u>2,686</u>

The accounting policies and notes in pages 25 to 43 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, with the exception of preparing a detailed note on the Association's defined benefit pension scheme. The Leadership Board do not believe that this results in the financial statements not showing a true and fair view. The particular accounting policies adopted are described below.

Going Concern

The financial statements have been prepared on the going concern basis. The Association and the entities under its control have net liabilities, after accounting for the defined benefit pension scheme deficits of £52.8 million as at 31 March 2015. £25.1 million of this amount relates to the Association. The valuation of net liabilities includes actuarial estimates of pension scheme liabilities at the balance sheet date. The Association and certain of its related entities pay amounts into the schemes, as prescribed by the actuaries, in order to eliminate this deficit over a period between 15 and 22 years, and unfunded pension liabilities are being cleared over the remaining lives of the pensioners concerned, as disclosed in Note 16. Payments to clear pension deficits are financed from the Association's and related entities' general income. In view of these arrangements the Leadership Board expects that the Association and entities under its control will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis. However, in the event of dissolution, any excess of the Association's liabilities over its assets would be required, under the terms of its constitution, to be covered by its member authorities, including authorities that had left membership within the period of five years prior to dissolution.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the holding of investment properties at valuation in accordance with SSAP 19 "Accounting for Investment Properties".

Basis of consolidation

The group financial statements consolidate the financial statements of the Association and companies under its control for the year ended 31 March 2015. They also consolidate the group's share of the results and post-acquisition reserves of joint ventures under the gross equity accounting method. The profits and losses of group undertakings and joint ventures are consolidated from the date of acquisition to the date of disposal using the acquisition method of accounting. Uniform accounting policies are used for all group companies. Profits or losses on intragroup transactions are eliminated on consolidation. Note 18 gives details of the companies under the control of the Association and the Association's other related entities.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

1. ACCOUNTING POLICIES (Continued)

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 2015

1. ACCOUNTING POLICIES (Continued)

Investments

For the Group, investments in Joint Ventures are the interests in Local Partnerships LLP and Geoplace LLP. Note 8 provides the details of their formations and results.

Note 9 provides details of the Association's investments in Local Partnerships LLP and Local Capital Finance Company 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.

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 and contracts 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. 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 2015

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	2015 £000	2014 £000
Group		
Subscriptions	9,987	10,240
Conferences and seminars	1,635	2,444
Government Grants	36,680	36,984
Shared Services – external to group	995	1,011
Other income	7,492	7,995
	<u>56,789</u>	<u>58,674</u>
Joint Ventures	<u>8,090</u>	<u>7,426</u>
	<u>64,879</u>	<u>66,100</u>
	2015 £000	2014 £000
ASSOCIATION		
Subscriptions	10,001	10,240
Conferences and seminars	1,300	1,907
Shared Services	6,404	7,520
Other income	7,810	7,833
	<u>25,515</u>	<u>27,500</u>

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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

3. STAFF INFORMATION

	CONSOLIDATED		ASSOCIATION	
	2015	2014	2015	2014
Average number of persons employed	306	309	136	133
Staff costs	£000	£000	£000	£000
Wages and salaries	17,303	16,781	8,152	7,840
Social security costs	1,634	1,613	727	717
Pension costs – employer payments	2,185	2,153	620	850
Pension costs – employer deficit payments	6,198	4,867	3,327	2,380
Pension costs – current service costs less contributions	(5,504)	(4,265)	(3,039)	(2,188)
<u>Less income from secondments</u>	<u>(1,202)</u>	<u>(1,044)</u>	<u>(672)</u>	<u>(416)</u>
	<u>20,614</u>	<u>20,105</u>	<u>9,115</u>	<u>9,183</u>
Staff related costs				
Agency, freelance and secondment costs	1,090	761	368	289
Redundancy costs & provision	894	378	542	82
Travel, subsistence and staff expenses	1,170	1,157	474	435
Recruitment costs	79	84	15	25
Training costs	106	113	61	90
Other personnel costs	52	54	31	45
	<u>3,391</u>	<u>2,547</u>	<u>1,491</u>	<u>966</u>
Total staff costs	<u>24,005</u>	<u>22,652</u>	<u>10,606</u>	<u>10,149</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

3. STAFF INFORMATION (continued)

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

	2015		2014	
	Salary £	Employer pension contribution £	Salary £	Employer pension contribution £
Senior staff employed by the Association and associated organisations				
Carolyn Downs – Chief Executive	171,629	16,991	170,690	27,140
Stephen Hughes – Executive Director	14,606	-	-	-
Michael Lockwood – Executive Director of Finance and Policy	128,847	-	11,667	-
Michael Coughlin – Executive Director	68,813	12,324	141,400	24,038
Daniel Goodwin – Executive Director of Finance and Policy	-	-	135,000	21,465
Other senior staff				
Andrew Webster – Associate Director of Health	142,178	25,165	136,044	23,127
Colin Hilton – Director of Children’s Services – Self Improvement	-	-	41,498	-

Current employees

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

Stephen Hughes was appointed as Executive Director with effect from 9 February 2015.

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

Ex - employees

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

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

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

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 2015

3. STAFF INFORMATION (continued)

The numbers of other staff who received remuneration of £50,000 or more are stated in the table below. Remuneration excludes employer pension contributions but includes redundancy and all taxable benefits paid to or receivable by the employee. The 2015 figures include 6 staff (2014:6 staff) seconded to other organisations, of which 2 were employed by the Association.

CONSOLIDATED	2015	2015	2014	2014
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	13	13	19	19
£55,000 - £59,999	19	19	17	17
£60,000 - £64,999	26	26	19	18
£65,000 - £69,999	13	13	23	23
£70,000 - £74,999	24	24	16	15
£75,000 - £79,999	5	5	3	3
£80,000 - £84,999	5	5	5	5
£85,000 - £89,999	2	2	1	0
£90,000 - £94,999	1	1	5	5
£95,000 - £99,999	10	10	6	6
£100,000 - £104,999	2	1	1	1
£105,000 - £109,999	-	-	1	1
£110,000 - £114,999	1	1	-	-
£115,000 - £119,999	3	3	3	3
£125,000 to £129,999	1	0	1	1
£135,000 to £139,999	0	0	1	1
ASSOCIATION	2015	2015	2014	2014
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	8	9	9	9
£55,000 - £59,999	3	3	6	6
£60,000 - £64,999	2	2	5	5
£65,000 - £69,999	13	13	12	12
£70,000 - £74,999	11	11	7	7
£75,000 - £79,999	3	3	1	1
£80,000 - £84,999	3	3	2	2
£85,000 - £89,999	1	1	-	-
£90,000 - £94,999	-	-	1	1
£95,000 - £99,999	3	3	3	3
£100,000 - £104,999	1	-	1	1
£115,000 - £119,999	1	1	1	1

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

4. OPERATING SURPLUS

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Operating surplus is after charging:				
Depreciation and amortisation	389	389	-	-
Auditor's remuneration				
- audit fee	43	43	19	17

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 £30.7 million on 31 March 2015 (£25.5m last year) 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 2015

TANGIBLE FIXED ASSETS

CONSOLIDATED	Freehold Land and Buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 April 2014	20,011	1,900	21,911
Additions	-	-	-
At 31 March 2015	<u>20,011</u>	<u>1,900</u>	<u>21,911</u>
Depreciation			
At 1 April 2014	3,806	1,000	4,806
Charge for year	262	127	389
At 31 March 2015	<u>4,068</u>	<u>1,127</u>	<u>5,195</u>
Net book value			
At 31 March 2015	<u>15,943</u>	<u>774</u>	<u>16,716</u>
At 31 March 2014	<u>16,205</u>	<u>900</u>	<u>17,105</u>

INVESTMENT PROPERTIES

CONSOLIDATED	2015 £000	2014 £000
Brought forward valuation	17,550	12,400
Unrealised gain on revaluation	4,450	5,150
Carried forward valuation	<u>22,000</u>	<u>17,550</u>

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 2015 by an independent professional valuer, Farebrother Chartered Surveyors.

8. INVESTMENTS IN JOINT VENTURES - GROUP

LOCAL PARTNERSHIPS LLP

Balance Sheet	31 March 2015 £000	31 March 2014 £000
Current Assets	5,410	5,006
Share of gross assets	<u>5,410</u>	<u>5,006</u>
Liabilities due within one year or less	(722)	(1,854)
Other	(1,350)	
Loans and other Debts due to members	(500)	(500)
Share of gross liabilities	<u>(2,572)</u>	<u>(2,354)</u>
Share of net assets	<u>2,838</u>	<u>2,652</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

8. INVESTMENTS IN JOINT VENTURES - GROUP (Continued)

The operating results for Local Partnerships LLP are shown below:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Profit and Loss Summary		
Revenue	10,230	9,626
Operating costs	(9,101)	(7,873)
Interest Receivable	26	17
Operating profit	<u>1,155</u>	<u>1,770</u>
Share of operating profit	<u>577</u>	<u>885</u>

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

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

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

In March 2013 and 2014, Local Partnerships LLP repaid £375,000 and £300,000 of the 6 per cent Convertible Loan Stock each to the Association and HM Treasury. In the Financial Year 2014/15 Local Partnerships LLP paid a dividend of £361,000 to each party.

GEOPLACE LLP

	31 March 2015 £000	31 March 2014 £000
Balance Sheet		
Fixed Assets	27	40
Intangible Assets	459	834
Current Assets	888	609
Share of gross assets	<u>1,374</u>	<u>1,483</u>
Liabilities due within one year or less	(351)	(250)
Share of gross liabilities	<u>(351)</u>	<u>(250)</u>
Share of net assets	<u>1,023</u>	<u>1,233</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

8. INVESTMENTS IN JOINT VENTURES - GROUP (Continued)

The operating results for GeoPlace LLP are shown below:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Profit and Loss Summary		
Revenue	11,900	10,453
Operating costs	(7,065)	(6,200)
Interest Receivable and Payable	6	7
Operating profit	<u>4,841</u>	<u>4,260</u>
Share of operating profit	<u>1,210</u>	<u>1,065</u>

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

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. INVESTMENTS – LGA

	Equity £000	Debt £000	Total £000
Investment in Local Partnerships LLP			
Year ended 31 March 2014			
Opening balance	600	800	1,400
Repaid in year	-	(300)	(300)
Closing value	<u>600</u>	<u>500</u>	<u>1,100</u>
Year ended 31 March 2015			
Opening balance	600	500	1,100
Reversal of impairment in year	200	-	200
Closing value	<u>800</u>	<u>500</u>	<u>1,300</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

	Total £000
Investment in Local Capital Finance Company Ltd	
Year ended 31 March 2015	
Opening balance	-
Invested in year	500
Closing value	<u>500</u>

10. LONG TERM DEBTORS – ASSOCIATION

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

11. DEBTORS

	CONSOLIDATED		ASSOCIATION	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade debtors	5,650	2,353	849	669
Due from related entities	625	19	1,658	1,928
Loan due from LGA (Properties)	-	-	1,600	1,600
Loan due from Local Government Management Board	-	-	1,500	1,500
Other debtors	147	192	173	169
Prepayments and accrued income	1,724	2,143	905	942
	<u>8,146</u>	<u>4,707</u>	<u>6,685</u>	<u>6,808</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 UK or Non UK counterparties within agreed credit ratings and subject to the cash limits (per counterparty) as shown in the Association's Investment Strategy. The Association's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and the Association does not expect any losses on short term investments.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

13. CREDITORS

	CONSOLIDATED		ASSOCIATION	
	2015 £000	2014 £000	2015 £000	2014 £000
Amounts falling due within one year				
Accounts payable and accruals	3,202	2,891	1,374	1,247
Income received in advance	3,752	2,875	203	157
Other creditors	1,959	1,841	568	587
Owed to Joint Ventures		-	-	-
Owed to related entities		-	179	455
	8,913	7,607	2,324	2,446
Amounts falling due beyond one year				
1 to 2 Years	918	918	218	218
2 to 5 years	2,214	2,394	654	654
More than 5 years	11,018	11,756	218	436
	14,150	15,068	1,090	1,308

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 per cent on the subscriptions of non-metropolitan unitary authorities. Creditors payable after more than one year includes an amount of £1,089,725 representing the final five instalments of the support due for the District Councils Network.

14. PROVISION FOR ORGANISATION RESTRUCTURING

	CONSOLIDATED		ASSOCIATION	
	2015 £000	2014 £000	2015 £000	2014 £000
Balance at 1 April	-	-	-	-
Arising during year	680	-	393	-
Utilised during year	-	-	-	-
Balance at 31 March	680	-	393	-

The new provision for the year to 31 March 2015 relates entirely to redundancy costs. The LGA Group has undertaken a further major restructuring of its organisation in order to streamline its processes and deal with a significant reduction in funding. This provision has been set up to cover the further cost of voluntary redundancies which have been agreed with members of staff.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

15. STATEMENT OF MOVEMENTS ON ACCUMULATED FUNDS

	CONSOLIDATED		ASSOCIATION	
	2015 £000	2014 £000	2015 £000	2014 £000
Balance at 1 April	(52,775)	(44,256)	(25,078)	(27,850)
Surplus of income over expenditure for the year	8,381	5,079	2,134	1,581
Unrealised gain on revaluation in respect of investment property	4,450	5,150	-	-
Actuarial gain/(loss)	(36,464)	(19,051)	(7,295)	1,191
Actuarial gains - West Sussex to Merseyside transfer	9,995	-	-	-
Movement on Reserves	(195)	303	-	-
Balance at 31 March	(66,608)	(52,775)	(30,239)	(25,078)

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.

Accumulated funds are allocated as follows:

	CONSOLIDATED		ASSOCIATION	
	2015 £000	2014 £000	2015 £000	2014 £000
Accumulated funds excluding pension liability	46,252	39,162	7,265	8,681
Pension liability	(112,860)	(91,937)	(37,504)	(33,759)
Accumulated funds	(66,608)	(52,775)	(30,239)	(25,078)

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 2015 as £1,812 million (2014 £1.794million). The unfunded liabilities are being paid annually over the remaining lives of the pensioners concerned.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

16. PENSION COMMITMENTS (continued)

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 10.0 per cent to 12.37 per cent (2014, 3.2 per cent to 9.6).

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

	31 March 2015	31 March 2014
Equities	53.9% to 78.0%	62.0% to 78.0%
Bonds (HR)	12.0%	12.0% to 13.0%
Government Bonds (M)	14.8%	13.7%
Other Bonds (M)	2.6%	2.6%
Property	9.0% to 10.8%	8.0%
Cash	1.0% to 3.0%	1.0% to 2.7%
Other (M)	14.9%	11.0%

a) Actuarial assumptions

Full actuarial valuations were carried out at 31 March 2013 and updated to 31 March 2015 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 2015 % per annum	31 March 2014 % per annum
Pension increase rate	2.0% to 2.4%	2.4% to 2.8%
Salary increase rate	3.5% to 4.30%	3.9% to 4.6%
Discount rate	3.1% to 3.2%	4.1% to 4.5%
Inflation assumption	2.0% to 2.4%	2.4% to 2.8%
Expected return on assets (HR only)	3.2%	6.1%

Mortality Rates*

	31 March 2015 Years	31 March 2014 Years
Current Pensioners – Male	22 to 22.4	22.0 to 24.4
Current Pensioners – Female	24.4 to 25.3	24.4 to 25.8
Future Pensioners – Male	24.3 to 24.8	24.3 to 26.9
Future Pensioners – Female	26.8 to 28	26.8 to 28.5

*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 2015

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 2015	Fair value at 31 March 2015 £000	Expected rate of return on assets 2014	Fair value at 31 March 2014 £000
Fair value of employer assets				
Equities	5.8%-6.5%	151,291	6.7%-7.0%	148,327
Bonds (HR)	2.2%	14,495	3.7%-3.8%	18,335
Government Bonds (M)	2.2%	15,670	3.4%	7,993
Other Bonds (M)	2.9%	2,753	4.3%	1,517
Property	3.9%-5.9%	22,306	4.8%-6.2%	16,170
Cash	0.5%-2.6%	4,384	0.5%-3.7%	3,371
Other (M)	6.5%	15,776	7.0%	6,417
Total Market Value of Assets		<u>226,675</u>		<u>202,130</u>

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

	31 March 2015 £000	31 March 2014 £000
Balance sheet		
Fair value of employer assets	226,675	202,130
Present value of funded liabilities	<u>(324,734)</u>	<u>(279,951)</u>
Net underfunding in funded plans	(98,059)	(77,821)
Present value of unfunded liabilities	<u>(14,801)</u>	<u>(14,116)</u>
Net liability	<u>(112,860)</u>	<u>(91,937)</u>

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
Recognition in the Income and Expenditure Account		
Current service cost	2,907	3,027
Interest cost	12,539	11,688
Expected return on employer assets	(12,573)	(10,288)
Past service cost	-	28
Losses on curtailments and settlements	16	156
Total	<u>2,889</u>	<u>4,611</u>
Actual return on plan assets	<u>18,796</u>	<u>9,031</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

16. PENSION COMMITMENTS (Continued)

	2015	2014
	£000	£000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	294,067	266,269
Current service cost	2,907	3,027
Interest cost	12,539	11,688
Contribution by members	1,347	960
Actuarial losses	42,688	20,028
Actuarial gains - West Sussex to Merseyside transfer	(5,961)	-
Past service costs	-	28
Losses on curtailments	16	156
Estimated unfunded benefits paid	(433)	(676)
Estimated benefits paid	(7,635)	(7,413)
Closing defined benefit obligation	339,535	294,067

	2015	2014
	£000	£000
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	202,130	190,699
Expected return on assets	12,573	10,288
Contributions by members	1,347	960
Contributions by the employer	8,002	6,619
Contributions in respect of unfunded benefits	433	676
Actuarial gains	6,224	977
Actuarial gains - West Sussex to Merseyside transfer	4,034	-
Unfunded Benefits paid	(621)	(881)
Benefits paid	(7,447)	(7,208)
Closing fair value of employer assets	226,675	202,130

Amounts for the current and previous accounting periods

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Fair value of employer assets	226,675	202,130	168,408	165,366	157,336
Present value of defined benefit obligation	(339,535)	(294,067)	(235,382)	(226,223)	(274,156)
Deficit	(112,860)	(91,937)	(66,974)	(60,857)	(116,820)
Experience gains/(losses) on assets	6,224	977	(5,119)	(4,226)	34,116
Experience gains/(losses) on liabilities	1,451	(13,075)	4,777	25,415	582

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

16. PENSION COMMITMENTS (Continued)

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

	2015	2014
	£000	£000
Actuarial gains/(losses) recognised in STRGL	(36,198)	(19,051)
Cumulative actuarial gains and (losses)	(112,597)	(76,399)

The total of employer pension contributions estimated to be payable in 2015-16 is £5.167million (£1.143 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 £2.601 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 2015

18. RELATED ENTITIES (Continued)

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

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

19. EXCEPTIONAL ITEMS

Contract restructuring costs

During 2014/15 the LGA took the decision to terminate the contract with Liberata, who currently provide our back office services, with a view to achieving significant efficiencies. The provision for additional costs of £0.236 million will generate additional offsetting part year savings in 2015/16, with full year benefits in 2016/17.

20. POST BALANCE SHEET EVENTS

Other than the termination of the Liberata contract for support services, the Leadership Board is not aware of any other material post balance sheet events.



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