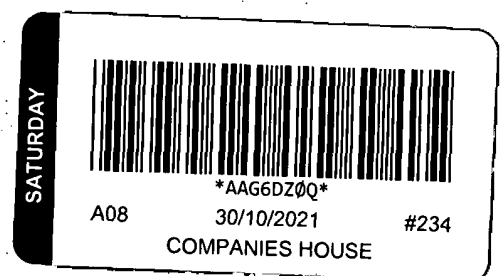


LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(a UK Registered unlimited company)
Company Registration No. 03487186

Report and Financial Statements
for the year ended 31 March 2021



LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Councillor Ian Swithenbank CBE (Chairman)
Councillor David Neighbour
Councillor Andrew Proctor
Councillor Nicholas Darby
Sarah Pickup, LGA Deputy Chief Executive

SECRETARY

Claire Holloway

REGISTERED OFFICE

18 Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITOR

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

COMPANY NUMBER

03487186

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) **(an unlimited company)**

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 March 2021.

Directors' Indemnity

The company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during the year and remain in force at the date of this report.

Principal activities

Local Government Association (Properties) is an unlimited Company. It owns property at 18 Smith Square, London SW1. The Company is wholly owned and controlled by the Local Government Association.

Business review

The Company's principal business is the rental of the 18 Smith Square property for use primarily by entities controlled by the Local Government Association. 34% of the property was rented to third parties.

Future Developments

Now that the refurbishment has been completed and the building fully let, the Company is planning on continuing to offer high quality office space on commercial terms.

The ongoing impact of COVID-19 on the Company's business has been assessed and has been determined to not be material. The majority of revenue is received from providing head office facilities to the Local Government Association and its related bodies. Despite lockdown and travel restrictions, 18 Smith Square remains open to commercial tenants and no rental holidays to commercial tenants have been offered.

The Directors have resolved to transfer all trading activities, assets and liabilities to the parent entity Local Government Association, and to liquidate the company after the point of completion. As set out in the accounting policies, the financial statements are prepared on a basis other than as a going concern.

Principal risks and uncertainties

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

Post Balance Sheet Events

The directors are not aware of any Post Balance Sheet events.

Employees

The Company has no employees.

Political and charitable contributions

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

Dividends

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

Provision of information to Auditors

So far as each of the Directors is aware at the time when this report is approved:

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

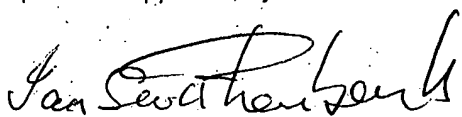
Auditors

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 Company is to be proposed at a forthcoming Board Meeting.

Status of this Directors' Report

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

This report was approved by the Board on 21 June 2021



Ian Swithenbank CBE
Director

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

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

Opinion

We have audited the financial statements of Local Government Association (Properties) (the 'company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter

We draw attention to note 1 of the financial statements, which explains that as the company is intending to transfer all its trading activities, assets and liabilities to the parent entity, the company does not technically meet the criteria for preparing financial statements on a going concern basis and as a consequence these financial statements have been prepared on a basis other than as a going concern.

Our opinion is not modified in respect of this matter.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) **(an unlimited company)**

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of cumulative audit knowledge and experience.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006 and Financial Reporting Standard 102.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the valuation of the investment property. We addressed this through review of the valuation report prepared by management's expert, testing the reasonableness of inputs to their calculation, and challenging assumptions applied in the valuations for example by agreement to third party metrics.
- We also identified potential for management bias in the judgements made around recoverability of debtors. We addressed this through examination of post year end cash received, review of correspondence with debtors and discussion of recoverability with management.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

- We also identified potential for management bias in the timing of recognition of rental income. We addressed this through detailed review of signed rental agreements, forming an expectation of the level of income to be recognised in the financial year, and comparison to actual.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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

Nicky Whitehead

Nicky Whitehead (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

Date: 7/9/21.

15 Westferry Circus

Canary Wharf

London E14 4HD

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2021

	Note	2021 £000	2020 £000
Income	2	3,003	2,539
Administrative expenses		(1,895)	(2,486)
(Loss) / Gain on revaluation of property	9	(3,018)	2,677
OPERATING (DEFICIT)/SURPLUS BEFORE INTEREST	5	<u>(1,910)</u>	<u>2,730</u>
Interest receivable		1	3
Interest payable	6	(671)	(725)
OPERATING (DEFICIT)/SURPLUS AFTER INTEREST		<u>(2,580)</u>	<u>2,008</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(2,580)</u>	<u>2,008</u>

All amounts relate to continuing operations.

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

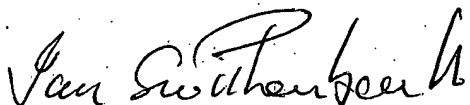
The accounting policies and notes on pages 11 to 16 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company) - Company Number 03487186

BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
FIXED ASSETS			
Tangible assets	8	553	603
Investment Property	9	47,500	50,750
		<u>48,053</u>	<u>51,353</u>
CURRENT ASSETS			
Debtors	10	276	331
Short term Investments	12	645	266
Cash at bank and in hand		10	10
		<u>931</u>	<u>607</u>
CREDITORS: amounts falling due within one year	13	(2,887)	(2,631)
NET CURRENT (LIABILITIES) / ASSETS		<u>(1,956)</u>	<u>(2,024)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>46,097</u>	<u>49,329</u>
CREDITORS: amounts falling due after more than one year	14	(30,037)	(30,690)
TOTAL NET ASSETS		<u><u>16,060</u></u>	<u><u>18,639</u></u>
ACCUMULATED FUNDS			
Share Capital	16	0	0
General Reserve		2,377	1,939
Investment Property Reserve		13,683	16,700
		<u><u>16,060</u></u>	<u><u>18,639</u></u>

These financial statements were approved by the Board of Directors on 21 June 2021



Ian Swithenbank CBE

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 11 to 16 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2021

	Retained Earnings £000	Investment Property Reserve £000	Total £000
Balance at 1st April 2019	2,608	14,023	16,631
Changes in equity for 2019/20			
Deficit for the year	(669)	-	(669)
Gain on revaluation of property	-	2,677	2,677
Total comprehensive income for the year	(669)	2,677	2,008
Balance as at 31st March 2020	1,939	16,700	18,639
Balance at 1st April 2020	1,939	16,700	18,639
Changes in equity for 2020/21			
Surplus for the year	438	-	438
Loss on revaluation of property	-	(3,018)	(3,018)
Total comprehensive income for the year	438	(3,018)	(2,580)
Balance as at 31st March 2021	2,377	13,683	16,060

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

STATEMENT OF CASH FLOWS
Year ended 31 March 2021

	Note	2021 £000	2020 £000
Cash flow from operating activities			
Operating Surplus / (Loss)		(2,579)	2,008
Adjustments for:			
(Gain) / Loss on revaluation of property		3,017	(2,677)
Investment income		(1)	(3)
Interest expense		671	725
Adjustment for Interest Rate Swap liability		(133)	(113)
Depreciation		50	50
Loss on Disposal of Tangible Fixed Assets		-	-
(Increase) / Decrease in debtors		55	(138)
(Decrease) / Increase in creditors		256	594
Cash generated from operations		<u>1,336</u>	<u>446</u>
Interest paid		(671)	(725)
Net cash generated / (used) from operating activities		<u>665</u>	<u>(279)</u>
Cash flow from investing activities			
Interest received		1	3
Expenditure on LGH Redevelopment		<u>233</u>	<u>27</u>
		<u>234</u>	<u>30</u>
Cash flow from financing activities			
Share Capital (£1)		0	0
Borrowing from LGA		-	-
Repayments of borrowings		<u>(520)</u>	<u>(520)</u>
		<u>(520)</u>	<u>(520)</u>
Net (Decrease)/Increase in cash		379	(769)
Cash and cash equivalents at start of the year		<u>276</u>	<u>1,045</u>
Cash and cash equivalents at the end of the year	11	<u>655</u>	<u>276</u>

The accounting policies and notes on pages 111 to 166 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) **(an unlimited company)**

NOTES TO THE ACCOUNTS **Year Ended 31 March 2021**

1. ACCOUNTING POLICIES

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

Accounting convention

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

Tangible Fixed Assets and Depreciation

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

Depreciation was provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life.

The expected useful lives of the principal categories are:

Fixtures, fittings and equipment	15 years
----------------------------------	----------

Investment Property

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

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

Income

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

Expenditure

All expenditure is accounted for on an accruals basis. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably.

Derivative financial instruments

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

Company Status

On 2 April 2019, the company re-registered as an unlimited company. The one share is owned by the Local Government Association, which is therefore the Ultimate Parent Entity as disclosed in note 17.

Going Concern

The ongoing impact of COVID-19 on the Company's business has been assessed and has been determined to not be material. The majority of revenue is received from providing head office facilities to the Local Government Association and its related bodies, which are considered going concerns as their funding from Government is secure. 18 Smith Square is fully let and remains open to commercial tenants and no rental holidays to commercial tenants have been, or are expected to be offered.

The Directors have resolved to transfer all trading activities, assets and liabilities to the parent entity Local Government Association, and to liquidate the company after the point of completion.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2021

1. ACCOUNTING POLICIES (CONTINUED)

Going Concern (continued)

As the company is intending to transfer all its trading activities, assets and liabilities to the parent entity, the company does not technically meet the criteria for preparing financial statements on a going concern basis and as a consequence these financial statements have been prepared on a basis other than as a going concern.

Under the terms of the current loan agreements the current finance facilities will fall due on the transfer date, however long term debt has not been moved to current liabilities, as having had discussion with their finance providers about the merger the Directors are satisfied that they will be able to either novate the agreements or replace the banking facilities with similar facilities in the new entity, and retaining the obligations as long term debt better reflects the ongoing business position.

There are no other adjustments arising as a result of ceasing to apply the going concern basis.

Although the Directors have voted to liquidate the company, there remains the possibility that this does not take place and the company will continue as a standalone entity for the foreseeable future. The Directors have considered this possibility and produced budgets and forecasts if the liquidation and transfer were not to happen. Having fully considered this evidence the Board are satisfied that if the liquidation and transfer does not proceed, the company has sufficient financial resources to continue as a going concern for the foreseeable future and at least 12 months from the date these financial statements have been approved.

Debtors

The policy of the Association and the companies it controls is to make partial provision for debts that are over one year old and full provision for debts that are over two years old, subject to exceptions including debt due from related entities, where the policy is not to make provision. Old debt is periodically reviewed for write-off. In the year to 31 March 2021, no debts were written off as irrecoverable.

2. INCOME

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

3. DIRECTORS' EMOLUMENTS

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

4. STAFF INFORMATION

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

5. OPERATING SURPLUS

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Operating surplus/(deficit) is after charging:		
Depreciation	50	50
Loss on Disposal of Tangible Fixed Assets	-	-
Auditors' remuneration - audit fee	4	4

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2021

6. INTEREST PAYABLE

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Barclays loan	23	75
Local Government Association loan	648	650
	<u>671</u>	<u>725</u>

7. TAXATION

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

8. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £000
Cost	
At 1 April 2020	754
Additions	-
Disposals	-
At 31 March 2021	<u>754</u>
Depreciation	
At 1 April 2020	(151)
Charge for year	(50)
Disposals	-
At 31 March 2021	<u>(201)</u>
Net book value	
At 31 March 2021	<u>553</u>
At 31 March 2020	<u>603</u>

9. INVESTMENT PROPERTIES

	2021 £000	2020 £000
Brought forward valuation	50,750	48,100
Unrealised gain/(loss) on revaluation	(3,018)	2,677
Capitalised items	(232)	(27)
Carried forward valuation	<u>47,500</u>	<u>50,750</u>

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

The Company's interest in the property was externally valued as at 31 March 2021 by Cushman & Wakefield Chartered Surveyors. The market value of the freehold interest in the property was arrived at primarily after consideration of market evidence for similar properties.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2021

10. DEBTORS

	2021 £000	2020 £000
Trade debtors	49	39
Due from related entities	4	6
Other Debtors	223	286
	<u>276</u>	<u>331</u>

11. CASH AND CASH EQUIVALENTS

	2021 £000	2020 £000
Cash at bank and in hand	10	10
Short Term Investments	645	266
	<u>655</u>	<u>276</u>

12. SHORT TERM INVESTMENTS

Surplus cash balances held by the Company, the companies it controls and related parties are pooled and lent to financial institutions on the Company's approved counterparty list. Investments are typically for periods not exceeding twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to financial institutions that meet agreed credit ratings criteria and subject to the cash limits (per counterparty) as shown in the Company's Investment Strategy.

The Company's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and the Company does not expect any losses on short term investments.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £000	2020 £000
Accounts payable and accruals	139	568
Other Creditors	-	-
Income received in advance	104	104
Bank loans -see note 15	520	520
Loan from Local Government Association	-	-
Owed to Related Companies	2,124	1,439
	<u>2,887</u>	<u>2,631</u>

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

	2021 £000	2020 £000
Bank loans	1,560	2,080
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Loan from Local Government Association	20,000	20,000
Barclays Swap Liability	277	410
	<u>30,037</u>	<u>30,690</u>

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2021

On 1 March 2017, an unsecured loan of £9 million was issued by LGA bearing interest of 3.24% per annum. The Loan is repayable on 31 December 2038.

On 2 January 2019, an unsecured loan of £11 million was issued by LGA bearing interest of 3.24% per annum. The Loan is repayable on 31 December 2038.

The inclusion in the above table for Barclays Swap Liability is a requirement of FRS102 to include a value on the balance sheet for the additional Swap agreement liability as at 31 March that would be payable if the loan was repaid (See Note 15 below). The movement in the Swap liability between the years £133,000 is reflected in the Statement of Comprehensive Income for the year.

The loans from ACC (Properties) Ltd and AMA (Properties) Ltd are only repayable in the event of the sale of 18 Smith Square. There is no intention to dispose of the property in the foreseeable future.

The loan from ACC (Properties) Ltd bears compound interest at 1.5% above the base rate with payment conditional upon the disposal of the property. The accumulated interest to date on the loan is £3.168 million.

Under an agreement dated 22 January 1998 made between Association of Metropolitan Authorities (Properties) Ltd, Local Government Association (Properties) Ltd and the Association, the AMA property Company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of 18 Smith Square by Local Government Association (Properties) Ltd. In recognition of this, authorities in membership of the Local Government Association that were formerly members of the Association of Metropolitan Authorities receive a discount on their LGA membership subscriptions. The discount increases every five years in line with inflation. Originally at the rate of £6,000 per authority, the discount was increased to £7,965 with effect from 1 April 2012. After the year end, the discount was increased to £9,156 with effect from 1 April 2018 for the 2018/19 membership subscriptions, with the next increase due to be recognised in the 2023/24 LGA membership subscriptions.

15. BANK LOAN AGREEMENT

The Barclays Bank plc loan of £2.08 million is secured against 18 Smith Square. The original loan of £13 million, taken out in 2000, is repayable over 25 years in bi-annual instalments of £260,000. Accordingly, instalments totalling £520,000 are included under the heading 'creditors falling due within one year', with the balance of £1.56 million included under the heading 'creditors falling due after more than one year'.

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

The hedging facilities for the two loan tranches originally of £10 million and £3 million were valued at 31 March 2021 as follows:

Instrument	Notional Amount	Maturity Date	Trade Date	Mark to Market Value Notional (Gain)/Loss
Tranche 1	£000			£000
CAP/CMPLX	533	21/01/2025	27/01/2000	66
SWAP	1,067	21/01/2025	27/01/2000	148
Total	1,600		Net Notional Loss	214
Tranche 2	£000			£000
CAP/CMPLX	160	21/01/2025	13/07/2000	20
SWAP	320	21/01/2025	13/07/2000	43
Total	480		Net Notional Loss	63
Combined total	2,080		Net Notional Loss	277

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
(an unlimited company)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2021

16. CAPITAL AND OTHER COMMITMENTS

	2021 Number	2020 Number
Share Capital:		
Number of Ordinary Shares Issued	1	1
	2021 £	2020 £
Share Capital:		
Issued and Fully Paid Up Ordinary Shares	1	1

17. ULTIMATE PARENT ENTITY

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

18. RELATED PARTIES

The Company had the following transactions with related parties:

	Value of related party transactions in year 2021 exp / (inc) £000	Outstanding balance at 31 March 2021 dr / (cr) £000	Value of related party transactions in year 2020 exp / (inc) £000	Outstanding balance at 31 March 2020 dr / (cr) £000
Local Government Association	(93)	(2,124)	217	(1,439)
Local Government Association - Loans	-	(20,000)	-	(20,000)
Improvement and Development Agency for Local Government	(940)	-	(940)	-
Local Partnerships LLP	(118)	-	(117)	2
Public Sector Audit Appointments	(48)	4	(48)	4

The transactions with related parties are a result of the Company's property rental business and other day to day activity recharges.

19. POST BALANCE SHEET EVENTS

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