

WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Bevan & Buckland
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WELSH LOCAL GOVERNMENT ASSOCIATION

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**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016**

The Chief Executive presents his strategic report for the year ended 31 March 2016.

REVIEW OF BUSINESS

The Welsh Local Government Association was established on 1st April 1996 by the twenty two unitary authorities in Wales. The three national park authorities, the three fire and rescue authorities are associate members.

The aim of the Association is to promote, protect, support and develop democratic local government in Wales and in particular the interests of Welsh unitary authorities and associate organisations in membership. The Welsh Local Government Association is a fully autonomous body. It links to the wider scene through associate membership of the Local Government Association.

FINANCIAL REVIEW OF THE YEAR

The Welsh Local Government Association collects subscriptions from its members. In 2015-16 subscription income was kept at the same level as 2014-15, however there is a reduction in subscription income on the income and expenditure account due to the release of deferred income in prior year for Employment, Europe and Procurement.

The Association also receives grant income from the Welsh Government and other bodies for a number of specific activities in support of Welsh local authorities. In 2015-16 the Association's grant income fell by £686k in comparison with the previous financial year. Full details of Welsh Government and other grants can be found on page 16.

In 2015-16 the Association provided funding from the Revenue Support Grant Top Slice of over £1.2m to support the activities of the National and Urdd Eisteddfodau, the Local Government Data Unit, the Royal Welsh Show and National Adoption Service see page 16 for full details.

The Association shows an adjusted surplus of £233,394 (Note 21, page 26) this is as a result an actuarial loss on the pension of £152,000.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016**

PRINCIPAL RISKS AND UNCERTAINTIES

Local Government is continuing to bear the brunt of austerity and the WLGA is not protected from the economic headwinds facing our members. One of the strengths of the organisation is its ability to adapt and it has changed significantly since it was established in 1996. Although the WLGA has not experienced the drastic reductions in WG grant funding announced in 2014, income is still declining in real terms and inescapable pay and pension pressures mount up.

The detailed budget for 2016-17 was considered by the WLGA Council on the 26 February 2016 where a balanced position was presented. Going forward there is a forecast shortfall of £65k in 2017-18 that will require further minor efficiencies. Beyond that, we will have to revisit more measures as there is a recurring shortfall of £237k by 2019-20.

The Organisational Review that was commissioned in over 3 years ago has stood the WLGA in good stead for the challenges of the future. At the time, the review helped the organisation address a £0.6m shortfall that would have accumulated by 2017-18. The review has also made the organisation more resilient to unforeseen external shocks such as political decisions around grant funding. During the current reporting period we created headroom for additional investment despite the implications of the improvement grant loss:

- additional posts are now funded through the core policy budget which sustains the commitment to Good Practice Wales and training for elected members;
- £20k allocated to training budget to support the continuing development of WLGA staff, improving skills in IT, governance, financial planning, project management, research and political science to name but a few;
- £11k to support the continuing work of the Wales Public Services 2025 which is being supported by a number of public sector organisations this has resulted in 4 roundtable events and a report from the Institute of Fiscal Studies on the Welsh Government Budget options;
- £120k drawn down for reserves of which £100k will support the work of the Independent Commission on Local Government Finance, this was published in March this year and discussions around its recommendations are a manifesto commitment;
- subscriptions will reduce in by 3% in 2016-17 and the retained topslice will reduce by 1.4%.

The WLGA is continuing to bear down on costs and is committed to protect the organisation's most valued asset, its people. However, inevitably in an organisation that spends around 40% of its budget on staff, we have continued with voluntary exit arrangements. These were taken up by a number of employees in 2014-15 and in 2015-16, four employees left the organisation. There are four employees currently seconded to other organisations (two of these are from the Data Unit) and two employees are seconded for part of their time.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016**

PRINCIPAL RISKS AND UNCERTAINTIES - (CONT'D)

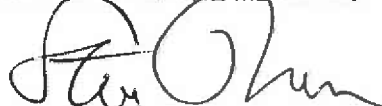
The decision to share accommodation with the Data Unit was a difficult ask for all employees but has delivered savings at precisely the right time. There are now an additional 3 organisations housed in our Drake Walk accommodation bringing in an additional £58k in income. We will pursue common corporate support with the Data Unit which has already taken on some financial transactions processing.

Cost reduction and transforming WLGA business since the onset of austerity in 2009 is having an evident impact in this set of accounts. Spend on staff costs is down 24% and travel has reduced by 61%. Expenditure on WLGA governance and member services is down by 60%.

Our medium-term financial plan shows that these levels of efficiency are sustainable to the end of 2019-20. Efficiency measures have fixed the cumulative shortfall in the core policy budget (with £237k still to be found) which assumes a 7% reduction in income over the same period.

We cannot stop here, the twin challenges of austerity and local government reform are redefining the fundamental relationship between our members and the citizens they serve. We have to continue to respond to a fast changing public service landscape and, just as importantly, help to shape it in a way that strengthens local democracy and local public services.

ON BEHALF OF THE MEMBERS



CHIEF EXECUTIVE - STEVE THOMAS

DATE 4th NOVEMBER 2016

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2016**

The Chief Executive presents his report with the financial statements of the Association for the year ended 31 March 2016

THE ASSOCIATION

The Welsh Local Government Association was established on 1st April 1996 by the twenty two unitary authorities in Wales. The three national park authorities, and the three fire and rescue authorities are associate members.

The aim of the Association is to promote, protect, support and develop democratic local government in Wales and in particular the interests of Welsh unitary authorities and Associate Organisations in membership. The Welsh Local Government Association is a fully autonomous body. It links to the wider UK scene through associate membership of the Local Government Association.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES

The Council requires the Chief Executive to prepare financial statements for each financial year which give a true and fair view of the state of affairs and of the income and expenditure and cash flows for that period. In preparing those financial statements the Chief Executive is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis.

The Chief Executive is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it so that the financial statements comply with the Association's requirements. The Chief Executive is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2016**

CHIEF EXECUTIVE'S CERTIFICATE

On behalf of the Council of the Welsh Local Government Association, I hereby certify that to the best of my knowledge and belief, the financial statements for the year ended 31 March 2016 contain a full record of the financial results for the year.

AUDITORS

The report of the auditors is attached to this financial report.



CHIEF EXECUTIVE - STEVE THOMAS

4TH NOVEMBER 2016
DATE

LOCAL GOVERNMENT HOUSE
DRAKE WALK
CARDIFF
CF10 4LG

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

We have audited the financial statements of the Welsh Local Government Association for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 (FRS 102) " The Financial Reporting Standard applicable in the UK and the Republic of Ireland (effective January 2015).

This report is made solely to the Association's members, as a body. Our audit work has been undertaken so that we might state to the Associations members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF CHIEF EXECUTIVE AND AUDITORS

As explained more fully in the Report of the Chief Executive set out on page 4, the Chief Executive is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law 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 Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Executive; and overall presentation of the financial statements and to identify any information that is apparently material incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. In addition, we read all the financial and non-financial information in the Chief Executive's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure 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 Association's requirements

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

OPINION

In our opinion the information given in the Strategic Report and the Report of the Chief Executive for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where we are required 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
- we have not received all the information and explanations we require for our audit.

Bevan + Buckland

Bevan & Buckland
Chartered Accountants
And Statutory Auditors
Langdon House
Langdon Road
Swansea
SA1 8QY

4TH NOVEMBER 2016
DATE

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	2016 £	2015 £
INCOME			
Subscriptions	2	1,981,562	2,216,569
Grant Income	3	5,770,291	6,456,674
Other Income	4	774,088	1,086,037
		<u>8,525,941</u>	<u>9,759,280</u>
EXPENDITURE			
Staff Costs	5	3,096,557	3,144,833
FRS17 Income & Expenditure charge	6	583,000	452,000
Office Accommodation	7	358,041	349,988
Office Services	8	119,456	124,135
Member Services	9	37,568	13,981
Furniture and Equipment		-	3,780
RSG Top Slice Costs	10	1,239,427	1,539,225
Welsh Government Other Grant Costs	11	1,866,661	2,181,129
Other Expenses	12	965,470	1,122,287
		<u>8,266,180</u>	<u>8,931,358</u>
OTHER FINANCE INCOME/COSTS - FRS17			
Expected return on pension scheme assets		(510,000)	(748,000)
Interest on pension scheme liabilities		692,000	709,000
		<u>8,448,180</u>	<u>8,892,358</u>
OPERATING SURPLUS FOR THE YEAR		77,761	866,922
Interest Receivable		3,633	3,050
SURPLUS ON ORDINARY ACTIVITIES	21	<u>81,394</u>	<u>869,972</u>
Transfers from / (to) Designated reserves	15	552,957	(552,957)
SURPLUS AFTER TRANSFER TO DESIGNATED RESERVES		<u><u>634,351</u></u>	<u><u>317,015</u></u>

A note reconciling the movement of the deficit as a result of FRS17 adjustment can be found on page 24, note 21.

None of the Association's activities was acquired or discontinued during either of the above two years.

The notes on pages 14 - 26 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2016**

	2016 £	2015 £
Surplus for the financial year	81,394	869,972
OTHER COMPREHENSIVE INCOME		
Remeasurements on assets	(419,000)	779,000
Remeasurements on liabilities	1,498,000	(3,927,000)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>1,079,000</u>	<u>(3,148,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>1,160,394</u></u>	<u><u>(2,278,028)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Notes	2016 £	2015 £
CURRENT ASSETS			
Amounts falling due within one year	13	1,441,403	2,073,434
Cash at Bank and in hand		<u>4,399,301</u>	<u>3,148,692</u>
		5,840,704	5,222,126
CURRENT LIABILITIES	14	<u>2,737,505</u>	<u>2,352,321</u>
NET ASSETS EXCLUDING PENSION LIABILITY		3,103,199	2,869,805
PENSION LIABILITY	20	(4,753,000)	(5,680,000)
		<u> </u>	<u> </u>
NET LIABILITIES INCLUDING PENSION LIABILITY		<u><u>(1,649,801)</u></u>	<u><u>(2,810,195)</u></u>
 FINANCED BY:			
Reserves	15	(1,649,801)	(2,810,195)
		<u><u>(1,649,801)</u></u>	<u><u>(2,810,195)</u></u>

Approved by the Association and signed on its behalf on

4TH NOVEMBER 2016

A. Morgan
PRESIDING OFFICER

The notes on pages 14 - 26 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Retained earnings £	Total equity £
Balance as 1 April 2014	(532,167)	(532,167)
Changes in Equity		
Total comprehensive income	<u>(2,278,028)</u>	<u>(2,278,028)</u>
Balance at 31 March 2015	<u>(2,810,195)</u>	<u>(2,810,195)</u>
Changes in equity		
Total comprehensive income	<u>1,160,394</u>	<u>1,160,394</u>
Balance at 31 March 2016	<u>(1,649,801)</u>	<u>(1,649,801)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	<u>1,246,976</u>	<u>512,335</u>
Net cash from operating activities		<u>1,246,976</u>	<u>512,335</u>
Cash flows from investing activities			
Interest received		<u>3,633</u>	<u>3,050</u>
Net cash from investing activities		<u>1,250,609</u>	<u>515,385</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>3,148,692</u>	<u>2,633,307</u>
Cash and cash equivalents at end of year	2	<u><u>4,399,301</u></u>	<u><u>3,148,692</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016**

1 RECONCILIATION OF OPERATING SURPLUS / (DEFICIT) TO CASH GENERATED FROM OPERATIONS

	2016 £	2015 £
Operating Surplus for the year	77,761	866,922
FRS17 Pension adjustment	583,000	452,000
Pension contributions paid	(613,000)	(666,000)
Other finance income/costs	182,000	(39,000)
	<u>229,761</u>	<u>613,922</u>
Decrease / (Increase) in debtors	632,031	205,980
Increase / (Decrease) in creditors	385,184	(307,567)
Cash generated from operations	<u><u>1,246,976</u></u>	<u><u>512,335</u></u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2016	31.03.16 £	01.04.15 £
Cash and cash equivalents	<u><u>4,399,301</u></u>	<u><u>3,148,692</u></u>
 Year ended 31 March 2015	 31.03.15 £	 01.04.14 £
Cash and cash equivalents	<u><u>3,148,692</u></u>	<u><u>2,633,307</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards as are appropriate for the Association which is not a limited company. The accounts present information solely about the Association as an individual undertaking and not about its group.

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the financial statements, the Chief Executive has considered whether in applying the accounting policies required by FRS 102 a restatement of comparative items was needed. In accordance with the requirements of FRS 102 a reconciliation of opening balances and net income/(expenditure) for the year is provided with the net income/(expenditure) under previous GAAP adjusted for the presentation of investment gains/(losses) as a component of reported income.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 23 for an explanation of the transition.

Turnover/Income

All income is included in the income and expenditure account when the association is entitled to the income and the amount can be qualified with reasonable accuracy. The following specific policies are applied:

Subscription income is included in the period to which it relates

Grant income, where related to performance and specific deliverables, are accounted for as the association earns the right to consideration by its performance

All other income is included on an accruals basis.

Pension Costs

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of 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. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1 ACCOUNTING POLICIES - CON'T

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

Fixed Assets

The Association does not capitalise fixed assets but charges them to the income and expenditure account in the year of acquisition. The Association purchased furniture and equipment during the year of £nil (2015 £3,780).

Deferred Income

Income received which relates to projects is released to the income and expenditure account to match the expenditure incurred by the projects. This gives rise to a deferred income figure which is shown as a short term creditor in the accounts.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of an trade discounts due.

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

The Association only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2 SUBSCRIPTIONS

All of the 22 unitary local authorities were in membership with the Association in 2015/15. Subscriptions are paid on the basis of a formula agreed by the Shadow Association in March 1996. The 3 Fire Authorities and the 3 National Parks Authorities are associate members.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

3 GRANT INCOME	2016	2015
	£	£
Waste Awareness Wales	289,724	661,866
Improvement fund	-	694,010
WLGA Improvement Services Limited	-	166,286
Local Government Data Unit - Wales	-	347,000
RSG Top Slice Retained: Welsh Local Government Association	783,182	813,766
RSG Top Slice: National Eisteddfod	344,109	356,590
RSG Top Slice: Urdd Eisteddfod	137,015	141,984
RSG Top Slice: Royal Welsh Show	78,000	78,000
RSG Top Slice: Educational Psychologists	-	539,539
RSG Top Slice: Data Unit	408,303	423,112
RSG Top Slice: National Adoption Service	272,001	-
Social Services Improvement Agency	821,461	728,058
Housing	-	2,926
Food in Schools	193,727	152,450
Sustainable Development	52,080	187,374
Exercise Referral	183,802	166,459
Waste Improvement	299,513	286,755
Autism Spectrum Disorder	376,066	105,365
Education Training Standards	39,947	38,687
Education Funding	343,472	135,325
Flood Risk Assessments	83,114	72,536
Complex Equipment	6,455	11,192
Welfare reform	39,757	28,596
Section 180	103,673	122,634
Community Engagement	53,403	136,004
LSkiP	359,081	18,565
Service Children	73,750	41,595
Green Growth Project	428,656	-
	<u>5,770,291</u>	<u>6,456,674</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

4 OTHER INCOME	2016	2015
Conference Fees, Charges and Training Events	43,387	20,203
Employment Levies	337,381	652,062
Policy	58,740	26,241
ADEW Support Officer	30,000	30,000
Directors of Public Protection	67,667	75,194
Youth Officer	10,000	10,000
Better Government for Older People	307	7,831
Attachment Network	3,896	3,121
SWT Policy Officer	52,277	54,341
Corporate Sponsorship	15,000	15,000
Support for Local authorities	57,225	30,851
Section 180	8,348	17,088
Employment	20,876	12,937
Education Training Standards	5,334	4,000
Improvement fund	-	10,497
Sustainable Development	-	14,788
Autism Spectrum Disorder	6,150	50,883
Rental income	57,500	11,000
LSkiP	-	40,000
	<u>774,088</u>	<u>1,086,037</u>

5 STAFF COSTS

At the year end, the Association's Secretariat was staffed with 66 (2015 - 72) full time employees.

	2016	2015
Total staff costs were as follows:	£	£
Salaries (including redundancy costs)	2,731,928	2,749,303
Employers National Insurance	237,130	244,711
Training	27,046	13,413
Travel and Subsistence	100,020	135,186
Recruitment and Advertising	433	2,220
	<u>3,096,557</u>	<u>3,144,833</u>

Included in the above staff costs are redundancy costs amounting to £55,355 (2015 £46,746).

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

- 5 The remuneration of the Chief Executive of the Association, together with employer's pension contributions amounted to £159,522 (2015 - £146,749), which can be analysed as follows:-

	2016	2015
	£	£
Gross Salary	118,170	118,170
Employer's National Insurance	14,025	14,044
Employer's Superannuation	27,327	14,535
	<u>159,522</u>	<u>146,749</u>

6 **FRS17 PENSION INCOME & EXPENDITURE CHARGE**

	2016	2015
	£	£
Current service cost	570,000	449,000
Curtailments	-	3,000
Administration expenses	13,000	-
	<u>583,000</u>	<u>452,000</u>

7 **OFFICE ACCOMMODATION**

During the year ended 31 March 2002, the Association occupied the Local Government House, Drake Walk, Atlantic Wharf, Cardiff under a tenancy agreement from Doublet Holdings Limited. The rent payable is £176,800 per annum. Office accommodation costs also include rates, energy, insurance, cleaning, service charge and building maintenance.

8 **OFFICE SERVICES**

These include printing, stationery, all communications costs and audit fees. Auditors' remuneration is £7,600 (2015 - £7,400). Also included are amounts relating to non audit fees of £4,100 (2015 - £3,900).

9 **MEMBERS' SERVICES**

These are the costs incurred in arranging meetings at appropriate venues of the Association's Council, Co-ordinating Committee and Advisory Groups, together with allowances and expenses payable to Members and advisers in accordance with the Association's scheme for approved duties.

10 **RSG TOP SLICE COSTS**

	2016	2015
	£	£
RSG Top Slice: National Eisteddfod	344,109	356,590
RSG Top Slice: Urdd Eisteddfod	137,015	141,984
RSG Top Slice: Royal Welsh Show	78,000	78,000
RSG Top Slice: Educational Psychologists	-	539,539
RSG Top Slice: Local Government Data Unit	408,303	423,112
RSG Top Slice: National Adoption Service	272,000	-
	<u>1,239,427</u>	<u>1,539,225</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

11 WELSH GOVERNMENT OTHER GRANT COSTS

	2016	2015
Improvement fund	-	546,315
Social Services Improvement Agency	437,601	310,720
Housing	-	2,179
Food in Schools	18,006	6,747
Waste Awareness Wales	188,997	432,256
Waste Improvement	65,022	57,062
Sustainable Development	49,980	201,755
Exercise Referral	64,897	33,550
Autism Spectrum Disorder	224,367	64,101
Education Training Standards	17,357	19,343
Flood Risk Assessments	10,360	18,256
Education Funding	95,168	135,325
WLGA Improvement Services Limited	-	166,285
Section 180	17,781	45,806
Housing Policy Development Programme	-	8,959
Welfare reform	-	26,824
Complex Equipment	6,455	11,192
Community Engagement	-	77,411
Service Children	3,678	2,000
LSkiP	238,336	15,043
Green Growth project	428,656	-
	<u>1,866,661</u>	<u>2,181,129</u>

12 OTHER EXPENSES

	2016	2015
	£	£
Information communication technology	166,293	138,259
Website expenses	122,796	131,223
Research	33,155	61,149
Local Government Data Unit - Wales	-	362,000
Professional fees	17,334	4,105
Conferences & events	50,437	47,734
Local Government Association	230,412	230,412
Directors of Public Protection	66,688	74,116
Miscellaneous expenses	47,599	39,779
WLGA Conference	34,817	35,715
Better Government for Older People	307	7,831
Project costs	190,280	110,565
Bad debts	5,352	(120,601)
	<u>965,470</u>	<u>1,122,287</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

13 DEBTORS	2016	2015
	£	£
Trade Debtors	146,390	825,730
Grant Debtors	1,048,922	881,093
Sundry Debtors	61,079	178,024
VAT	185,012	188,587
	<u>1,441,403</u>	<u>2,073,434</u>

14 CREDITORS	2016	2015
	£	£
Trade Creditors	642,673	585,945
Accruals	166,259	132,514
Deferred Income	1,832,239	1,391,212
Amounts owed to group undertakings	96,334	242,650
	<u>2,737,505</u>	<u>2,352,321</u>

Included within creditors due within one year are amounts due to the following subsidiaries:-

	2016	2015
	£	£
Local Government Data Unit - Wales	96,334	242,650
	<u>96,334</u>	<u>242,650</u>

15 RESERVES	General	Designated	Total
	£	£	£
Balance brought forward as previously stated	(4,337,797)	1,527,602	(2,810,195)
Surplus for the year	81,394	-	81,394
Remeasurement (liabilities & assets)	1,079,000	-	1,079,000
Transfer between reserves	552,957	(552,957)	-
At 31 March 2016	<u>(2,624,446)</u>	<u>974,645</u>	<u>(1,649,801)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

15 RESERVES -CON'T

£180,000 of designated reserves represent reserves for Information and Communication Technology and Premises.

£244,645 of designated reserves represent reserves for Invest to Save measures.

£550,000 of designated reserves represent reserves for future pension liabilities.

16 FINANCIAL COMMITMENT

The association has entered into a financial commitment with Cardiff County Council to pay £97,695 for Information and Communication Technology services up to 31 March 2017.

17 OPERATING LEASE COMMITMENT

The following operating lease commitments are committed to being paid within one year

	2016	2015
Land and Buildings		
Within one year	201,727	176,800
Between one and five years	706,045	795,600
	<u>907,772</u>	<u>972,400</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

18 SUBSIDIARY COMPANIES

Local Government Data Unit - Wales

	2016 £	2015 £
Surplus for the year	<u>83,152</u>	<u>43,520</u>
Capital and Reserves (after pension creditor)	<u>568,518</u>	<u>265,366</u>

Reserves before the pension deficit amounted to £728,518 (2015 £585,366). The pension deficit is not expected to crystallise in the short or medium term.

Included in creditors in the balance sheet are amounts owed to Local Government Data Unit - Wales of £96,334 (2015 - £242,650).

During the year the Association was charged £263,508 (2015 - £163,146) by Local Government Data Unit - Wales in the normal course of business.

During the year the Association paid a grant over to Local Government Data Unit - Wales amounting to £408,303 (2015 - £770,112)

The results of the Local Government Data Unit have not been consolidated into these financial statements. The results shown within these financial statements are that of the Welsh Local Government Association only.

19 RELATED PARTY TRANSACTIONS

Due to the nature of the Association's operations and its membership being drawn from a wide range of Local Authorities, it is inevitable that transactions will take place with organisations in which a member of the Association may have an interest. All transactions involving organisations in which a member may have an interest are conducted at arms length.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

20 PENSION SCHEME

Balance sheet items	2016 £m	2015 £m
Market Value of Assets	15,429	14,632
Liabilities	20,182	20,312
(Deficit)	<u>(4,753)</u>	<u>(5,680)</u>

Deferred taxation has been ignored.

The value of assets in the scheme and the split between investment categories were:

	Assets at 31 March 2016		Assets at 31 March 2015	
	£000s	%	£000s	%
Equities	7,992	51.8	7,887	53.9
Government Bonds	710	4.6	2,166	14.8
Other Bonds	1,743	11.3	380	2.6
Property	1,373	8.9	1,580	10.8
Cash/Liquidity	525	3.4	439	3.0
Other	3,086	20.0	2,180	14.9
	<u>15,429</u>		<u>14,632</u>	

Movement in Deficit	2016 £000s	2015 £000s
(Deficit) at beginning of year	(5,680)	(2,785)
Current Service Costs	(570)	(449)
Employer Contributions	613	666
Net interest on pension liabilities	(182)	39
Administration expense	(13)	(3)
Remeasurements on liabilities & assets	1,079	(3,148)
(Deficit) at End of Year	<u>(4,753)</u>	<u>(5,680)</u>

Analysis of FRS 17 Pension Adjustment	2016 £000s	2015 £000s
Current Service Costs	(570)	(449)
Curtailments	-	(3)
Employer Contributions	613	666
Net Interest/Return on Assets	(182)	39
Administration expense	(13)	-
Net Profit / (Loss)	<u>(152)</u>	<u>253</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

20 PENSION SCHEME (CONT'D)

Analysis of Net Interest/Return on Assets

	2016 £000s	2015 £000s
Expected Return on Assets	510	748
Interest on Pensionable Liabilities	(692)	(709)
Net Profit / (Loss)	<u>(182)</u>	<u>39</u>

Main Assumptions (cont'd)

Financial:

	2016	2015
CPI inflation	2.0%	2.1%
Rate of increase in salaries	3.5%	3.6%
Rate of increase in pensions	2.0%	2.1%
Discount rate	3.6%	3.4%

Expected rate of return on assets:

Equities	6.5%	7.0%
Government Bonds	2.2%	3.4%
Other Bonds	2.9%	4.3%
Property	5.9%	6.2%
Cash/Liquidity	0.5%	0.5%
Other	6.5%	7.0%

Split of assets between investment categories:

Equities	51.8%	53.9%
Government Bonds	4.6%	14.8%
Other Bonds	11.3%	2.6%
Property	8.9%	10.8%
Cash/Liquidity	3.4%	3.0%
Other	20.0%	14.9%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

20 PENSION SCHEME (CONT'D)

	2016	2015
Post retirement mortality assumptions		
Non-retired members (retiring in the future in normal health)	S1PA CMI_2012_[1.5%] (104% Males, 94% Females)	S1PA CMI_2012_[1.5%] (104% Males, 94% Females)
Retired members	S1PA CMI_2012_[1.5%] (106% Males, 100% Females)	S1PA CMI_2012_[1.5%] (106% Males, 100% Females)
Life expectancy		
Of a male (female) future pensioner aged 65 in 20 years' time	24.9 (28.1) years	24.8 (28.1) years
Of a male (female) current pensioner aged 65	22.4 (25.3) years	22.4 (25.3) years

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

21 EFFECT OF FRS17 ON THE SURPLUS FOR THE YEAR

		2016 £	2015 £
Surplus per accounts		81,394	869,972
FRS17 Included in the Income & expense account			
FRS17 adjustment	6	583,000	452,000
Expected return on pension scheme assets		(510,000)	(748,000)
Interest on pension scheme liabilities		692,000	709,000
Employers Pension contributions eliminated as a result of FRS17		(613,000)	(666,000)
ADJUSTED SURPLUS		<u>233,394</u>	<u>616,972</u>
Transfer from / (to) designated reserves		552,957	(552,957)
		<u><u>786,351</u></u>	<u><u>64,015</u></u>

22 GOING CONCERN

The financial statements currently show that the organisation has negative reserves of £1,649,801. The primary reason for the organisation having negative reserves is the long term pension deficit of £4,753,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the organisation pension scheme and as such the liability is not expected to crystallise in the short term. Excluding the pension deficit the organisation has reserves of £3,103,119. This gives the Chief Executive confidence that the organisation can continue as a going concern for the foreseeable future.

WELSH LOCAL GOVERNMENT ASSOCIATION
RECONCILIATION OF EQUITY
1 APRIL 2014
(DATE OF TRANSITION)

23 FRS 102 - FIRST YEAR ADOPTION	UK GAAP	Effect of transition to FRS 102	FRS 102
CURRENT ASSETS			
Amounts falling due within one year	2,279,414	-	2,279,414
Cash at Bank and in hand	2,633,307	-	2,633,307
	<u>4,912,721</u>	-	<u>4,912,721</u>
CURRENT LIABILITIES	<u>(2,599,888)</u>	<u>(60,000)</u>	<u>(2,659,888)</u>
NET ASSETS EXCLUDING PENSION LIABILITY	<u>2,312,833</u>	<u>(60,000)</u>	<u>2,252,833</u>
PENSION LIABILITY	(2,785,000)	-	(2,785,000)
NET LIABILITIES INCLUDING PENSION LIABILITY	<u>(472,167)</u>	<u>(60,000)</u>	<u>(532,167)</u>
FINANCED BY:			
General Reserves	(1,446,812)	(60,000)	(1,506,812)
Designated Reserves	974,645	-	974,645
	<u>(472,167)</u>	<u>(60,000)</u>	<u>(532,167)</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
RECONCILIATION OF EQUITY - continued
31 MARCH 2015

23 FRS 102 - FIRST YEAR ADOPTION	UK GAAP	Effect of transition to FRS 102	FRS 102
CURRENT ASSETS			
Amounts falling due within one year	2,073,434	-	2,073,434
Cash at Bank and in hand	3,148,692	-	3,148,692
	<u>5,222,126</u>	<u>-</u>	<u>5,222,126</u>
CURRENT LIABILITIES	<u>(2,289,441)</u>	<u>(62,880)</u>	<u>(2,352,321)</u>
NET ASSETS EXCLUDING PENSION LIABILITY	<u>2,932,685</u>	<u>(62,880)</u>	<u>2,869,805</u>
PENSION LIABILITY	(5,680,000)	-	(5,680,000)
NET LIABILITIES INCLUDING PENSION LIABILITY	<u>(2,747,315)</u>	<u>(62,880)</u>	<u>(2,810,195)</u>
FINANCED BY:			
General Reserves	(4,274,917)	(62,880)	(4,337,797)
Designated Reserves	1,527,602	-	1,527,602
	<u>(2,747,315)</u>	<u>(62,880)</u>	<u>(2,810,195)</u>

Notes to the reconciliation of equity

Holiday pay accrual

Liabilities arising from employees that have untaken holidays at the year end that will be paid for in the next financial year have been accrued for at the balance sheet date.

WELSH LOCAL GOVERNMENT ASSOCIATION

**RECONCILIATION OF SURPLUS
FOR THE YEAR ENDED 31 MARCH 2015**

23 FRS 102 - FIRST YEAR ADOPTION	UK GAAP	Effect of transition to FRS 102	FRS 102
INCOME	9,759,280	-	9,759,280
EXPENDITURE	(8,928,478)	(2,880)	(8,931,358)
OTHER FINANCE INCOME/COSTS - FRS17	39,000	-	39,000
OPERATING SURPLUS	<u>869,802</u>	<u>(2,880)</u>	<u>866,922</u>
Interest Receivable	3,050	-	3,050
SURPLUS ON ORDINARY ACTIVITIES	<u>872,852</u>	<u>(2,880)</u>	<u>869,972</u>