

Company Registration No. 2553768

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

Report and Financial Statements
for the year ended 31 March 2015

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THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS 2015

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THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Councillor Ian Swithenbank CBE (Chairman)

Councillor David Neighbour

Councillor Ken Thornber CBE

Councillor Jim Thornton

Appointed 3 September 2014

Carolyn Downs

SECRETARY

Helen Platts
Claire Holloway

Resigned 31 May 2015
Appointed 24 June 2015

REGISTERED OFFICE

Local Government House
Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITORS

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

THE LOCAL GOVERNMENT MANAGEMENT BOARD **(a company limited by guarantee)**

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 March 2015.

Principal activities

The Local Government Management Board is a company limited by guarantee. It owns property at Layden House, Turnmill Street, London EC1.

Business review

The Company's principal business is the rental of its property to third party tenants.

Future Developments

Following a detailed options appraisal, the board has agreed to the refurbishment of Layden House from 2016 in order to increase both the capital value of the building and its income base.

Principal risks and uncertainties

The principal risk currently faced by the Company is that its income depends on the successful marketing of its property to good quality tenants. It is therefore exposed to fluctuations in the commercial property market.

The proposed refurbishment of Layden House is also subject to risks relating to the eventual marketability of the building and the costs of refurbishment. These risks will be closely managed through the continuous review of the viability of the refurbishment.

Employees

The company has no employees.

Political and charitable contributions

The Company made no political or charitable donations and incurred no political expenditure during the year.

Dividends

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

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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DIRECTORS' REPORT

Provision of information to Auditors

In the case of each of the persons who are directors at the time when the directors' report is approved, the following applies:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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.

Approved by the Board of Directors on 25th June 2015



Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

THE LOCAL GOVERNMENT MANAGEMENT BOARD **(a company limited by guarantee)**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE LOCAL GOVERNMENT MANAGEMENT BOARD

We have audited the financial statements of the Local Government Management Board for the year ended 31 March 2015 set out on pages 6 to 12 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes (1 to 16). The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the 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 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 Company'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.

Opinion on financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report 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 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.

Paul Hopper (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor

2015



1 Westferry Circus
Canary Wharf
London E14 4HD

24 June 2015

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 March 2015

	Note	2015 £000	2014 £000
Income	2	1,137	1,129
Administrative expenses		(1,133)	(1,178)
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE INTEREST	5	<u>4</u>	<u>(49)</u>
Interest receivable		4	4
Interest payable	6	(53)	(74)
DEFICIT OF INCOME OVER EXPENDITURE FOR THE YEAR BEFORE AND AFTER TAX	7,13	<u>(45)</u>	<u>(119)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2015

	Note	2015 £000	2014 £000
Deficit for the year		(45)	(119)
Unrealised gain on revaluation in respect of investment property	8	4,450	5,150
Total recognised gain relating to the year		<u>4,405</u>	<u>5,031</u>

The accounting policies and notes on pages 9 to 12 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee) Company number 2553768

BALANCE SHEET
As at 31 March 2015

	Note	2015 £000	2014 £000
FIXED ASSETS			
Investment property	8	22,000	17,550
		<u>22,000</u>	<u>17,550</u>
CURRENT ASSETS			
Debtors	9	393	420
Short term investments	10	40	375
Cash at bank and in hand		52	152
		<u>485</u>	<u>947</u>
CREDITORS: amounts falling due within one year	11	<u>(354)</u>	<u>(2,271)</u>
NET CURRENT ASSETS / (LIABILITIES)		131	(1,324)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,131</u>	<u>16,226</u>
CREDITORS: amounts falling due after more than one year	12	<u>(1,500)</u>	<u>-</u>
TOTAL NET ASSETS		<u>20,631</u>	<u>16,226</u>
ACCUMULATED FUNDS			
General Reserve		3,894	3,939
Revaluation Reserve		16,737	12,287
	13	<u>20,631</u>	<u>16,226</u>

These financial statements were approved by the Board of Directors on 25th June 2015

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Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 9 to 12 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

CASH FLOW STATEMENT
Year ended 31 March 2015

	Note	2015 £000	2014 £000
Net cash outflow from operating activities		(86)	(18)
Returns on investments and servicing of finance			
Interest Received		4	4
Interest Paid		(53)	(74)
		(49)	(70)
Financing			
Repayment of Borrowings		(300)	(400)
Management of liquid resources			
Decrease in short term investment		335	325
Decrease in cash		(100)	(163)
Net funds at the start of the year		152	315
Net funds at the end of the year		52	152

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 March 2015

i. RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2015 £000	2014 £000
Operating surplus/(deficit)	4	(49)
Decrease in current assets:		
- debtors	27	8
(Decrease)/Increase in current liabilities:		
- creditors (other than loan creditors)	(117)	23
Net cash outflow from operating activities	(86)	(18)

ii Changes in Cash and Cash Equivalents

Analysis of movement in balances

	2015 £000	2014 £000	Change in year £000
Cash at bank and in hand	52	152	(100)

iii 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	152	(100)	-	52

The accounting policies and notes on pages 9 to 12 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD

(a company limited by guarantee)

NOTES TO THE ACCOUNTS

Year Ended 31 March 2015

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. 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.

Income

Income represents the amount receivable as rents and services provided (excluding Value Added Tax), and is generated entirely in the UK.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider that the going concern basis is appropriate because the Company's income is currently derived from a range of leases with good quality tenants. Moving forward the company plans to refurbish Layden House to coincide with the opening of Crossrail in 2018, with a view to more than doubling both its capital and rental value. The company have assessed that the Income from the future leases will be sufficient to fund the full costs of the company's operations for the foreseeable future. This includes the necessary Loan costs to fund the development period for the refurbishment works.

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 arms length transaction after proper marketing wherein the parties each had acted knowledgeably, prudently and without compulsion".

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 2015, no debts were written off as irrecoverable.

Company Status

The Company is limited by guarantee and has no share capital. In the event of a winding up of the company, each member's contribution towards the liabilities is limited to £1.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2015

2. INCOME

	2015 £000	2014 £000
Rents received	<u>1,137</u>	<u>1,129</u>

The Company's turnover comprises rent on its freehold building receivable from new short term leases negotiated on an arms length basis with third party tenants.

3. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the Company (2014: £nil).

There were no retirement benefits accruing to the directors in respect of services to the Company (2014: nil); nor did any director receive assets or money under any long term incentive scheme.

4. STAFF INFORMATION

The Company had no employees during the current and preceding financial year.

5. OPERATING SURPLUS

	2015 £000	2014 £000
Operating surplus is after charging:		
Auditors' remuneration		
- audit fee	<u>1</u>	<u>1</u>

6. INTEREST PAYABLE

	2015 £000	2014 £000
Improvement and Development Agency loan	9	27
Local Government Association loan	43	45
Other	-	2
	<u>52</u>	<u>74</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 838(2) of the Income Tax Act 2007 and Section 984(2) of the Corporation Tax Act 2010. It is exempt from capital gains tax under Section 271(3) of the Taxation of Chargeable Gains Act 1992.

8. INVESTMENT PROPERTIES

	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>

Layden House is an Investment Property being leased to third parties at a commercial rate on an arm's length basis.

The freehold land and building, Layden House, was re-valued at its open market value on a commercial rental use basis. The valuation was performed as at 2 April 2015 by an independent professional valuer, Farebrother Chartered Surveyors.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2015

9. DEBTORS

	2015 £000	2014 £000
Trade debtors	313	281
Due from related entities	73	90
Other debtors	-	40
Prepayments and accrued income	7	9
	<u>393</u>	<u>420</u>

10. SHORT TERM INVESTMENTS

Surplus cash balances are lent to borrowers on the Local Government Association's approved list. The Company's investments are pooled with those of other entities that have adopted the Local Government Association Investment Strategy. Investments are typically for periods of up to six 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 Investment Strategy. The Investment Strategy strictly applies credit limits for all of the above financial institutions to ensure that deposits are spread across a number of its approved counterparties. No credit limits were exceeded during the year and the Company does not expect any losses on short term investments.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000	2014 £000
Improvement and Development Agency loan	-	300
Local Government Association loan	-	1,500
Trade creditors and accruals	20	28
Income received in advance	233	223
Other creditors	92	92
Owed to related entities	9	128
	<u>354</u>	<u>2,271</u>

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

	2015 £000	2014 £000
Local Government Association loan	1,500	-
	<u>1,500</u>	<u>-</u>

A new loan agreement was created in March 2013 of £1,500,000 with the Local Government Association. The loan has been extended for full repayment in March 2017. This loan bears interest at an interest rate of 2.5% p.a. over base rate.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2015

13. STATEMENT OF MOVEMENTS ON ACCUMULATED FUNDS

The accumulated funds are not distributable to the members by way of dividend. Accumulated funds are allocated as follows:

	2015 £000	2014 £000
General Reserve		
Balance as at 1 April	3,939	4,058
Deficit of income over expenditure for the year	(45)	(119)
Balance at 31 March	<u>3,894</u>	<u>3,939</u>
Revaluation Reserve		
Balance as at 1 April	12,287	7,137
Unrealised gain on revaluation on investment property	4,450	5,150
Balance at 31 March	<u>16,737</u>	<u>12,287</u>
Total Reserves	<u>20,631</u>	<u>16,226</u>

14. CONTROLLING ENTITY

The controlling entity is the Local Government Association and the registered office is Local Government House, Smith Square, London, SW1P 3HZ.

15. RELATED PARTIES

The company had the following transactions with related parties:

	Value of related party transactions in year 2015 exp / (inc) £000	Outstanding balance at 31 March 2015 dr / (cr) £000	Value of related party transactions in year 2014 exp / (inc) £000	Outstanding balance at 31 March 2014 dr / (cr) £000
Local Government Association	669	(8)	478	(53)
Local Government Association - Loan	-	(1,500)	-	(1,500)
Improvement and Development Agency	44	73	(75)	15
Improvement and Development Agency - Loan	(300)	-	-	(300)

Improvement and Development Agency is a company controlled by the Local Government Association. The transactions with related parties are a result of the Company's property rental business and other day to day activity recharges.

16. POST BALANCE SHEET EVENTS

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