

**THE LOCAL GOVERNMENT
MANAGEMENT BOARD**

(a company limited by guarantee)

Report and Financial Statements

31 March 2001



**Deloitte & Touche
Verulam Point
Station Way
St Albans
AL1 5HE**

REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Sir Harry G Jones CBE (Chair)
Ian C F Swithenbank
Brian Briscoe
Ronald Gee OBE
Lord Paul Hanningfield
Sir David Reeve Williams CBE

SECRETARY

John Rees

REGISTERED OFFICE

Layden House
76-86 Turnmill Street
London
EC1M 5QU

BANKERS

HSBC Plc

SOLICITORS

Beachcroft Wansboroughs

AUDITORS

Deloitte & Touche
Chartered Accountants
Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2001.

ACTIVITIES

The Local Government Management Board (a company limited by guarantee) from the 1 April 1999 is a property company renting its premises to the Improvement and Development Agency for Local Government and the Employers' Organisation who are engaged in the provision of publications, advice and other services to Local Authorities in England and Wales.

REVIEW OF DEVELOPMENTS

The previous trading activities of the company were transferred on 1 April 1999 to two new companies: The Improvement and Development Agency for Local Government and the Employers' Organisation for Local Government. The new companies continue to provide services to Local Authorities from the premises owned by the company for an agreed rental.

On 1 April 2000, the company transferred its interest in The Local Government Information House Limited to The Improvement and Development Agency for Local Government.

DIVIDENDS

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

FUTURE PROSPECTS

The company will retain the freehold premises at Layden House, charging a rental to the new trading companies. It will also continue to pay and review rents in respect of other leased properties until those leases expire.

DIRECTORS

The names of the directors who served during the year are set out on page 1. Directors become members of the company on appointment and provide a guarantee of £1 each during the period of their appointment.

DONATIONS

No donations were made during the year (1999: £Nil).

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



24 - 9 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

AUDITORS' REPORT TO THE MEMBERS OF

THE LOCAL GOVERNMENT MANAGEMENT BOARD

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

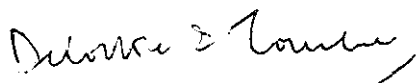
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

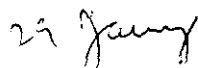
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2001 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors



2001

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 March 2001

	Note	2001 £000	2000 £000
INCOME	2	976	868
Administrative expenses		(645)	(938)
OPERATING SURPLUS/(DEFICIT)	5	331	(70)
Interest receivable and similar income		8	6
Interest payable and similar expenditure	6	(184)	(206)
SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE FOR THE YEAR	14	155	(270)

All income and expenses in the current financial year have been derived from continuing operations.

A Statement of Total Recognised Gains and Losses has not been prepared as there have not been any recognised gains or losses other than the surplus/(deficit) for the year and the preceding year.

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS
Year ended 31 March 2001


	2001 £000	2000 £000
Surplus/(deficit) of income over expenditure for the year	155	(270)
Opening accumulated funds	2,215	2,485
Closing accumulated funds	2,370	2,215

BALANCE SHEET
31 March 2001

	Note	2001 £000	2000 £000
FIXED ASSETS			
Tangible assets	8	4,609	4,794
Investments	9	-	-
CURRENT ASSETS			
Debtors	10	87	91
Investments – money market deposits		100	100
Cash at bank and in hand		90	86
		277	277
CREDITORS: amounts falling due within one year	11	(670)	(727)
NET CURRENT LIABILITIES		(393)	(450)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,216	4,344
CREDITORS: amounts falling due after more than one year	12	(1,626)	(1,929)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(220)	(200)
		2,370	2,215
ACCUMULATED FUNDS	14	2,370	2,215

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



Director

CASH FLOW STATEMENT
Year ended 31 March 2001

	Note	2001 £000	2000 £000
Net cash inflow/(outflow) from operating activities	i	458	(2,997)
Returns on investments and servicing of finance	ii	<u>(176)</u>	<u>(200)</u>
Net cash inflow/(outflow) before the management of liquid resources and financing		282	(3,197)
Management of liquid resources	iii	-	1,374
Financing	iv	<u>(278)</u>	<u>(193)</u>
Increase/(decrease) in cash		<u><u>4</u></u>	<u><u>(2,016)</u></u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2001**i. RECONCILIATION OF OPERATING DEFICIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	2001 £000	2000 £000
Operating surplus/(deficit)	331	(70)
Depreciation	185	244
Decrease in current assets:		
- stocks	-	241
- debtors	4	1,414
(Decrease)/increase in current liabilities and provisions:		
- creditors	(82)	(4,357)
- provisions	20	(469)
Net cash inflow/(outflow) from operating activities	458	(2,997)

ii. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2001 £000	2000 £000
Interest paid	(184)	(206)
Interest received	8	6
	(176)	(200)

iii. MANAGEMENT OF LIQUID RESOURCES

	2001 £000	2000 £000
Cash inflow from decrease in money market deposits	-	1,374

iv. FINANCING

	2001 £000	2000 £000
Repayment of borrowings	278	193

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2001**v. RECONCILIATION OF NET CASHFLOW TO NET FUNDS**

	2001 £000	2000 £000
Increase/(decrease) in cash in year	4	(2,016)
Repayment of borrowings	278	193
Cash from reduction in liquid resources	-	(1,374)
Change in net debt	282	(3,197)
Net funds at start of year	(2,021)	1,176
Net funds at end of year	<u>(1,739)</u>	<u>(2,021)</u>

vi. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2000 £000	Other changes £000	Cashflows £000	At 31 March 2001 £000
Debt due within one year	(278)	(303)	278	(303)
Debt due after one year	(1,929)	303	-	(1,626)
Cash at bank	86	-	4	90
Current asset investments	100	-	-	100
	<u>(2,021)</u>	<u>-</u>	<u>282</u>	<u>(1,739)</u>

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention

Related party transactions

During the year the company rented premises to the Improvement and Development Agency for Local Government and the Employers' Organisation who are under the common control of the Local Government Association. Rent receivable is shown in note 2. In addition, on 1 April 1999, the company transferred certain assets and liabilities relating to its previous trading activities at book value to the Improvement and Development Agency for Local Government and the Employers' Organisation. In addition, a contribution of £ nil (2000: £240,000) was made to the Improvement and Development Agency for Local Government and the Employers' Organisation.

The previous trading activities of the company were transferred, together with related trading balances, to the Improvement and Development Agency for Local Government and the Employers' Organisation on 1 April 1999.

At 31 March 2001, the company owed £196,642 (2000: £286,520) to the Improvement and Development Agency for Local Government and £2,334 (2000: £1,137) to the Employers' Organisation.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows

Freehold land and buildings	2% per annum
Computer equipment	33% per annum
Furniture and fittings	10% per annum

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Income

Income represents the amount receivable as rents and services provided (excluding Value Added Tax). Note 2 gives further analysis of income.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****2. INCOME**

	2001	2000
	£000	£000
Rents received	976	865
Services recharged	-	3
	<u>976</u>	<u>868</u>

3. DIRECTORS EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company and its subsidiaries (2000: £nil). There were no retirement benefits accruing to the directors in respect of qualifying services to the company.

4. STAFF COSTS

The company did not employ anyone during the current and preceding financial year.

5. OPERATING SURPLUS/(DEFICIT)

	2001	2000
	£000	£000
Operating surplus/(deficit) is after charging:		
Depreciation and amortisation	185	244
Rentals under operating leases		
- other operating leases	371	371
Auditors' remuneration		
- audit fee	1	1
	<u>1</u>	<u>1</u>

6. INTEREST PAYABLE

	2001	2000
	£000	£000
Bank loans	184	206
	<u>184</u>	<u>206</u>

7. TAXATION

The Local Government Management Board is exempt from Income Tax and Corporation Tax by virtue of its status as a Local Authority Association under Sections 19(2) and 19(3) of the Taxes Act 1988. It is exempt from Capital Gains Tax under Section 271 of the Taxation of Chargeable Gains Act 1992. The subsidiaries and related companies are exempt by virtue of their status as Registered Charities or as Local Authority Associations.

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Computer equipment £000	Furniture and fittings £000	Total £000
Cost				
At 1 April 2000 and 31 March 2001	4,793	721	469	5,983
Accumulated depreciation				
At 1 April 2000	336	679	174	1,189
Charge for the year	96	42	47	185
At 31 March 2001	432	721	221	1,374
Net book value				
At 31 March 2001	4361	-	248	4609
At 31 March 2000	4,457	42	295	4,794

9. FIXED ASSETS INVESTMENTS

	£
Shares in subsidiary undertakings	
Cost and net book value at 1 April 2000	101
Disposal of interest in subsidiary	(1)
Cost and net book value at 31 March 2001	100
Interest in associate companies	
At 1 April 2000 and 31 March 2001	50

Shares in subsidiary undertakings:

Local Government Training and Research Services Limited, a company registered in England and Wales, is a registered charity engaged in the provision of training and research in all aspects of local government activity. The Local Government Management Board owns 100% of the issued ordinary share capital.

The Local Government Information House Limited, a company registered in England and Wales, is engaged in the provision of geographical information services on behalf of Local Government. The Local Government Management Board sold its 100% interest in the issued ordinary share capital on 1 April 2000.

Interest in related companies:

Joint Initiative for Community Care Limited, a registered charity and company registered in England and Wales, is engaged in research into the 'Care in the Community' policy of local government social services. The Local Government Management Board owns 50% of the ordinary share capital of the company. The company ceased trading during 2000.

All of the above companies are unlisted.

The company has no right to receive dividends from its investments, nor to participate in any distribution of assets following a winding up.

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****10. DEBTORS**

	2001 £000	2000 £000
Trade debtors	46	50
Prepayments and accrued income	41	41
	<u>87</u>	<u>91</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £000	2000 £000
Trade creditors	199	287
Loans	303	278
Other creditors	168	162
	<u>670</u>	<u>727</u>

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

	2001 £000	2000 £000
Bank loans	<u>1,626</u>	<u>1,929</u>
Loan is repayable by instalments:		
Due within one year	303	278
Between one and two years	330	303
Between two and five years	1,157	1,083
After more than five years	139	543
	<u>1,929</u>	<u>2,207</u>
Amounts falling due within one year	303	278
Amounts falling due after one year	<u>1,626</u>	<u>1,929</u>
	<u>1,929</u>	<u>2,207</u>

The loan is secured on the freehold premises of the company at Turnmill Street. The loan bears interest at a rate of 8.75% per annum fixed over the term of the loan. The loan is repayable in equal quarterly instalments, starting in September 1999.

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****13. PROVISIONS FOR LIABILITIES AND CHARGES**

	Major repair and redeco- ration £000
Balance at 1 April 2000	200
Charged to income and expenditure account	20
Balance at 31 March 2001	<u>220</u>

The provision for major repair and redecoration is made against the cost of making good dilapidations under leases.

14. ACCUMULATED FUNDS

The accumulated funds are not distributable to the members by way of dividend. The accumulated funds of the subsidiary undertakings and related companies may only be used for charitable purposes. The accumulated funds of the company are allocated as follows:

	£000
Funding of assets, less move costs	2,210
Building repair reserve	150
Contingency allowance	10
	<u>2,370</u>

15. FINANCIAL COMMITMENTS**Operating Leases**

At 31 March 2001 the company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings 2001 £000	Land and Buildings 2000 £000
Leases which expire:		
Within one year	-	-
Within 2 to 5 years	357	357
After 5 years	14	14
	<u>371</u>	<u>371</u>

16. CONTROLLING ENTITY

The controlling entity is the Local Government Association.

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

17. MEMBERS

The company is incorporated as a company limited by guarantee having no share capital and, in accordance with the Memorandum of Association, every member is liable to contribute a sum of £1 in the event of the company being wound up. At 31 March 2000 there were 6 members.