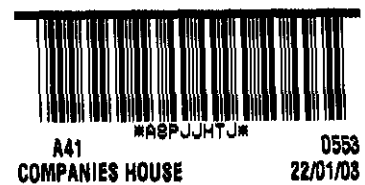


**THE LOCAL GOVERNMENT
MANAGEMENT BOARD**

(a company limited by guarantee)

Report and Financial Statements

31 March 2002



REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

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
St Albans

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

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.

The directors consider there to be no significant developments in the near future.

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 throughout the year and since the year end 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 (2001: £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



JOHN ROES
Brian Briscoe

9/01 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCAL GOVERNMENT
MANAGEMENT BOARD**

We have audited the financial statements of the Local Government Management Board a company limited by guarantee for the year ended 31 March 2002 which comprise the income and expenditure account, statement of movements on accumulated funds, the balance sheet, cash flow statement and notes, and the related notes 1 to 16. These financial statements have been prepared under the accounting policies and notes set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 company's circumstances, 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 the company's affairs as at 31 March 2002 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
St Albans

15 January 2003

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 March 2002

	Note	2002 £000	2001 £000
INCOME	2	839	976
Administrative expenses		(630)	(645)
OPERATING SURPLUS	5	209	331
Interest receivable and similar income		6	8
Interest payable and similar expenditure	6	(159)	(184)
SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR	14	56	155

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 for the year and the preceding year.

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS
Year ended 31 March 2002

	2002 £000	2001 £000
Surplus of income over expenditure for the year	56	155
Opening accumulated funds	2,370	2,215
Closing accumulated funds	2,426	2,370

BALANCE SHEET
31 March 2002

	Note	2002 £000	2001 £000
FIXED ASSETS			
Tangible assets	8	4,466	4,609
Investments	9	-	-
CURRENT ASSETS			
Debtors	10	41	87
Investments – money market deposits		100	100
Cash at bank and in hand		94	90
		235	277
CREDITORS: amounts falling due within one year	11	(660)	(670)
NET CURRENT LIABILITIES		(425)	(393)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,041	4,216
CREDITORS: amounts falling due after more than one year	12	(1,295)	(1,626)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(320)	(220)
		2,426	2,370
ACCUMULATED FUNDS	14	2,426	2,370

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

9/1/2003



Brian Briscoe
Director

CASH FLOW STATEMENT
Year ended 31 March 2002

	Note	2002 £000	2001 £000
Net cash inflow from operating activities	i	460	458
Returns on investments and servicing of finance	ii	<u>(153)</u>	<u>(176)</u>
Net cash inflow before the management of liquid resources and financing		307	282
Financing	iii	<u>(303)</u>	<u>(278)</u>
Increase in cash		<u><u>4</u></u>	<u><u>4</u></u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2002

i. RECONCILIATION OF OPERATING DEFICIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £000	2001 £000
Operating surplus	209	331
Depreciation	143	185
Decrease in debtors:	98	4
(Decrease)/increase in current liabilities and provisions:		
- creditors	(90)	(82)
- provisions	100	20
Net cash inflow from operating activities	460	458

ii. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2002 £000	2001 £000
Interest paid	(159)	(184)
Interest received	6	8
	(153)	(176)

iii. FINANCING

	2002 £000	2001 £000
Repayment of borrowings	303	278

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**Year ended 31 March 2002****iv. RECONCILIATION OF NET CASHFLOW TO NET FUNDS**

	2002	2001
	£000	£000
Increase in cash in year	4	4
Repayment of borrowings	304	278
	<hr/>	<hr/>
Change in net debt	308	282
Net funds at start of year	(1739)	(2,021)
	<hr/>	<hr/>
Net funds at end of year	<u>(1431)</u>	<u>(1,739)</u>

v. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2001 £000	Cashflows £000	At 31 March 2002 £000
Debt due within one year	(303)	(27)	(330)
Debt due after one year	(1,626)	331	(1,295)
Cash at bank	90	4	94
Current asset investments	100	-	100
	<hr/>	<hr/>	<hr/>
	<u>(1,739)</u>	<u>308</u>	<u>(1,431)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**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

The company rents 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.

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 2002, the company owed £167,041 (2001: £196,642) to the Improvement and Development Agency for Local Government and £2,434 (2001: £2,334) 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

Land is not depreciated.

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 which is generated entirely in the UK.

Leases

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**2. INCOME**

	2002 £000	2001 £000
Rents received	839	976
	<u>839</u>	<u>976</u>

3. DIRECTORS EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company and its subsidiaries (2001: £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

	2002 £000	2001 £000
Operating surplus is after charging:		
Depreciation and amortisation	143	185
Rentals under operating leases		
- other operating leases	371	371
Auditors' remuneration		
- audit fee	1	1
	<u>1</u>	<u>1</u>

6. INTEREST PAYABLE

	2002 £000	2001 £000
Bank loans	159	184
	<u>159</u>	<u>184</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 2002**8. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £000	Computer equipment £000	Furniture and fittings £000	Total £000
Cost				
At 1 April 2001 and 31 March 2002	4,793	721	469	5,983
Accumulated depreciation				
At 1 April 2001	432	721	221	1,374
Charge for the year	96	-	47	143
At 31 March 2002	528	721	268	1,517
Net book value				
At 31 March 2002	4,265	-	201	4,466
At 31 March 2001	4,361	-	248	4,609
Net book value of undepreciated land £500,000 (2001: £500,000).				

9. FIXED ASSETS INVESTMENTS

	£
Shares in subsidiary undertakings	
Cost and net book value at 1 April 2001 and at 31 March 2002	100

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.

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 2002**9. DEBTORS**

	2002	2001
	£000	£000
Trade debtors	-	46
Prepayments and accrued income	41	41
	<u>41</u>	<u>87</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£000	£000
Trade creditors	169	199
Loans	330	303
Other creditors	161	168
	<u>660</u>	<u>670</u>

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

	2002	2001
	£000	£000
Bank loans	<u>1,295</u>	<u>1,626</u>
Loan is repayable by instalments:		
Due within one year	330	303
Between one and two years	360	330
Between two and five years	935	1,157
After more than five years	-	139
	<u>1,625</u>	<u>1,929</u>
Amounts falling due within one year	330	303
Amounts falling due after one year	<u>1,295</u>	<u>1,626</u>
	<u>1,625</u>	<u>1,929</u>

The loan is secured on the freehold premises of the company at Tummill 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 2002**12. PROVISIONS FOR LIABILITIES AND CHARGES**

	Major repair and redeco- ration £000
Balance at 1 April 2001	220
Charged to income and expenditure account	100
Balance at 31 March 2002	<u>320</u>

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

13. 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:

	2002 £000	2001 £000
Funding of assets, less move costs	2,096	2,210
Building repair reserve	320	150
Contingency allowance	10	10
	<u>2,426</u>	<u>2,370</u>

14. CONTROLLING ENTITY

The controlling entity is the Local Government Association.

15. 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 2002 there were 6 members.

NOTES TO THE ACCOUNTS**Year ended 31 March 2002****16. OPERATING LEASE COMMITMENTS**

At 31 March 2002 the company was committed to making payments under operating leases in the following year as follows:-

	Land and buildings £000
Leases expiring:	
- less than one year	157
- between one and two years	204
	<hr/>
	361
	<hr/>