

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

**THE LOCAL GOVERNMENT MANAGEMENT BOARD**  
**(a UK Registered company limited by guarantee)**  
**Company Registration No. 2553768**

**Report and Financial Statements**  
**for the year ended 31 March 2016**

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

**REPORT AND FINANCIAL STATEMENTS 2016**

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**THE LOCAL GOVERNMENT MANAGEMENT BOARD**  
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**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

Councillor Ian Swithenbank CBE (Chairman)	
Councillor Philippa Roe	Appointed 3 September 2015
Councillor Adrian Naylor	Appointed 6 July 2015
Councillor David Neighbour	
Sarah Pickup - LGA, Deputy Chief Executive	Appointed 29 October 2015
Councillor Ken Thornber CBE	Resigned 12 August 2015
Councillor Jim Thornton	Resigned 13 May 2015
Carolyn Downs	Resigned 27 July 2015
Stephen Hughes	Appointed 24 July 2015, Resigned 30 September 2015

**SECRETARY**

Helen Platts	Resigned 31 May 2015
Claire Holloway	Appointed 26 May 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 West ferry 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 2016.

### **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. The building is vacant of tenants as at 1 April 2016, in preparation for the redevelopment project due to commence in the summer / autumn of 2016.

### **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**

PKF Littlejohn LLP has expressed its willingness to continue in office. A resolution proposing the reappointment of PKF Littlejohn LLP will be proposed at the next board meeting.

**Status of this Directors' Report**

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

**Approved** by the Board of Directors on 15th June 2016

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 the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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  
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**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 Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 16. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 **Error! Bookmark not defined.**, 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 (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 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. 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 2016 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 matters 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**

1 Westferry Circus  
Canary Wharf  
London E14 4HD

2016

**THE LOCAL GOVERNMENT MANAGEMENT BOARD**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 March 2016**

	<b>Note</b>	<b>2016 £000</b>	<b>2015 £000</b>
Income	2	892	1,137
Administrative expenses		(974)	(1,133)
<b>OPERATING (DEFICIT)/SURPLUS BEFORE INTEREST</b>	5	<b>(82)</b>	<b>4</b>
Interest receivable		1	4
Interest payable	6	(45)	(53)
Gain on revaluation investment property	8	2,932	4,450
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	7	<b>2,806</b>	<b>4,405</b>

All amounts relate to continuing operations.

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

The accounting policies and notes on pages 10 to 14 form part of these financial statements.

**THE LOCAL GOVERNMENT MANAGEMENT BOARD**  
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**STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2016**

**Company Registration No. 2553768**

	Note	2016 £000	2015 £000
<b>FIXED ASSETS</b>			
Investment property	8	25,800	22,000
		25,800	22,000
<b>CURRENT ASSETS</b>			
Debtors	9	45	393
Short term investments	11	684	40
Cash at bank and in hand		10	52
		739	485
<b>CREDITORS: amounts falling due within one year</b>	12	(3,102)	(354)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(2,363)	131
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		23,437	22,131
<b>CREDITORS: amounts falling due after more than one year</b>	13	-	(1,500)
<b>TOTAL NET ASSETS</b>		23,437	20,631
<b>ACCUMULATED FUNDS</b>			
General Reserve		3,768	3,894
Revaluation Reserve		19,669	16,737
		23,437	20,631

These financial statements were approved by the Board of Directors on 15th June 2016

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 10 to 14 form part of these financial statements.

**THE LOCAL GOVERNMENT MANAGEMENT BOARD**  
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**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 March 2016**

	Retained Earnings £000	Revaluation Reserve £000	Total £000
<b>Balance at 1st April 2014</b>	<b>3,939</b>	<b>12,287</b>	<b>16,226</b>
<b>Changes in equity for 2014/15</b>			
Deficit for the year	(45)	-	(45)
Gain on revaluation of property	-	4,450	4,450
Total comprehensive income for the year	(45)	4,450	4,405
<b>Balance as at 31st March 2015</b>	<b>3,894</b>	<b>16,737</b>	<b>20,631</b>
<b>Balance at 1st April 2015</b>	<b>3,894</b>	<b>16,737</b>	<b>20,631</b>
<b>Changes in equity for 2015/16</b>			
Deficit for the year	(126)	-	(126)
Gain on revaluation of property	-	2,932	2,932
Total comprehensive income for the year	(126)	2,932	2,806
<b>Balance as at 31st March 2016</b>	<b>3,768</b>	<b>19,669</b>	<b>23,437</b>

The accounting policies and notes on pages 10 to 14 form part of these financial statements.

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**STATEMENT OF CASHFLOWS**  
**Year ended 31 March 2016**

	Note	2016 £000	2015 £000
<b>Cash flow from operating activities</b>			
Operating Surplus		2,806	4,406
Adjustments for:			
Gain on revaluation of Property		(2,932)	(4,450)
Investment income		-	(4)
Interest expense		45	52
Decrease in Debtors		348	26
Increase/(decrease) in Creditors		247	(117)
<b>Cash generated from operations</b>		<u>514</u>	<u>(87)</u>
Interest Paid		(45)	(52)
<b>Net cash generated/(used) from operating activities</b>		<u>469</u>	<u>(139)</u>
<b>Cash flow from investing activities</b>			
Repayment of Borrowings		1	4
Expenditure on LH Redevelopment		(868)	-
		<u>(867)</u>	<u>4</u>
<b>Cash flow from financing activities</b>			
Borrowing from LGA		1,000	-
Repayments of borrowings		-	(300)
		<u>1,000</u>	<u>(300)</u>
Net Increase/(Decrease) in cash		602	(435)
<b>Cash and cash equivalents at start of the year</b>		<u>92</u>	<u>527</u>
<b>Cash and cash equivalents at the end of the year</b>	10	<u>694</u>	<u>92</u>

The accounting policies and notes on pages 10 to 14 form part of these financial statements.

**THE LOCAL GOVERNMENT MANAGEMENT BOARD**  
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**NOTES TO THE ACCOUNTS**  
**Year Ended 31 March 2016**

**1. ACCOUNTING POLICIES**

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

**Accounting convention**

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

**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 future income will be delivered from leases with good quality tenants, on a property that is located in Farringdon. The company plans during 2016 and 2017 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 FRS102 the investment property will be revalued annually with the surplus or deficit transferred to the revaluation reserve.

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

**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 2016, 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**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2016**

**2. INCOME**

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Rents received	<u>892</u>	<u>1,137</u>

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

**3. DIRECTORS' EMOLUMENTS**

None of the directors received any emoluments in respect of their services to the Company (2015: nil).

There were no retirement benefits accruing to the directors in respect of services to the Company (2015: 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**

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
<b>Operating surplus is after charging:</b>		
Auditors' remuneration - audit fee	<u>4</u>	<u>1</u>

**6. INTEREST PAYABLE**

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Improvement and Development Agency loan	-	9
Local Government Association loan	<u>45</u>	<u>43</u>
	<u><b>45</b></u>	<u><b>52</b></u>

**7. TAXATION**

The Company has sought tax advice and our advisors have confirmed that as a result Layden House being treated as an investment asset, the Company is no longer exempt from tax on its revenue income and gains or capital gains. Discussions ongoing with HMRC to determine if there is any historic tax liability.

**8. INVESTMENT PROPERTIES**

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Brought forward valuation	22,000	17,550
Unrealised gain on revaluation	2,932	4,450
Capitalised items	868	-
Carried forward valuation	<u><b>25,800</b></u>	<u><b>22,000</b></u>

**THE LOCAL GOVERNMENT MANAGEMENT BOARD**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2016**

Layden House is an Investment Property being leased to third parties at a commercial rate on an arm's length basis. The capitalised items in the table above relate to fees and costs incurred in preparing to develop the property in 2016/17.

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 31 March 2016 by an independent professional valuer, Farebrother Chartered Surveyors.

**9. DEBTORS**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	6	313
Due from related entities	29	73
Other debtors	4	-
Prepayments and accrued income	6	7
	<u><b>45</b></u>	<u><b>393</b></u>

**10. CASH AND CASH EQUIVALENTS**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	10	52
Short Term Investments	684	40
	<u><b>694</b></u>	<u><b>92</b></u>

**11. SHORT TERM INVESTMENTS**

Surplus cash balances held by the Company, the companies it controls and related parties are pooled and lent to financial institutions on the Company's approved counterparty list. Investments are typically for periods not exceeding twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to financial institutions that meet agreed credit ratings criteria and subject to the cash limits (per counterparty) as shown in the Company's Investment Strategy. The Company's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and the Company does not expect any losses on short term investments.

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Local Government Association loan	2,500	-
Trade creditors and accruals	164	20
Income received in advance	4	233
Other creditors	69	92
Owed to related entities	365	9
	<u><b>3,102</b></u>	<u><b>354</b></u>

A 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. In addition a new one year loan of £1,000,000 was put in place in March 2016, to cover cash flows until the internal and external development loans are put in place in 2016/17. The LGA loans bear interest at an interest rate of 2.5% p.a. over base rate.

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**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2016**

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2016 £000	2015 £000
Local Government Association loan	-	1,500
	<u>-</u>	<u>1,500</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 2016 exp / (inc) £000	Outstanding balance at 31 March 2016 dr / (cr) £000	Value of related party transactions in year 2015 exp / (inc) £000	Outstanding balance at 31 March 2015 dr / (cr) £000
Local Government Association	371	(365)	669	(8)
Local Government Association - Loan	-	(2,500)	-	(1,500)
Improvement and Development Agency	(86)	29	44	73
Improvement and Development Agency - Loan	-	-	(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.

**THE LOCAL GOVERNMENT MANAGEMENT BOARD  
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**NOTES TO THE ACCOUNTS  
Year ended 31 March 2016**

**17. TRANSITION TO FRS102**

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 March 2015. Set out below are the adjustments which reconcile profit for the financial year ended 31 March 2015. There were no changes to the total equity as at 1 April 2014 and 31 March 2015 as a result of the changes to accounting policies between UK GAAP as previously reported and FRS 102.

<b>OPERATING SURPLUS FOR THE FINANCIAL YEAR</b>	<b>2015</b>
	<b>£000</b>
<b>UK GAAP – As previously reported</b>	(45)
Gain on revaluation of Property	4,450
<b>Total adjustment to surplus for the financial year</b>	<u>4,450</u>
<b>FRS 102 – Total Comprehensive Income for the year</b>	<u><u>4,405</u></u>