

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 2018

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

REPORT AND FINANCIAL STATEMENTS 2018

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**THE LOCAL GOVERNMENT MANAGEMENT BOARD
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OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Councillor Ian Swithenbank CBE (Chairman)

Councillor David Neighbour

Councillor Nicholas Chard

Councillor Graham Whitham

(Resigned 15 August 2017)

Councillor Clarence Barrett

(Appointed 15 August 2017)

Sarah Pickup, LGA Deputy Chief Executive

SECRETARY

Claire Holloway

REGISTERED OFFICE

18 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 2018.

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 2017 in order to increase both the capital value of the building and its income base. The building was vacant of tenants as at 1 April 2016. From October 2016 until October 2017 the entities controlled by the Local Government Association then temporarily decanted over from 18 Smith Square whilst it was being refurbished. The redevelopment project for Layden House commenced in the autumn of 2017.

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 planned 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.

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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.

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 XX June 2018

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

**THE LOCAL GOVERNMENT MANAGEMENT BOARD
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**STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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**

Opinion

We have audited the financial statements of the Local Government Management Board (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its deficit 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 requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Directors' Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**THE LOCAL GOVERNMENT MANAGEMENT BOARD
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Use of our report

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.

Alastair Duke (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

Date:

1 Westferry Circus

Canary Wharf

London E14 4HD

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2018

	Note	2018 £000	2017 £000
Income	2	547	394
Administrative expenses		(1,312)	(1,153)
OPERATING (DEFICIT)/SURPLUS BEFORE INTEREST AND TAX	5	(765)	(759)
Interest receivable		5	1
Interest payable	6	(194)	(102)
OPERATING (DEFICIT)/SURPLUS BEFORE TAX		(954)	(860)
Corporation Tax		(72)	-
OPERATING (DEFICIT)/SURPLUS AFTER TAX		(1,026)	(860)
Gain on revaluation of investment property	8	7,879	2,024
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,853	1,164

All amounts relate to continuing operations.

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

The accounting policies and notes on pages 12 to 15 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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BALANCE SHEET
As at 31 March 2018

Company Registration No. 2553768

	Note	2018 £000	2017 £000
FIXED ASSETS			
Investment property	8	36,750	28,175
		36,750	28,175
CURRENT ASSETS			
Debtors	9	145	203
Short term investments	11	951	2,427
Cash at bank and in hand		10	10
		1,106	2,640
CREDITORS: amounts falling due within one year	0	(402)	(214)
NET CURRENT ASSETS		704	2,426
TOTAL ASSETS LESS CURRENT LIABILITIES		37,454	30,601
CREDITORS: amounts falling due after more than one year	13	(6,000)	(6,000)
TOTAL NET ASSETS		31,454	24,601
ACCUMULATED FUNDS			
General Reserve		1,882	2,908
Revaluation Reserve		29,572	21,693
		31,454	24,601

These financial statements were approved by the Board of Directors on **XX June** 2018.

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 12 to 15 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2018

	Retained Earnings £000	Revaluation Reserve £000	Total £000
Balance at 1st April 2016	3,768	19,669	23,437
Changes in equity for 2016/17			
Deficit for the year	(860)	-	(860)
Gain on revaluation of property	-	2,024	2,024
Total comprehensive income for the year	(860)	2,024	1,164
Balance as at 31st March 2017	2,908	21,693	24,601
Balance as at 1st April 2017			
Balance at 1st April 2017	2,908	21,693	24,601
Changes in equity for 2017/18			
Deficit for the year	(1,026)	-	(1,026)
Gain on revaluation of property	-	7,879	7,879
Total comprehensive income for the year	(1,026)	7,879	6,853
Balance as at 31st March 2018	1,882	29,572	31,454

The accounting policies and notes on pages 12 to 15 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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STATEMENT OF CASHFLOWS
Year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flow from operating activities			
Operating Surplus		6,853	1,164
Adjustments for:			
Gain on revaluation of Property		(7,879)	(2,024)
Investment income		(5)	(1)
Interest expense		194	102
Decrease/(increase) in Debtors		58	(158)
Increase/(decrease) in Creditors		188	(388)
Cash generated from operations		<u>(591)</u>	<u>(1,305)</u>
Interest Paid		<u>(194)</u>	<u>(102)</u>
Net cash used from operating activities		<u>(785)</u>	<u>(1,407)</u>
Cash flow from investing activities			
Repayment of Borrowings		5	1
Expenditure on LH Redevelopment		<u>(696)</u>	<u>(351)</u>
		<u>(691)</u>	<u>(350)</u>
Cash flow from financing activities			
Borrowing from LGA		-	6,000
Repayment of borrowings		-	(2,500)
		<u>-</u>	<u>3,500</u>
Cash flow from Tax activities			
Corporation Tax paid		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Net Increase/(Decrease) in cash		(1,476)	1,743
Cash and cash equivalents at start of the year		<u>2,437</u>	<u>694</u>
Cash and cash equivalents at the end of the year	10	<u>961</u>	<u>2,437</u>

The accounting policies and notes on pages 12 to 15 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, specifically Financial Reporting Standard (FRS 102). 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 2018 and 2019 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 FRS 102 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 2018, 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.

2. INCOME

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Rental	547	394
	<u>547</u>	<u>394</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.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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NOTES TO THE ACCOUNTS
Year ended 31 March 2018

3. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the Company (2017: nil).

There were no retirement benefits accruing to the directors in respect of services to the Company (2017: 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

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating (deficit) is after charging:		
Auditors' remuneration		
- audit fee	<u>4</u>	<u>4</u>

6. INTEREST PAYABLE

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Local Government Association loan	<u>194</u>	<u>102</u>
	<u>194</u>	<u>102</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. The resultant tax liability has now been settled.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Corporation Tax	<u>72</u>	<u>-</u>
	<u>72</u>	<u>-</u>

8. INVESTMENT PROPERTIES

	2018 £000	2017 £000
Brought forward valuation	28,175	25,800
Unrealised gain on revaluation	7,879	2,024
Capitalised items	<u>696</u>	<u>351</u>
Carried forward valuation	<u>36,750</u>	<u>28,175</u>

Layden House was an Investment Property being leased to third parties at a commercial rate on an arm's length basis at the start of the year. The capitalised items in the table above relate primarily to fees and costs incurred in preparing to develop the property in 2016/17 and 2017/18.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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Year ended 31 March 2018

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 2018 by an independent professional valuer, Farebrother Chartered Surveyors.

9. DEBTORS

	2018	2017
	£000	£000
Trade debtors	1	5
Due from related entities	144	196
Other debtors	-	1
Prepayments and accrued income	-	1
	<u>145</u>	<u>203</u>

10. CASH AND CASH EQUIVALENTS

	2018	2017
	£000	£000
Cash at bank and in hand	10	10
Short Term Investments	951	2,427
	<u>961</u>	<u>2,437</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

	2018	2017
	£000	£000
Trade creditors and accruals	83	39
Income received in advance	-	4
Owed to related entities	319	171
	<u>402</u>	<u>214</u>

A loan agreement was created in March 2013 of £1,500,000 and an additional loan in March 2016 of £1,000,000 with the Local Government Association. Both loans were repaid by March 2017.

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

2018	2017
£000	£000

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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Year ended 31 March 2018

Local Government Association loan	6,000	6,000
	<u>6,000</u>	<u>6,000</u>

A new loan agreement was created in January 2017 of £6,000,000 at a rate of 3.24% with the Local Government Association repayable by December 2036.

14. CONTROLLING ENTITY

The controlling entity is the Local Government Association and the registered office is 18 Smith Square, London, SW1P 3HZ.

15. RELATED PARTIES

The company had the following transactions with related parties:

	Value of related party transactions in year 2018 exp / (inc) £000	Outstanding balance at 31 March 2018 dr / (cr) £000	Value of related party transactions in year 2017 exp / (inc) £000	Outstanding balance at 31 March 2017 dr / (cr) £000
Local Government Association	237	(318)	451	(15)
Local Government Association – Loans	-	(6,000)	(3,500)	(6,000)
Improvement and Development Agency	(153)	134	(234)	27
Improvement and Development Agency - Loan	-	-	-	-
Local Partnerships	59	7	67	9
PSAA	25	3	29	4

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.