

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu



Company Registration No. 2553768

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

Report and Financial Statements

31 March 1999



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

**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999****OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

Muhammed Afzal
Joseph B Baldwin
Peter Chalke CBE
Chris Clarke
William J Flanagan
Elizabeth Graham
Joan Hanham CBE
Stan Henig (appointed 24 July 1998)
Gerard Heywood
John R Horrell CBE
Robert Irving (resigned 24 July 1998)
Harry G Jones CBE (Chair)
David Lloyd-Williams (appointed 27 July 1998)
Tom Middlehurst
William O'Rourke
Linda Short
Hilda Sterry
Ian C F Swithenbank
Rita Taylor
Patrick Watters
David Watts MP (resigned 7 April 1998)

SECRETARY

Mel Usher

REGISTERED OFFICE

Layden House
76-86 Turnmill Street
London
EC1M 5QU

BANKERS

Midland Bank Plc

SOLICITORS

Beachcroft Stanleys/The Local Government Association

AUDITORS

Deloitte & Touche
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 1999.

ACTIVITIES

The Local Government Management Board (a company limited by guarantee) and its subsidiaries and related companies are engaged in the provision of publications, advice and other services to Local Authorities in England and Wales.

REVIEW OF DEVELOPMENTS

It has been decided that from 1 April 1999 the trading activities of the company will be transferred to two new companies: The Improvement and Development Agency for Local Government and the Employers Organisation for Local Government. The regional office in Leeds is returning to its independent status on 1 April 1999.

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.

DIRECTORS

The names of the directors who served during the year are set out on page 1.

DONATIONS

No donations were made during the year (1998: £Nil)

EMPLOYEE INVOLVEMENT

Monthly joint consultative meetings are held to discuss issues raised by management or staff representatives.

YEAR 2000

Software and hardware used in office and operational systems have been reviewed for Year 2000 compliance and two minor systems have been scheduled for change before the end of 1999. Neither further expenditure nor the risk of the Year 2000 problem is seen as high.



DIRECTORS' REPORT

EMPLOYMENT OF DISABLED PERSONS

The group ensures full and fair consideration is given to all employment applications made by disabled persons based on their particular aptitudes and abilities. Appropriate training or re-training is provided for all staff under the staff development scheme.

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

Mel Usher
Secretary

8 July 1999

**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,
- 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. 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 6 to 19 which have been prepared under the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. 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 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 and the group as at 31 March 1999 and of the deficit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

6 September 1999



CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
Year ended 31 March 1999

	Note	1999 £000	1998 £000
INCOME	2	20,324	20,112
Administrative expenses		(20,330)	(20,322)
Loss from interest in related companies		(3)	(52)
OPERATING DEFICIT	6	(9)	(262)
Interest receivable and similar income		215	206
Interest payable and similar expenditure		(210)	(210)
DEFICIT OF INCOME OVER EXPENDITURE FOR THE YEAR	16	(4)	(266)

All income and expenses have been derived from discontinued 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 deficit for the year in 1999 and deficit for the year in 1998.

RECONCILIATION OF MOVEMENTS IN ACCUMULATED FUNDS

Year ended 31 March 1999

	1999 £000	1998 £000
Deficit of income over expenditure for the year	(4)	(266)
Opening accumulated funds	2,708	2,974
Closing accumulated funds	2,704	2,708



CONSOLIDATED BALANCE SHEET
31 March 1999

	Note	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	9	5,038	5,242
Investments	10	29	32
		<u>5,067</u>	<u>5,274</u>
CURRENT ASSETS			
Stocks	11	241	354
Debtors	12	1,526	1,265
Investments – money market deposits		1,662	3,309
Cash at bank and in hand		2,102	437
		<u>5,531</u>	<u>5,365</u>
CREDITORS: amounts falling due within one year	13	<u>(5,082)</u>	<u>(4,550)</u>
NET CURRENT ASSETS		<u>449</u>	<u>815</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,516	6,089
CREDITORS: amounts falling due after more than one year	14	(2,143)	(2,400)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(669)	(981)
		<u>2,704</u>	<u>2,708</u>
ACCUMULATED FUNDS	16	<u>2,704</u>	<u>2,708</u>

These financial statements were approved by the Board of Directors on 8 July 1999

Signed on behalf of the Board of Directors

Harry G Jones

Harry G Jones
Director



PARENT COMPANY BALANCE SHEET
31 March 1999

	Note	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	9	5,038	5,242
CURRENT ASSETS			
Stocks	11	241	354
Debtors	12	1,505	1,265
Investments – money market deposits		1,474	3,015
Cash at bank and in hand		2,102	437
		5,322	5,071
CREDITORS: amounts falling due within one year	13	(5,063)	(4,550)
NET CURRENT ASSETS		259	521
TOTAL ASSETS LESS CURRENT LIABILITIES		5,297	5,763
CREDITORS: amounts falling due after more than one year	14	(2,143)	(2,400)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(669)	(981)
		2,485	2,382
ACCUMULATED FUNDS	16	2,485	2,382

These financial statements were approved by the Board of Directors on 8 July 1999

Signed on behalf of the Board of Directors

Harry G. Jones

Harry G Jones
Director

**CONSOLIDATED CASH FLOW STATEMENT**
Year ended 31 March 1999

	Note	1999 £000	1998 £000
Net cash inflow from operating activities	i	126	(721)
Returns on investments and servicing of finance	ii	5	(4)
Net capital expenditure	iii	(113)	(188)
		<u>18</u>	<u>(913)</u>
Management of liquid resources	iv	1,647	1,053
Increase in cash		<u>1,665</u>	<u>140</u>


**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 1999**
i. RECONCILIATION OF OPERATING (DEFICIT) TO NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES

	1999	1998
	£000	£000
Operating deficit	(9)	(262)
Depreciation	317	363
Expenditure from interest in related companies	3	52
(Increase)/decrease in current assets:		
- stocks	113	(75)
- debtors	(261)	320
Increase/(decrease) in current liabilities and provisions:		
- creditors	275	(866)
- provisions	(312)	(253)
Net cash inflow (outflow) from operating activities	<u>126</u>	<u>(721)</u>

ii. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	1999	1998
	£000	£000
Interest paid	(210)	(210)
Interest received	215	206
	<u>5</u>	<u>(4)</u>

iii. CAPITAL EXPENDITURE

	1999	1998
	£000	£000
Payments to acquire tangible fixed assets	(137)	(188)
Receipts from the sale of tangible fixed assets	24	-
	<u>(113)</u>	<u>(188)</u>

iv. MANAGEMENT OF LIQUID RESOURCES

	1999	1998
	£000	£000
Cash inflow from decrease in money market deposits	<u>1,647</u>	<u>1,053</u>



NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 1999

v. RECONCILIATION OF NET CASHFLOW TO NET FUNDS

	1999	1998
	£000	£000
Increase in cash in year	1,665	140
Cash from reduction in liquid resources	(1,647)	(1,053)
	<hr/>	<hr/>
Change in net debt	18	(913)
Net funds at start of year	1,346	2,259
	<hr/>	<hr/>
Net funds at end of year	<u>1,364</u>	<u>1,346</u>

vi. ANALYSIS OF CHANGES IN NET FUNDS

	At		At
	1 April	Other	31 March
	1998	changes	1999
	£000	£000	£000
Cash at bank	437	-	2,102
Debt due after one year	(2,400)	257	(2,143)
Debt due within one year	-	(257)	(257)
Current asset investments	3,309	-	1,662
	<hr/>	<hr/>	<hr/>
	<u>1,346</u>	<u>-</u>	<u>1,364</u>

**NOTES TO THE ACCOUNTS**
Year ended 31 March 1999**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

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries and related undertakings for the year ended 31 March 1999.

Related part transactions

During the year the company made charges to related undertakings for accounting and other administrative services of £1,113 (1998: £4,670) and made payments to related parties of £6,725 (1998: £25,585) in respect of consultancy services provided by them.

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 buildings	2% per annum
Computer equipment	33% per annum
Furniture and fittings	10% per annum
Land is not depreciated	

Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

In the consolidated accounts, shares in related companies are accounted for using the equity method of accounting. The consolidated income and expenditure account includes the group's share of the deficit of the related companies based on audited financial statements for the year ended 31 March 1999. In the consolidated balance sheet, the interest in related companies is shown at the group's share of the net assets of the related companies.

Income

Income represents the amount receivable as grants, subscriptions and for goods sold and services provided (excluding Value Added Tax). Note 2 gives further analysis of income.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Leases

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

Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the income and expenditure account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.



NOTES TO THE ACCOUNTS

Year ended 31 March 1999

1. ACCOUNTING POLICIES (continued)

As with other organisations operating in the public sector, costs of providing pension increases to former employees are funded from annual income and are charged to the income and expenditure account as incurred. The ongoing yearly liability to former employees will be met by successor bodies.

2. INCOME

	1999	1998
	£000	£000
Government grants	13,172	12,788
Local Authority subscriptions	1,728	1,644
Services recharged	3,896	3,850
Sales of books and publications	821	1,377
Examination fees	409	220
Other income	298	233
	<u>20,324</u>	<u>20,112</u>

3. DIRECTORS EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company and its subsidiaries (1998: £Nil). There were no retirement benefits accruing to the directors in respect of qualifying services to the company.

4. STAFF COSTS

	1999	1998
	No	No
Average number of persons employed:		
Administration	103	106
Advisory	67	64
Negotiating	26	27
Surveys	20	21
Examinations	18	19
	<u>234</u>	<u>237</u>
	£000	£000
Staff costs during the year		
Wages and salaries	5,834	5,860
Social security costs	495	462
Pension costs	1,399	1,307
	<u>7,728</u>	<u>7,629</u>

5. INTEREST PAYABLE

	1999	1998
	£000	£000
Bank loans	<u>210</u>	<u>210</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

6. OPERATING DEFICIT

	1999	1998
	£000	£000
Operating deficit is after charging:		
Depreciation and amortisation	317	363
Rentals under operating leases		
- plant and equipment	389	415
- other operating leases	385	385
Staff costs (note 4)	7,728	7,629
Auditors' remuneration		
- audit fee	20	19
- non audit fees	4	4
	<u>4</u>	<u>4</u>

The amount charged to the profit and loss account of the company in respect of audit fees was £18,000 (1998: £17,000).

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.

8. SURPLUS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the income and expenditure account of the parent company is not presented as part of these accounts. The parent company's surplus for the year amounted to £103,575 (1998: deficit of £114,211) all of which was transferred to accumulated funds (note 16).

9. TANGIBLE FIXED ASSETS

(The Group and the Company)

	Freehold land and buildings	Computer equipment	Furniture and fittings	Total
	£000	£000	£000	£000
Cost				
At 1 April 1998	4,793	922	486	6,201
Additions	-	125	12	137
Disposals	-	(196)	(29)	(225)
At 31 March 1999	<u>4,793</u>	<u>851</u>	<u>469</u>	<u>6,113</u>
Accumulated depreciation				
At 1 April 1998	144	724	91	959
Charge for the year	96	177	44	317
Disposals	-	(193)	(8)	(201)
At 31 March 1999	<u>240</u>	<u>708</u>	<u>127</u>	<u>1,075</u>
Net book value				
At 31 March 1999	<u>4,553</u>	<u>143</u>	<u>342</u>	<u>5,038</u>
At 31 March 1998	<u>4,649</u>	<u>198</u>	<u>395</u>	<u>5,242</u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

10. FIXED ASSETS INVESTMENTS

	The Group 1999	The Group 1998	The Company 1999	The Company 1998
	£	£	£	£
Shares in subsidiary undertakings	-	-	101	101
Interest in associate companies	29,417	32,593	50	100
	<u>29,417</u>	<u>32,593</u>	<u>151</u>	<u>201</u>

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 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.

	1999	1998
	£	£
Cost of investment	50	50
Group share of undistributed surpluses	29,367	32,493
At 31 March	<u>29,417</u>	<u>32,543</u>

Metra Services Limited, a company registered in England and Wales, was engaged in recruitment, training and retention of employers for Local Government, together with advice on equality issues. The company ceased to trade on the 31 March 1998 and was struck off from the register of companies during the year.

	1999	1998
	£	£
Cost of investment	-	50
Group share of undistributed surpluses	-	-
At 31 March	<u>-</u>	<u>50</u>

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 1999

11. STOCKS

	The Group and the Company	
	1999	1998
	£000	£000
Raw materials and consumables	138	214
Goods for resale	103	140
	<u>241</u>	<u>354</u>

12. DEBTORS

	The Group 1999	The Group 1998	The Company 1999	The Company 1998
	£000	£000	£000	£000
Trade debtors	928	602	907	602
Amounts administered for other public bodies	30	5	30	5
Amounts owed by related undertakings	28	68	28	68
Other debtors	242	215	242	215
Prepayments and accrued income	298	375	298	375
	<u>1,526</u>	<u>1,265</u>	<u>1,505</u>	<u>1,265</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 1999	The Group 1998	The Company 1999	The Company 1998
	£000	£000	£000	£000
Trade creditors	4,045	3,401	4,045	3,401
Amounts administered for other public bodies	77	175	77	175
Loans	257	-	257	-
Other taxes and social security	202	193	199	193
Other creditors	501	781	485	781
	<u>5,082</u>	<u>4,550</u>	<u>5,063</u>	<u>4,550</u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

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

	The Group and the Company	
	1999	1998
	£000	£000
Bank loans	2,143	2,400
Loan is repayable by instalments:		
Due within one year	257	-
Between one and two years	343	257
Between two and five years	1,029	1,029
After more than five years	771	1,114
	<u>2,400</u>	<u>2,400</u>
Amounts falling due within one year	257	-
Amounts falling due after one year	2,143	2,400
	<u>2,400</u>	<u>2,400</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.

15. PROVISIONS FOR LIABILITIES AND CHARGES

The Group and the Company	Relocation costs £000	Major repair and redecoration £000	Car lease termination £000	Total £000
Balance at 1 April 1998	580	342	59	981
Charged/(credited) to income and expenditure account	53	(130)	155	78
Utilisation during the year	(244)	(12)	(134)	(390)
Balance at 31 March 1999	<u>389</u>	<u>200</u>	<u>80</u>	<u>669</u>

The provision for relocation covers the estimated future costs of staff changes and travel.

The provision for major repair and redecoration was established to spread these costs over the years in which the liabilities arise. The provision held on the premises at Leeds has been transferred to Yorkshire and Humberside regional office.

The car lease termination provision was established to provide for one-off costs associated with the company's employee car scheme, principally penalties for early termination of leases.



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

16. STATEMENTS OF MOVEMENTS ON ACCUMULATED FUNDS

	£000	The Group £000	£000	The Company £000
Balance at 1 April 1998		2,708		2,382
Deficit of income over expenditure for the year:				
The Company	103		103	
Subsidiary undertakings	(104)		-	
Related companies	(3)		-	
		(4)		103
Balance at 31 March 1999		<u>2,704</u>		<u>2,485</u>

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	2,085
Building repair reserve	150
Contingency allowance	250
	<u>2,485</u>

17. FINANCIAL COMMITMENTS

Operating Leases

At 31 March 1999 the group was committed to making the following payments during the next year in respect of operating leases.

	Land and Buildings 1999 £000	Other 1999 £000	Land and Buildings 1998 £000	Other 1998 £000
Leases which expire:				
Within one year	-	-	-	10
Within 2 to 5 years	357	-	153	355
After 5 years	14	-	232	-
	<u>371</u>	<u>-</u>	<u>385</u>	<u>365</u>

**NOTES TO THE ACCOUNTS**
Year ended 31 March 1999**18. PENSION SCHEME**

Employees of the Board may participate in the London Borough of Camden Superannuation Fund, part of the Local Government Superannuation Scheme, a defined benefit statutory scheme. The Fund is administered by the Borough Council in accordance with the Local Government Pension Regulations 1997 as amended.

The most recent valuation was carried out as at 31 March 1998 by independent qualified actuaries using the projected unit method. The main assumptions were:

Rate of investment return	7.7% per annum on equities and 6.7% on bonds
Rate of salary increases	4.9% per annum
Rate of pension increases	3.4% per annum
Value of assets	smoothed market value averaged over 12 months to 31 March 1998

The valuation showed that the required level of contributions to be paid to the Fund by the Local Government Management Board with effect from 1 April 1999 was around 15.6% of pensionable payroll.

The contribution rate, as described, is calculated to be sufficient to cover the Fund's liabilities. This comprises a future service rate of 9.3% of pensionable payroll, together with an increase in the future service rate of 6.3% of pensionable pay due to the funding position of the Fund.

The future service rate of contribution is the rate which, in addition to contributions paid by members, is sufficient to meet the liabilities arising in respect of service after the valuation. The addition to the future service rate reflects the deficit of the value of the Local Government Management Board's notional share of the Fund's assets under its accrued liabilities, allowing in the case of members in service, for future pay increases. The excess is spread over the future service working lifetime of the Fund.

The market value of the Fund's assets at the valuation date was £417m and the actuarial value of £317m represented 81% of the funds accrued liabilities allowing for future pay increases.

The next actuarial valuation is due at 31 March 2001 and any change in contribution rates will take effect from 1 April 2002.

In addition the company is responsible for meeting the costs of increases in pensions to certain former employees.

The total pension cost for the Group was £1,399,000 (1998: £1,307,000), of which £350,000 (1998: £392,000) related to the cost of increases in pensions to former employees.

19. CONTROLLING ENTITY

The controlling entity is the Local Government Association.