

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 2017

THURSDAY



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

REPORT AND FINANCIAL STATEMENTS 2017

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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 Graham Whitham

(Appointed 29 August 2016)

Nicholas Chard

Sarah Pickup - LGA, Deputy Chief Executive

Adrian Naylor

(Resigned 30 August 2016)

Anthony Jackson

(Resigned 7 March 2017)

SECRETARY

Claire Holloway

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 2017.

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 the entities controlled by the Local Government Association then temporarily decanted over from Local Government House whilst it is being refurbished. Once Local Government House is complete the redevelopment project for Layden House will commence 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

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 19th June 2017



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

We have audited the financial statements of the Local Government Management Board Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, 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 4, 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 2017 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.

Alastair Duke (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor



1 Westferry Circus
Canary Wharf
London E14 4HD

21 September 2017

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2017

	Note	2017 £000	2016 £000
Income	2	394	892
Administrative expenses		(1,153)	(974)
OPERATING (DEFICIT)/SURPLUS BEFORE INTEREST	5	<u>(759)</u>	<u>(82)</u>
Interest receivable		1	1
Interest payable	6	(102)	(45)
Gain on revaluation of investment property	8	2,024	2,932
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,164</u>	<u>2,806</u>

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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BALANCE SHEET
As at 31 March 2017

Company Registration No. 2553768

	Note	2017 £000	2016 £000
FIXED ASSETS			
Investment property	8	28,175	25,800
		<u>28,175</u>	<u>25,800</u>
CURRENT ASSETS			
Debtors	9	203	45
Short term investments	11	2,427	684
Cash at bank and in hand		10	10
		<u>2,640</u>	<u>739</u>
CREDITORS: amounts falling due within one year	0	(214)	(3102)
NET CURRENT ASSETS/(LIABILITIES)		<u>2,426</u>	<u>(2,363)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>30,601</u>	<u>23,437</u>
CREDITORS: amounts falling due after more than one year	13	(6,000)	-
TOTAL NET ASSETS		<u>24,601</u>	<u>23,437</u>
ACCUMULATED FUNDS			
General Reserve		2,908	3,768
Revaluation Reserve		21,693	19,669
		<u>24,601</u>	<u>23,437</u>

These financial statements were approved by the Board of Directors on 19 June 2017.



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 2017

	Retained Earnings £000	Revaluation Reserve £000	Total £000
Balance at 1st April 2015	3,894	16,737	20,631
Changes in equity for 2015/16			
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
Balance as at 31st March 2016	3,768	19,669	23,437
Balance at 1st April 2016			
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

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 CASHFLOWS
Year ended 31 March 2017

	Note	2017 £000	2016 £000
Cash flow from operating activities			
Operating Surplus		1,164	2,806
Adjustments for:			
Gain on revaluation of Property		(2,024)	(2,932)
Investment income		(1)	-
Interest expense		102	45
Decrease in Debtors		(158)	348
Increase/(decrease) in Creditors		(388)	247
Cash generated from operations		<u>(1,305)</u>	<u>514</u>
Interest Paid		(102)	(45)
Net cash generated/(used) from operating activities		<u>(1,407)</u>	<u>469</u>
Cash flow from investing activities			
Repayment of Borrowings		1	1
Expenditure on LH Redevelopment		(351)	(868)
		<u>(350)</u>	<u>(867)</u>
Cash flow from financing activities			
Borrowing from LGA		6,000	1,000
Repayment of borrowings		(2,500)	-
		<u>3,500</u>	<u>1000</u>
Net Increase/(Decrease) in cash		1,743	602
Cash and cash equivalents at start of the year		<u>694</u>	<u>92</u>
Cash and cash equivalents at the end of the year	10	<u>2,437</u>	<u>694</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 2017

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 2017 and 2018 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 2017, 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 2017

2. INCOME

	2017	2016
	£000	£000
Rental	394	892
Other	1	-
	<u>395</u>	<u>892</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 (2016: nil).

There were no retirement benefits accruing to the directors in respect of services to the Company (2016: 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

	2017	2016
	£000	£000
Operating (deficit) is after charging:		
Auditors' remuneration		
- audit fee	<u>4</u>	<u>4</u>

6. INTEREST PAYABLE

	2017	2016
	£000	£000
Local Government Association loan	<u>102</u>	<u>45</u>
	<u>102</u>	<u>45</u>

7. CONTINGENT LIABILITY

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 are ongoing with HMRC to determine if there is any historic tax liability.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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NOTES TO THE ACCOUNTS
Year ended 31 March 2017

8. INVESTMENT PROPERTIES

	2017 £000	2016 £000
Brought forward valuation	25,800	22,000
Unrealised gain on revaluation	2,024	2,932
Capitalised items	351	868
Carried forward valuation	<u>28,175</u>	<u>25,800</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 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 2017 by an independent professional valuer, Farebrother Chartered Surveyors.

9. DEBTORS

	2017 £000	2016 £000
Trade debtors	5	6
Due from related entities	196	29
Other debtors	1	4
Prepayments and accrued income	1	6
	<u>203</u>	<u>45</u>

10. CASH AND CASH EQUIVALENTS

	2017 £000	2016 £000
Cash at bank and in hand	10	10
Short Term Investments	2,427	684
	<u>2,437</u>	<u>694</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.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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NOTES TO THE ACCOUNTS
Year ended 31 March 2017

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Local Government Association loan	-	2,500
Trade creditors and accruals	39	164
Income received in advance	4	4
Other creditors	-	69
Owed to related entities	171	365
	<u>214</u>	<u>3,102</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 have been repaid in March 2017.

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

	2017 £000	2016 £000
Local Government Association loan	6,000	-
	<u>6,000</u>	<u>-</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 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 2017 exp / (inc) £000	Outstanding balance at 31 March 2017 dr / (cr) £000	Value of related party transactions in year 2016 exp / (inc) £000	Outstanding balance at 31 March 2016 dr / (cr) £000
Local Government Association	451	(15)	371	(365)
Local Government Association – Loans	(3,500)	(6,000)	-	(2,500)
Improvement and Development Agency	(234)	27	(86)	29
Improvement and Development Agency - Loan	-	-	-	-

THE LOCAL GOVERNMENT MANAGEMENT BOARD
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NOTES TO THE ACCOUNTS
Year ended 31 March 2017

15. RELATED PARTIES (CONTINUED)

	Value of related party transactions in year 2017 exp / (inc) £000	Outstanding balance at 31 March 2017 dr / (cr) £000	Value of related party transactions in year 2016 exp / (inc) £000	Outstanding balance at 31 March 2016 dr / (cr) £000
Local Partnerships	67	9	-	-
PSAA	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.