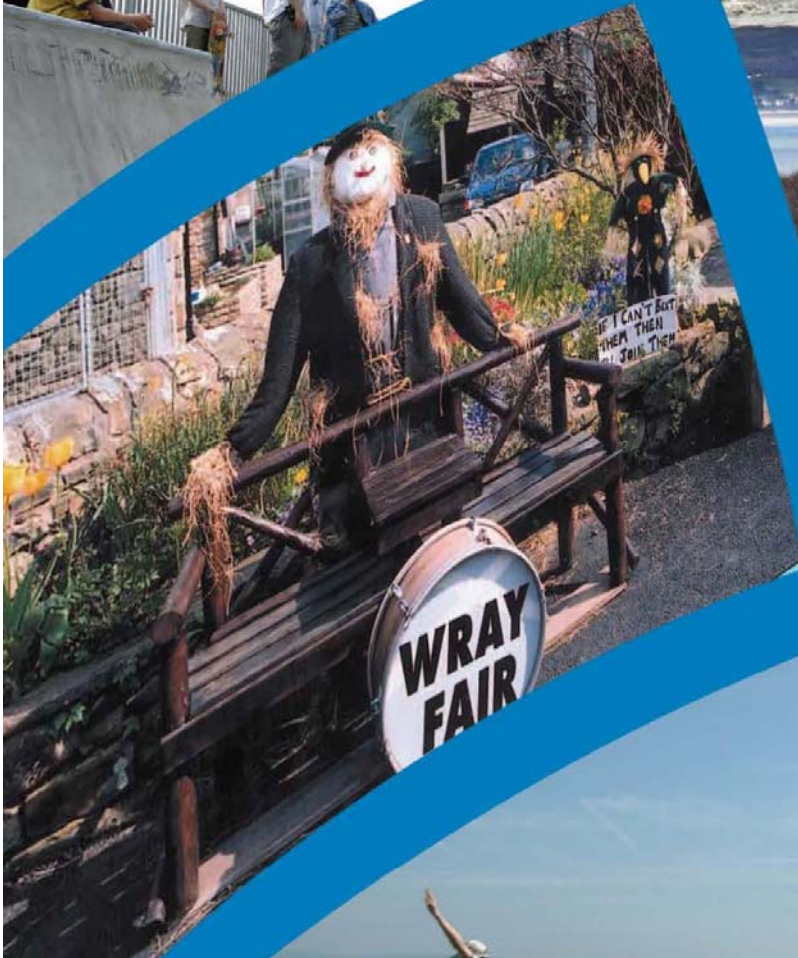


2004/05

Statement of Accounts



LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

CONTENTS

	PAGE
EXPLANATORY FOREWORD	2
AUDITORS REPORT	7
STATEMENT OF RESPONSIBILITIES	9
STATEMENT ON SYSTEM OF INTERNAL FINANCIAL CONTROL	10
STATEMENT OF ACCOUNTING POLICIES	15
CONSOLIDATED REVENUE ACCOUNT	21
HOUSING REVENUE ACCOUNT	28
COLLECTION FUND ACCOUNT	32
CONSOLIDATED BALANCE SHEET	35
STATEMENT OF TOTAL MOVEMENT IN RESERVES	46
CASH FLOW STATEMENT	51
BEQUESTS, ENDOWMENTS AND TRUST FUNDS	54

STATEMENT OF ACCOUNTS

EXPLANATORY FOREWORD

1 INTRODUCTION

This document sets out the City Council's annual accounts for the financial year ended 31 March 2005. The format follows the requirements for publication of financial information as set out by the Code of Practice on Local Authority Accounting. It includes a statement of the accounting policies adopted by the Authority, together with a brief explanation of the purpose of and links between the main accounting statements.

The purpose of this foreword is to provide an overall summary of the Council's financial position for 2004/05 and assist in the interpretation of the accounting statements.

2 REVENUE POSITION

2.1 Revenue Summary

The table below summarises the General Fund revenue income and expenditure for the financial year 2004/05.

Expenditure	2004/05 Original Estimate £000	2004/05 Revised Estimate £000	2004/05 Actual £000	Variance from Revised Estimate £000
Central Services to the Public	772	849	906	57
Cultural, Environmental and Planning Services	14,512	15,092	14,943	(149)
Highways, Roads & Transport Services	629	475	426	(49)
Housing Services	2,318	3,680	3,189	(491)
Corporate & Democratic Core	1,968	2,141	2,103	(38)
Unapportionable Central Overheads	876	536	350	(186)
Net Cost of General Fund Services	21,075	22,773	21,917	(856)
Corporate Income & Expenditure	(1,370)	(1,102)	(1,458)	(356)
Appropriations	(848)	(2,695)	(2,101)	594
Parish Precepts	234	234	234	--
Contribution to/(from) General Fund Reserve	(337)	(456)	162	618
BUDGET REQUIREMENT	18,754	18,754	18,754	--
Funded by :				
Revenue Support Grant	(8,613)	(8,613)	(8,613)	--
National Non Domestic Rates	(3,638)	(3,638)	(3,638)	--
Council Tax	(6,503)	(6,503)	(6,503)	--
Collection Fund Balance	--	--	--	--
TOTAL FUNDING	18,754	18,754	18,754	--

2.2 General Fund

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides, with the exception of local authority housing (see section 2.3 below). The General Fund Revenue Budget for 2004/05 was originally approved at £18.754M (including £235,000 for precept payments to parishes) by Council on 03 March 2004 and assumed that balances would be £1.175M by 31 March 2005, which were increased by a further £214,000 following the 2003/04 outturn.

Overall, there has been an underspend of £618,000 against the Revised Budget. The main savings areas have been staff turnover, grounds maintenance, additional car parking income and investment interest. However, there has been an additional £140,000 contribution made to the insurance provision, and a new provision created to cover liabilities in respect of the new decriminalisation of parking account. It should also be noted that the introduction of the Licensing Act 2003 has had a significant impact on the outturn position, and as a result of fewer licenses being applied for than anticipated there has been a £63,000 shortfall in income. As a result of all these changes, the General Fund unallocated balance stands at £2.007M, which is well in excess of the minimum £1M balance. This is before consideration of any requests to carry forward budgets; if any are approved this will effectively reduce available unallocated balances.

2.3 Housing Revenue Account (HRA)

The Local Government and Housing Act 1989 requires Councils to maintain a separate ring-fenced account for the provision of local authority housing, which cannot be subsidised by the General Fund. This account, known as the Housing Revenue Account (HRA), deals with all the transactions involving the management of the Council's housing stock. Full details of this are included later within these accounts.

As at 31 March 2005, the working balance on the Housing Revenue Account amounted to £1.029M, representing an increase of £197,000 from the position as at the end of the previous year, and an increase of £393,000 on the estimated position. This increase is mainly due to reduced spending on repair and maintenance, additional investment interest, reduced contribution to the bad debt provision. Current Council Policy is to maintain housing balances at £350,000.

2.4 Former Direct Service Organisations (City Contract Services)

The remaining functions are Building Maintenance and Highways which still operate as trading accounts, however Building Maintenance has been consolidated with Council Housing with effect from 1st April 2005.

For 2004/05, the financial performance of Highways was better than estimated, with a surplus of £75,000 against a budgeted surplus of £42,000. The Building Maintenance section's deficit was higher than estimated however, being £71,000 against a budgeted deficit position of £42,000.

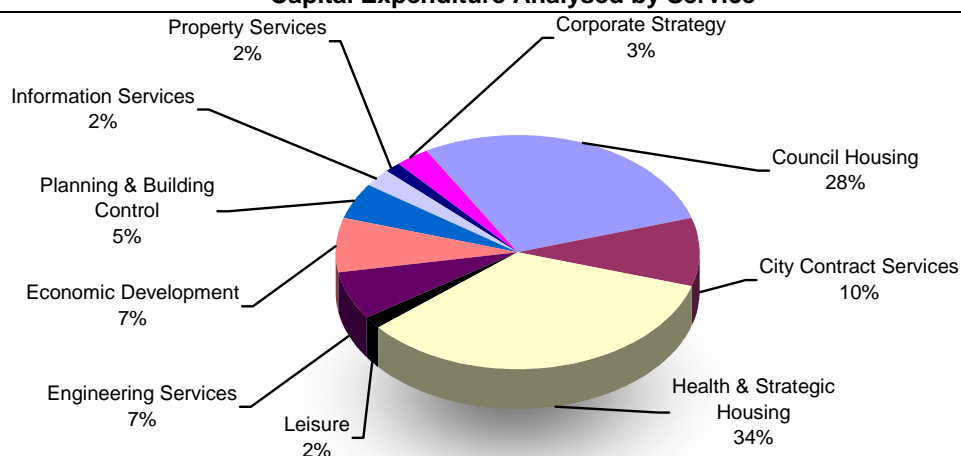
3 CAPITAL POSITION

In 2004/05 the City Council spent £11.754M on capital schemes (including £147,000 brought forward from 2003/04), and an analysis of the expenditure and funding is shown diagrammatically on the following page.

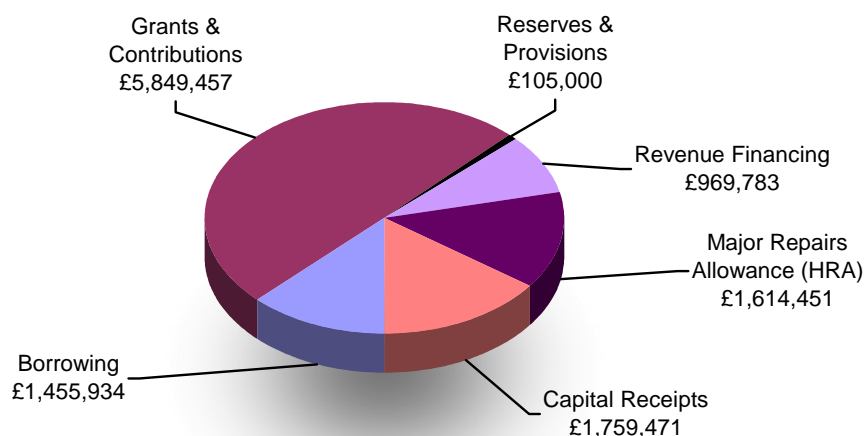
The Council's capital programme for 2004/05 was £22.936M, however due to delays in starting a number of schemes (and one major scheme in particular), £12M of this spend will now be rolled forward into 2005/06.

Last year saw the introduction of the new Prudential Borrowing framework which allows authorities to borrow for capital purposes providing they can meet certain criteria, such as affordability. The new framework replaces the previous regime whereby the Government provided authorities with annual borrowing limits. However, certain elements of the Council's capital programme such as those relating to Sea and River defence works still receive specific Government support for associated borrowing costs. In 2004/05 the cost of financing external borrowing was £2.4M, and the value of long term debt owed as at 31 March 2005 amounted to £41.5M, which is an increase of £679,000 on the previous year. The overall level of debt should be viewed in relation to the Council's assets, which have a net book value of £228M as at 31 March 2005.

Capital Expenditure Analysed by Service



Capital Funding Analysed by Source



4 PENSION LIABILITY

In accordance with new accounting practice, the Council must show the present surplus or deficit position on its share of Pension fund. For Lancaster, the net position showed a liability of £34.983M compared to a liability of £17.626M for the previous financial year. This is a trend experienced by other local authorities. It represents an increase of £17.357M, however £12.359M is directly attributable to a change in discount rate applied to defined benefit pension scheme liabilities. Previously, the recommended practice was to use a rate determined by the Government Actuary's Department, however this has now changed and an "AA" Corporate Bond Rate is applied.

The liabilities have been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. It is emphasised that such liabilities will not become due immediately or all at once, as they relate to pensions payable to current scheme members on their normal retirement dates. The position represents a snapshot as at the end of the financial year, based on prevailing market and other economic conditions. As such, it may fluctuate markedly from one year to the next.

Notwithstanding this, the future funding of pensions is a national issue, which is currently being considered by Government.

5 CHANGES TO ACCOUNTING POLICIES

The first change to the accounting policies affects Deferred Charges, and it requires assets such as software licenses previously categorised as deferred charges to be recognised as Intangible Assets on the balance sheet. The change not only recognises the requirements of Financial Reporting Standard (FRS)

10 "Goodwill and Intangible Assets", but also brings the terminology in line with UK GAAP (Generally Accepted Accounting Practice). As a result, the 2003/04 Consolidated Balance Sheet has been restated for comparative purposes. Further details of the change are explained within the accounting policies section.

The second change relates to capital receipts. Previously under the Local Government and Housing Act 1989, 75% of council house sales were to be set aside for debt redemption, however the Local Government Act 2003 (section 11(2)(b)) now requires all or part of the receipt to be paid over to the Secretary of State. The aim is to preserve and strengthen the principle of redistributing the spending power generated by the sale of such assets.

6 BEST VALUE PERFORMANCE PLAN

The production of the 2004/05 Statement of Accounts has again been produced one month earlier than the previous year, which is also one month in advance of the statutory 31 July deadline. As a result of this improvement it has been possible to provide final outturn figures for the 2004/05 Best Value Performance Plan, which will be presented to the Budget and Performance Panel on 05 July 2005.

7 CONCLUSION

As at 31 March 2005, the Council's overall financial position is still in a healthy position, in line with the improvements made in previous years, and as in previous years General Fund balances are at a level in accordance with its stated policy. It has kept its net spending well within budget and whilst there are some areas of overspending, the majority of underspends have been on controllable income and expenditure areas.

A more detailed report on the outturn position will be presented to Cabinet and the Budget and Performance Panel. This scrutiny of the 2004/05 financial performance will then inform the review of the Council's Medium Term Financial Strategy, and the 2005/06 corporate financial monitoring process.

SUMMARY OF FINANCIAL STATEMENTS

Statement of Responsibilities

This explains the statutory responsibilities of the Council and its appropriate officers for the compilation and approval of the Statement of Accounts.

Statement of Accounting Policies

This explains the basis of the figures shown in the accounts. It sets out the policies that have been followed in dealing with major items to help with understanding the accounts.

Statement on the Systems of Internal Control and Corporate Governance

This sets out the framework within which internal control and corporate governance are managed and reviewed, and highlights any major weaknesses and corrective action.

Consolidated Revenue Account

This reports the costs for the year of the major functions for which the Council is responsible and compares that cost with the finance provided from Council Tax, redistributed Non Domestic Rates and Revenue Support Grant from Central Government.

Housing Revenue Account

This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how these are met by rents, subsidy and other income.

Collection Fund

This shows the transactions of the Council as a charging authority in relation to Non Domestic Rates, the Council Tax and any residual Community Charge. It illustrates the way in which these have been distributed to precepting authorities (such as the County Council and Police Authority) and the Council's own General Fund.

Consolidated Balance Sheet

This is fundamental to the understanding of the Council's year end financial position. It shows the balances and reserves at the Council's disposal and its long term indebtedness, the net current assets

Statement of Total Movements in Reserves

This statement brings together all the recognised gains and losses of the Authority during the year and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Group Accounts

This statement consolidates any material interests the Council may have in subsidiary and associated companies within one set of accounts.

It should be noted that Lancaster has no material interest in any companies and as such, there are no Group Accounts included in the Statement. Details of the Council's minority interests in any companies are shown in the notes to the Consolidated Balance Sheet.

Bequests, Endowments and Trust Funds

These show the accounts of various funds for which the Council is Trustee.

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO LANCASTER CITY COUNCIL

Independent Auditor's Report to Lancaster City Council

I have audited the statement of accounts on pages 2 to 56 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 15 to 20.

This report is made solely to Lancaster City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and Auditor

As described on page 9 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my/our profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 10 to 14 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my/our audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

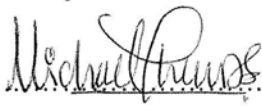
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the statement of accounts presents fairly the financial position of Lancaster City Council as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature:..........

Date: 31st October 2005

Name: Michael Thomas
Address: District Auditor
Audit Commission
2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

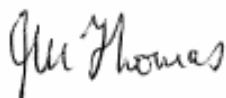
1 THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- ☐ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Financial Services;
- ☐ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ☐ approve the statement of accounts, with the Chairman of the appropriate Committee signing and dating the statement accordingly.

2 AUDIT COMMITTEE CHAIRMAN'S CERTIFICATE

I certify that the Statement of Accounts for the financial year 2004/05 was approved by the Audit Committee at its meeting held on 27 July 2005, prior to the audit being completed.



Cllr M Thomas

3 THE HEAD OF FINANCIAL SERVICES' RESPONSIBILITIES

The Head of Financial Services as Section 151 Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this statement of accounts, the Head of Financial Services has:

- ☐ selected suitable accounting policies and then applied them consistently;
- ☐ made judgements and estimates that were reasonable and prudent;
- ☐ complied with the Code of Practice.

The Head of Financial Services has also:

- ☐ kept proper accounting records which were up to date;
- ☐ taken reasonable steps for the prevention and detection of fraud and other irregularities.

4 HEAD OF FINANCIAL SERVICES' CERTIFICATE

I certify that the Statement of Accounts presents fairly the financial position of the authority as at 31 March 2005 and the income and expenditure for the year then ended.



Nadine Muschamp, CPFA
Head of Financial Services

STATEMENT OF INTERNAL CONTROL AND CORPORATE GOVERNANCE

1. SCOPE OF RESPONSIBILITY

Lancaster City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Lancaster City Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. To this end the Council has adopted a Constitution and Code of Corporate Governance which is consistent with CIPFA/SOLACE¹ framework – *Corporate Governance in Local Government: A Keystone for Community Governance*. A full copy of the Council's Constitution is available on the Council's website.

Regulation 4 of the Accounts and Audit Regulations (2003) requires audited bodies² to conduct a review at least once a year of the effectiveness of its internal control and risk management systems and to publish a statement on internal control (SIC) each year with the financial statements.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Effective systems of internal control are based on an ongoing risk management process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

3. THE INTERNAL CONTROL ENVIRONMENT

The system of internal control has been in place at Lancaster City Council for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts and, except for the details of significant control issues set out in section 5, accords with proper practice.

The following sets out the key elements of the Council's internal control environment:

- The Council has adopted a constitution (recently revised), which sets out how we operate, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people.
- The facilitation of policy and decision making, in line with the Council's overall budget and policy framework, is established through the Council's Cabinet, with any key decisions (as defined in the Constitution) outside of this framework being referred to the Council as a whole. The Council publishes a Forward Plan containing details of key decisions made on behalf of the Council by Cabinet and by senior officers under their delegated powers.
- The adopted Code of Corporate Governance sets out how the values of openness, inclusivity, integrity and accountability are applied to the Council's activities, in line with the principles and requirements of the CIPFA/SOLACE³ framework – *Corporate Governance in Local Government: A Keystone for Community Governance*.

¹ The "Chartered Institute of Public Finance & Accountancy" and the "Society of Local Authority Chief Executives."

² Those bodies whose accounts are audited in accordance with Section 2 of the Audit Commission Act 1988

³ The "Chartered Institute of Public Finance & Accountancy" and the "Society of Local Authority Chief Executives."

- A Risk Management Policy and Strategy, in place since December 2003, sets out the framework for managing risk throughout the Council. Senior officers of the Council have primary responsibility to effectively manage strategic and operational business risks relating to their Service. The process of identifying, assessing and managing these risks will be underpinned by the Council's Risk Register which is currently under development.
- The Council seeks to ensure the economical, effective and efficient use of resources and continuous improvement in the way in which we exercise our functions through reviews carried out by Cabinet's Star Chamber, our Internal Audit and Best Value review teams and those conducted by our external auditors and other external agencies.
- The Corporate Director (Central Services) is the Council's designated Monitoring Officer with responsibility for promoting and maintaining high standards of financial conduct and for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer is required to report any actual or potential breaches of the law or maladministration to full Council and supports The Standards Committee in their function of promoting and maintaining high standards of conduct of Councillors and co-opted Members.
- The Council's commitment to high standards of conduct and integrity are supported by our established codes of conduct for employees and elected Members and probity is maintained through our Anti-Fraud and Corruption Policy and Strategy and the Whistleblowing Policy.
- The financial management of the Council is conducted in accordance with mandatory rules set out in the Financial Regulations and Procedures within the Constitution. The Council also has in place a three-year Medium Term Financial Strategy to support the key priorities and objectives set out in the Council's Corporate Plan, and the Head of Financial Services has statutory duties for the financial administration and stewardship of the Council, in accordance with Section 151 of the Local Government Act 1972.
- Internal Audit operates to the standards set out in the '*CIPFA Code of Practice for Internal Audit in Local Government 2003*' and the Council has established an objective and professional relationship with our external auditors and other statutory inspectors.
- The Council's performance management framework is driven by our Corporate Plan which focuses attention on our corporate priorities and objectives, which are in turn cascaded into Service business plans and individual employee appraisals and action plans. Cabinet's Performance Review Committee monitors progress against performance targets in the Corporate Plan and in other priority areas of Council activity, approving corrective action where necessary and the Budget and Performance Panel of the Overview and Scrutiny Committee provides a policy review and scrutiny function of the Council's overall and service specific budgetary and performance management.
- The Council sets out its approach to partnering in service delivery and in construction projects through the introduction of the *Framework for Partnership Working* and the *Procurement through Partnering Guidelines* published in November 2004. These documents set out clear guidance on how the Council will meet the strategic objective of delivering better services to citizens through the creation of sustainable partnerships between the Council and suppliers in the public, private and voluntary sectors and the carrying out of major projects, including construction.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the systems of internal control. The review of the effectiveness of internal control is informed by the work of internal auditors and senior managers of the Council who have responsibility for the development and maintenance of the systems of internal control, and also by comments made by the Council's external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The following are the main processes applied in maintaining and reviewing the effectiveness of the systems of internal control and governance:

- The Audit Committee and the Corporate Director (Central Services), in his role as the Council's Monitoring Officer, have a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. A function of full Council is to adopt and change the Constitution following recommendation(s) from the Monitoring Officer and/or Audit Committee
- The Council's Overview and Scrutiny Committee has responsibility to consider and, if necessary,

'call-in' decisions made by Cabinet and the Budget and Performance Panel reviews the Council's budget and performance at both a strategic and service level

- The Audit Committee has responsibility for reviewing the local Code of Corporate Governance, including risk management and internal control. The Council's assurance statement on corporate governance is assimilated within this Statement of Internal Control and Corporate Governance
- The Audit Committee also reviews the adequacy of internal controls and risk management arrangements, monitoring the performance of Internal Audit and agreeing the external audit plan
- Internal Audit is responsible for providing assurance on the effectiveness of the Council's systems of internal control, including arrangements for risk management and governance. Internal Audit's role is to assist managers by evaluating the control environment, providing assurance wherever possible and agreeing actions to optimise levels of control. The Council's external auditors place reliance on the work of Internal Audit in fulfilling their statutory duties and regularly inspect Internal Audit work
- The Internal Audit Manager is responsible for submitting an annual report to the Audit Committee detailing the performance of Internal Audit for the previous financial year, and giving an opinion on the effectiveness of the Council's systems of internal control
- The Council's performance framework continues to evolve with work continuing to integrate the Council's strategic arrangements for the performance and risk management functions and the business planning process. During 2004/05 the Council has been working closely with consultants to develop an integrated performance management system which will provide improved and more efficient production of performance information. In addition, an in-house risk management database is being developed to identify, assess and monitor risks at both a corporate and service level
- The Comprehensive Performance Assessment carried out by the Audit Commission assessed the Council as a 'Fair' performing authority, placing it in the middle of a range of possible scores from Poor to Excellent. The report identified areas for improvement, particularly around prioritisation and performance management. Ways to address these as well as other priority action areas are incorporated within our Corporate Improvement Plan (BVPP)
- In December 2004, the Audit Commission, in their Annual Audit Letter, acknowledged that the Council had developed an ambitious improvement plan which demonstrated a clear focus and commitment to achieving better outcomes for the community and that we had '*achieved a lot in a relatively short space of time*'
- During 2004/05 the Council also invited the Audit Commission to undertake a detailed review and report upon the Council's performance management arrangements. Their report recognises that the Council has made good progress in developing its performance management framework and highlights other areas, particularly risk management and business planning, in need of further improvement. An action plan is to be drawn up to address these issues once the Audit Commission's report has been finalised
- The Council reviewed and revised its Financial Regulations and Contract Procedure Rules in 2004/05; has continued to develop its role as a community leader and improved its arrangements for consulting with the public and working in partnership with public, private and voluntary sector organisations
- The Council worked with its partners within the Local Strategic Partnership to develop the Community Strategy which, following extensive consultation, sets out 'A vision for the year 2020' and the Council has developed clear links within its Corporate Plan relating to the aims of the Community Strategy.

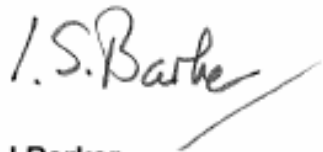
5. SIGNIFICANT INTERNAL CONTROL ISSUES

Work carried out by both our external and internal auditors has indicated that effective internal financial controls exist within the Council's main financial systems to ensure the accuracy and integrity of the information they provide and no significant control weaknesses have been brought to our attention.

From assurances provided from the review of the effectiveness of our systems of internal control and the corporate governance framework, it is our opinion that they accord with proper practice and are working effectively.

Whilst the Council has received praise from the Audit Commission and other external inspectors and peers we recognise that more needs to be done in order to address any significant issues affecting the Council and to ensure continuous improvement of our already considerable governance controls, and to that end we will:

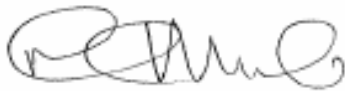
- **Formulate and specify corporate objectives, priorities and policies** by maintaining the validity of strategic plans through community input and clarifying plans for delivery of the Community Strategy between partners to ensure that throughout the Council there is a clear understanding of our priorities
- **Translate corporate priorities into service objectives, action plans and resource needs** by making further improvements to the business planning process, including the evaluation of service performance linked to plans; through more robust resource planning to deliver corporate objectives/priorities and by embedding a corporate approach to managing risks and maximising opportunities in the decision making process
- **Review progress, outcomes and performance against objectives** through greater clarity of the Council's performance management framework and a more consistent and co-ordinated approach to capturing and reviewing performance information
- **Resource and implement action plans** through the development of our workforce planning arrangements to ensure that our staff have the necessary skills and training to deliver services and by improving our 'value for money' arrangements in line with the requirements of the Government's efficiency review
- **Formalise the arrangements for the compilation of the Statement of Internal Control and Corporate Governance (SIC&CG)** through the establishment of a management group responsible for the SIC&CG and by defining responsibilities for identifying and evaluating assurances and supporting evidence
- **Conduct a review of our probity arrangements** through a formal review programme of the Council's Whistleblowing and Counter Fraud and Corruption policies and Codes of Conduct
- **Review our Business continuity and emergency planning (Civil Resilience) arrangements** by assessing the impact of the Civil Contingencies Act on current arrangements and formalising actions needed to ensure compliance by the time the Act comes into force in November 2005
- **Develop our Best Value Procurement arrangements** by reviewing our procurement practices in line with national guidelines and by revising our procurement strategy aimed at establishing a more holistic and corporate approach to procurement




I Barker
Leader of the Council



M Cullinan
Chief Executive



R Muckle
Corporate Director Central Services
(Monitoring Officer)



N Muschamp
Head of Financial Services
(Section 151 Officer)

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL

The accounts of the authority have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2004 : A Statement of Recommended Practice* (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with the supplementary guidance notes issued by CIPFA on the application of the Statement of Recommended Accounting Practice to local authorities.

The purpose of this statement is to explain the basis of the figures included in the accounts, as the view that they present can only be properly appreciated if these policies are explained fully. This statement provides this information.

2 ACCRUALS OF INCOME AND EXPENDITURE

All expenditure and income, both revenue and capital, has been accrued and accounted for in the period to which it relates.

3 FIXED ASSETS

3.1 Recognition

Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a fixed asset, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. Generally where such expenditure is less than the de minimis level of £10,000, it is not capitalised, but is charged to revenue in the year in which it is incurred.

Assets acquired under finance leases are capitalised and included together with a liability to pay future rentals.

Where a fixed asset is acquired for other than a cash consideration or where payment is deferred, the asset is recognised and included in the balance sheet at fair value.

Capital expenditure incurred on fixed assets, which does not materially add to the value of the assets concerned, is charged in full to the relevant fixed asset with the excess of any cost over value being written off to the fixed asset restatement reserve.

3.2 Measurement

De minimis levels have been revised for 2004/05 and set so that assets of small value do not have to be included in the balance sheet. This is done on the grounds that their exclusion has no material effect.

Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where appropriate.

Properties regarded by the Authority as operational have been valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Vehicles and moveable plant are regarded as operational, and are included in the balance sheet at depreciated replacement cost. Where depreciated replacement cost is not available, historic cost has been used as a proxy.

Properties regarded by the Authority as non-operational have been valued on the basis of open market value.

Fixtures, fittings and immovable plant are included in the valuation of the buildings.

3.3 Revaluations

Where an asset is included in the balance sheet at current value, it should be formally revalued at intervals of not more than five years and the revised amount included in the balance sheet.

The value at which each category of assets is included in the balance sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, and that the change is likely to be other than temporary, the valuation is adjusted accordingly. Any such general reductions in asset values are disclosed as impairment changes.

3.4 Disposals

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, and accounted for on an accruals basis. Where applicable, the proportion reserved for the repayment of external loans is credited to the capital financing reserve.

Where a fixed asset is disposed of for other than a cash consideration, or payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value.

3.5 Depreciation

Depreciation is now provided for all relevant categories of fixed assets with a finite useful life, including council dwellings. For council dwellings the Major Repairs Allowance (MRA) is used as a proxy for depreciation.

For other assets, provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. The depreciation methods used are the ones which are the most appropriate to the type of asset and their use in the provision of services.

The useful lives of assets are estimated on a realistic basis, reviewed regularly and, where necessary, revised.

Depreciation is not provided for freehold land (whether operational or non-operational). Depreciation is based on the amount at which the asset is included in the balance sheet, whether net current replacement cost or historical cost.

4 DEFERRED CHARGES

Following changes to the 2004 SORP the heading for deferred charges has been replaced with intangible assets, which brings the terminology in line with UK GAAP and recognises the requirements of FRS10 "Goodwill and Intangible Assets"

Deferred charges should be amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Local Authority. Because of the types of expenditure to which deferred charges usually apply, eg improvement grants, a local authority will seldom control the economic benefit arising from the expenditure and in such cases 100% of the deferred charge is amortised to revenue in the year the deferred charge is recognised.

5 INTANGIBLE ASSETS

In those cases where the authority does control the economic benefit arising from the expenditure then it is recognised as an asset in the balance sheet. Purchased intangible assets (eg software licenses) are now capitalised as assets based on actual cost, and are amortised to revenue over a five year period.

Prior to 1st April 2004, software licences were categorised as a deferred charge on the balance sheet. For comparative purposes, the 2003/04 balance sheet figures have been restated to reflect this change in accounting policy (see Note 1 to the Consolidated Balance Sheet).

6 BASES FOR CHARGES FOR CAPITAL

Each service within the City Council is charged with a capital charge for all fixed assets used in the provision of that service. Such charges cover the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net value at which the asset is included in the balance sheet.

7 DEBTORS AND CREDITORS

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. There are minor exceptions but these are not material compared with the total for the year.

8 STOCKS AND WORKS IN PROGRESS

Goods and materials chargeable to revenue, which have not been consumed by the end of the year, have been carried forward to be charged in the accounting period in which they are consumed. SSAP9 requires that stocks should be shown at the lower of cost or net realisable value. Stocks held in stores are shown in the accounts at their latest replacement cost net of provision for obsolescence / reduction in value, as an estimation of their net realisable value. Other stocks are shown at cost price.

Work in progress at the year end is included in the accounts at cost price.

9 OVERHEADS

Charges or apportionments covering all support service costs are made to all their users, including services to the public, divisions of services, trading undertakings, capital accounts, services provided for other bodies and other support services.

The cost of service management (comprising all management except corporate management) is in the same way apportioned to the accounts representing the activities managed.

The bases of apportionment adopted is consistent for all the heads to which apportionments are made.

The costs of corporate management and unapportionable central overheads are allocated to separate objective headings kept for these purposes and are not reapportioned to any other heading.

10 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

Provision has been made for doubtful debts, and known uncollectable debts have been written off during the year.

11 RESERVES

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. No expenditure is charged directly to any reserve.

Capital reserves are not available for revenue purposes and certain elements of them can only be used for specific statutory purposes. The fixed asset restatement account, usable capital receipts, and capital financing account are examples of such reserves.

12 PENSIONS

The attributable assets (if any) of each scheme should be measured at their fair value at the balance sheet date. Scheme assets include current assets as well as investments. Any liabilities such as accrued expenses should be deducted. The attributable scheme liabilities should be measured on an actuarial basis using the projected unit method. The scheme liabilities comprise:

- i. any benefit promised under the formal terms of the scheme; and

- ii. any constructive obligations for further benefits where a public statement or past practice by the employer has created a valid expectation in the employees that such benefits will be granted.

The surplus/deficit in a scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities. An authority should recognise an asset to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. An authority should recognise a liability to the extent that it reflects its legal or constructive obligation.

Any unpaid contributions to the scheme should be presented in the balance sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) should be analysed into the following components:

- i. Periodic costs:
 - a. current service cost;
 - b. interest cost;
 - c. expected return on assets; and
 - d. actuarial gains and losses; and
- ii. Non-periodic costs:
 - a. past service costs; and
 - b. gains and losses on settlements and curtailments.

The current service cost should be included within Net Cost of Services (except in so far as the related employee remuneration is capitalised in accordance with the Code and Statute). The net of the interest cost and the expected return on assets should be included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date should be recognised in the Statement of Total Movements for the period.

Past service costs should be recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost should be recognised immediately.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions should be measured at the date on which the authority becomes demonstrably committed to the transaction and recognised in Net Cost of Service at that date. Gains arising on a settlement or curtailment now allowed for in the actuarial assumptions should be measured at that date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

For the 2004/05 statement of accounts, the Statement of Recommended Practice requires that the discount rate for defined benefit pension scheme liabilities be changed from a rate determined by the Government Actuary's Department to an "AA" Corporate Bond Rate. This represents the current rate of return on a high quality bond linked to the term of the Authority's scheme liabilities. This change represents a change in an estimation technique only, and does not comprise a change in accounting policies.

13 INVESTMENT INTEREST

Interest is credited to the General Fund and the Housing Revenue Account based on the equated level of their respective fund balances.

14 INVESTMENTS

Current investments are shown in the Consolidated Balance Sheet at cost less any provision required for loss in value. Dividends on Longer Term Investments have been credited to revenue when paid. Details of the Council's holdings in any companies are set out in the notes to the Consolidated Balance Sheet.

15 GOVERNMENT GRANTS

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants-deferred

account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

16 LEASES

Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the asset management revenue account.

Rentals payable under operating leases are charged to revenue on an accruals basis.

17 DEBT RESCHEDULING

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the consolidated revenue account in the periods during which the repurchase or early settlement is made. Where however the repurchase of borrowing is coupled with a refinancing or restructuring of borrowing with substantially the same economic effect when viewed as a whole, gains and losses are recognised over the life of the replacement borrowing. The balance of any outstanding premia is held on the balance sheet as deferred premium.

18 MINIMUM REVENUE PROVISION

In accordance with the requirements of the Local Government and Housing Act 1989 the Authority is required to set aside a minimum revenue provision for repayment of debt. This is the aggregate of 4% of the Adjusted Capital Financing Requirement at the beginning of the year for the General Fund. If depreciation does not equal this amount a transfer to/from the Capital Financing Account is required for the difference. From 1st April 2004 the 2% provision in respect of the Housing Revenue Account is no longer required

19 CAPITAL RECEIPTS

Previously, capital receipts from the disposal of assets were treated in accordance with the provisions of the Local Government and Housing Act 1989, whereby 75% of council house sales were set aside to repay debt, however Section 11 (2)(b) of the Local Government Act 2003 now requires all or part of these receipts to be pooled and paid to the Secretary of State.

Capital receipts other than from the sale of council houses can be fully utilised to finance capital expenditure. Capital receipts from asset sales are held in the usable capital receipts reserve until such time as they are required to fund other capital expenditure. There is a statutory de minimis level of £10,000 in respect of capital receipts and sums received up to this limit are credited into the appropriate revenue account.

20 VALUE ADDED TAX

VAT is fully recoverable from Customs and Excise except in certain exceptional cases. Consequently all expenditure, whether revenue or capital, is shown in the accounts as net of VAT.

21 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

Exceptional items should be included in the cost of the service to which they relate or on the face of the consolidated revenue account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item should be given within the notes to the accounts.

Extraordinary items should be disclosed and described on the face of the consolidated revenue account after dealing with all items within the ordinary activities of the authority and should be explained fully in a note to the accounting statements.

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the

year in which they are identified, and should be accounted for accordingly. Material adjustments applicable to prior years arising from changes in accounting policies or from fundamental errors should be accounted for by restating the comparative figures for the preceding period in the statement of account and notes and adjusting the opening balance or reserves for the cumulative effect. The cumulative effect of the adjustments should also be noted at the foot of the Statement of Total Movement in Reserves of the current period. The effect of prior period adjustments on the outturn for the preceding period should be disclosed where practicable.

22 POST BALANCE SHEET EVENTS

Where a material post balance sheet event occurs which:

- provides additional evidence relating to conditions existing at the balance sheet date; or
- indicates that application of the going concern concept to a material part of the authority is not appropriate.

changes should be made in the amounts to be included in the Statements of Accounts.

The occurrence of a material post balance sheet event which concerns conditions which did not exist at the balance sheet date should be disclosed. The disclosure should state the nature of the event and, where possible, an estimate of the financial effect of the event.

23 FOREIGN CURRENCY TRANSLATION

Income and expenditure arising from a transaction denominated in a foreign currency should be translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred; if the rates do not fluctuate significantly, an average rate for a period may be used as an approximation. Where the transaction is to be settled at a contracted rate, that rate should be used.

At each balance sheet date, monetary assets and liabilities denominated in a foreign currency should be translated by using the closing rate or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions.

24 CONTINGENT ASSETS

Contingent assets should not be accrued in the accounting statements, they should be disclosed by way of notes if the inflow of a receipt or economic benefit is probable.

25 CONTINGENT LIABILITIES

Contingent liabilities should not be accrued in the accounting statements, they should be disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits.

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH

2003/04 £000		EXP £000	INC £000	NET £000	Notes
	NET COST OF SERVICES				
1,091	Central Service to the Public	9,728	(8,823)	905	
12,206	Cultural, Environmental & Planning Services	22,510	(7,567)	14,943	
306	Highways, Roads & Transport Services	3,540	(3,114)	426	
5,098	Housing Services	45,796	(39,430)	6,366	
2,081	Corporate & Democratic Core	2,230	(127)	2,103	
626	Non Distributed Costs	350	---	350	
21,408	NET COST OF SERVICES	84,154	(59,061)	25,093	
	CORPORATE INCOME & EXPENDITURE				
223	Precept of Local Precepting Authorities			235	4
733	(Surpluses) / Deficits on trading undertakings			(405)	2
(3,879)	Asset Management Revenue Account			(5,598)	1
0	Contribution to pooled capital receipts			2,190	
2,206	Loss on the early settlement of borrowing			193	
(473)	Interest and investment income			(657)	
1,131	Pensions Interest Costs & Expected Return on Pensions Assets			629	10
21,349	NET OPERATING EXPENDITURE			21,680	
	APPROPRIATIONS				
279	(Deficit)/Surplus transferred to HRA			198	
44	Contribution to or (from) HRA Earmarked Reserves			168	
(18)	Contributions to or (from) General Fund Earmarked Reserves			345	
(127)	Contributions to or (from) DSO Earmarked Reserves			21	
(1,917)	Contributions to or (from) Capital Reserves			(746)	
(958)	Contribution to or (from) Pensions Reserve			(884)	10
0	Transfer from Usable Capital Receipts			(2,190)	
18,652	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS			18,592	
(5,881)	Demand on Collection Fund			(6,503)	
(8,633)	Revenue Support Grant			(8,613)	
(4,677)	Contribution from NNDR Pool			(3,638)	
(539)	(SURPLUS) / DEFICIT FOR YEAR			(162)	
(1,306)	Balance on General Fund brought forward			(1,845)	
(1,845)	Balance on General Fund carried forward			(2,007)	

DISCLOSURE NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The Accounting Code of Practice (ACOP) on Local Authority Accounting requires the publication of additional financial information as notes to the Consolidated Revenue Accounts. The figures contained in these notes are either not shown separately on the face of the main financial statements, or they disclose information in relation to responsibilities and functions which the Council undertakes on behalf of other bodies.

1 ASSET MANAGEMENT REVENUE ACCOUNT

The purpose of the Asset Management Revenue Account is to ensure that capital charges do not impact on the level of Council Tax and that the Council's accounts are charged only with the true capital financing costs. The account is summarised below:

Transactions on the Asset Management Revenue Account		
Income	£000	£000
Capital Charges :		
General Fund	(4,045)	
Housing Revenue Account	(7,708)	
Government Grants Deferred	(319)	
		(12,072)
Expenditure		
Depreciation	4,001	
External Interest Charges	2,473	
		6,474
Balance to Consolidated Revenue Account		(5,598)

2 TRADING SERVICES

Trading services cover undertakings with the public or with other third parties, and include such activities as markets, trade refuse collection, industrial units and the remainder of the former Direct Service Organisations (DSO's) which have not been consolidated into their relevant service area.

The DSO's were set up originally to allow the Council to bid for work under the Compulsory Competitive Tendering (CCT) legislation. However, from 02 January 2000 this legislation was abolished and replaced by a new Best Value system designed to establish a continuing process of cost effective service improvements. Most of the former DSO activities have now been consolidated into the General Fund.

For 2004/05, the Council still operated trading accounts for Building Maintenance and Highways Contractor. Building Maintenance has been consolidated with Council Housing with effect from April 2005, and a review of the working arrangements under the Highways Partnership is due to take place.

	Income	Expenditure	2004/05	2003/04
	£000	£000	(Surplus) /	(Surplus) /
			Deficit	Deficit
			£000	£000
General highway and sewer work	(1,583)	1,508	(75)	(38)
Other maintenance work	(1,958)	1,970	12	5
Trade refuse collection	(775)	538	(237)	(236)
Salt Ayre Sports Centre †	-	-	-	1,281
Markets	(755)	938	183	188
Commercial Properties / Industrial Units	(933)	645	(288)	(467)
Total (Surplus) / Deficit on Trading Undertakings	(6,004)	5,599	(405)	733

† Salt Ayre Sports Centre is no longer treated as a trading activity for the purposes of this note. The cost of the operation is contained within the Cultural and Environmental Services line within the Consolidated Revenue Account.

3 LEASING AND OTHER LONG TERM COMMITMENTS

The following table summarises current operating lease obligations for future years.

Leased Assets – Rentals (excluding staff car leases)	
	Operating Leases
	£000
Total rentals paid in 2004/05	466
Outstanding undischarged leasing obligations:	
2005/06	474
2006/07	483

At 31 March 2005, 66 cars were leased for staff. The total cost in 2004/05 was £315,000 and after contributions by staff of £30,000 it resulted in a charge to the Authority of £285,000.

The Council had no outstanding obligations in respect of finance leases as at 31 March 2005, nor did it have any outstanding obligations arising from other long term contracts such as Private Finance Initiative agreements.

4 PARISH PRECEPTS

2004/05 was the ninth year that local parishes levied their own precept within their parish boundaries. In total the precepts levied amounted to £234,520.03. Full details of individual parish precepts are available from the Head of Financial Services at Lancaster Town Hall.

5 SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 enables a local authority to make contributions to charities operating in the UK and to not for profit making bodies providing public services in the UK. This expenditure is limited to £1.90 per head of relevant population as defined by statute. For Lancaster, this produces a spending limit for 2004/05 of £258,020. The actual expenditure under this provision in 2004/05 was £45,985, analysed as follows ;

Analysis	£
Victim Support	4,400
Council for Voluntary Service	17,700
Lancaster DISC	5,500
Relate	6,400
Miscellaneous Grants	8,185
Twinning	3,800
Total	45,985

In 2003/04, a similar sum of £44,649 was incurred.

6 PUBLICITY EXPENDITURE

The Council is required by Section 5(1) of the Local Government Act 1986 to provide details of its spending on Publicity. The Act does not provide a clear definition of Publicity, but the following analysis shows the elements of expenditure which are judged to be relevant.

2003/04	Section 5 Local Government Act 1986	2004/05
£000		£000
159	Promotions and Publicity	152
124	Recruitment Advertising	91
38	Other Advertising	27
321	TOTAL	270

7 BUILDING CONTROL TRADING ACCOUNT

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit for 2004/05 divided between the chargeable and non-chargeable activities.

2004/05	Chargeable	Non-Chargeable	Total Building Control
	£000	£000	£000
Expenditure			
Employee Expenses	309	126	435
Transport	25	10	35
Supplies & Services	82	3	85
Central & Support Recharges	96	18	114
TOTAL EXPENDITURE	512	157	669
Income			
Building Regulation Charges	(426)	--	(426)
Miscellaneous Income	(50)	--	(50)
TOTAL INCOME	(476)	--	(476)
(Surplus)/Deficit for Year	36	157	193

Comparatives for 2003/04

Expenditure	327	112	439
Income	(465)	--	(465)
(Surplus)/Deficit for Year	(138)	112	(26)

The 2004/05 deficit has resulted from increased investment in software applications aimed at streamlining processes within the Building Control function.

8 AGENCY SERVICES

The Council entered into the Lancashire Highways Partnership (LHP) on 1st July 2003 which replaced the work undertaken by the Council acting as highways agent for Lancashire County Council. The majority of LHP work is delivered through a single works contract with Lancashire County Engineering Services (LCES) in which City Contract Services (CCS) are involved as a sub-contractor. The only area of work falling outside the single works contract is Highways Grounds Maintenance, which is carried out by CCS and for which reimbursement is made subject to defined limits. Expenditure in this area of work amounted to £75,680, which was fully reimbursed.

In accordance with recommended accounting practice, only the net cost of agency activities is shown (where applicable) in the Consolidated Revenue Account.

9 LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

Under the Act the Council is empowered to provide goods and services to other public bodies. The authority provided grounds maintenance, cleansing, trade refuse and other minor services for Lancashire County Council to the value of £153,558 during 2004/05. Charging for such services is based on full cost recovery, and the expenditure relating to these functions is included within the Consolidated Revenue Account.

10 PENSION COSTS

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments, and this commitment needs to be disclosed over the time that employees earn their future entitlement.

The Authority participates in one principal pension scheme.

The Local Government Pension Scheme for civilian employees, administered by Lancashire County Council – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, those contributions being calculated at a level intended to balance the pensions liabilities with investment assets.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the 2004/05 year in accordance with FRS 17.

Net Cost of Services:	£000
Current Service Costs	2,599
Past Service & Curtailment Costs	34
Net Operating Expenditure	
Interest Costs	5,675
Expected return on Assets in the scheme	(4,992)
Amounts to be met from Government Grants & Local Taxation	
Movement from Pensions Reserve	(884)
Actual amount charged against Council Tax for pensions in the 2003/04 year	0
Employer's contributions payable to the scheme	(2,432)
Overall cash impact of FRS 17 transactions	0

For the purposes of the 2004/05 accounts, the Council has applied FRS 17 to the Housing Revenue Account (HRA) in full.

Note 21 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 7 to the Statement of Total Movements in Reserves gives details on the expected return on pensions investments.

11 MINIMUM REVENUE PROVISION (MRP)

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute. For 2004/05 the amount is £678,000 (2003/04 £788,417) as set out below.

	2003/04 £000	2004/05 £000
Non-housing amount - 4% of opening Capital Financing requirement (adjusted re commutation)	431	678
Housing amount – 2% of credit ceiling	357	0
Minimum Revenue Provision	788	678
Amount charged as depreciation (net)	(1,148)	(1,160)
Net credit to Consolidated Revenue Account	(360)	(482)

Following the introduction of the Major Repairs Allowance there is no longer a requirement for the Housing Revenue Account to set aside a minimum revenue provision.

12 OFFICERS' EMOLUMENTS

Regulation 7(2) of the Accounts and Audit Regulations require a specific disclosure of officers' annual remuneration in excess of £50,000. Only five officers of the Council received in excess of this amount during 2004/05.

Remuneration Band	No. of Employees	
	2003/04	2004/05
£50,000 - £59,999	2	1
£60,000 - £69,999	1	2
£70,000 - £79,999	0	1
£80,000 - £89,999	0	0
£90,000 - £99,999	1	1

The emoluments are in respect of taxable pay and values associated with car benefits.

13 MEMBERS ALLOWANCES

The total amounts of allowances paid to Members are as follows.

Type of Allowance	2003/04 £	2004/05 £
Basic Allowance	162,959	169,835
Special Responsibility Allowance	71,228	84,592
Carer Allowance	1,071	1,670
Total For All Members	235,258	256,097

Further details can be obtained by contacting the Head of Administration Services at the Town Hall, Dalton Square Lancaster.

14 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

As a result of changes to the classification of deferred charges, under the 2004 SORP, software licenses have been restated in the balance sheet for 2003/04 as Intangible Assets. In addition, the balance of premia relating to previous debt rescheduling is now recognised as Deferred Premium in the balance sheet, and again the 2003/04 figures have been restated for comparative purposes.

15 RELATED PARTY TRANSACTIONS

Under the Accounting Code of Practice, the Council is required to disclose details of any material transactions with third parties. A number of these transactions have already been disclosed within the financial statements as follows:

- 1 Transactions with Central Government have been disclosed within both the Consolidated Revenue Account and the Cash Flow Statement, as well as in other notes to the accounts.
- 2 Transactions with the Lancashire Pensions Fund have been disclosed within the Statement of Accounting Policies and the notes to the Consolidated Revenue Account and Consolidated Balance Sheet.
- 3 Transactions with associated companies have been disclosed within the notes to the Consolidated Balance Sheet.

There are no other material transactions to disclose in respect of other Elected Members or Directors (including their close families), or regarding grants to voluntary and other organisations.

16 AUDIT COSTS

In 2004/05 Lancaster City Council incurred the following fees relating to external audit and inspection :

	2003/04 £	2004/05 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	87,800	120,400
Fees payable to the Audit Commission in respect of statutory inspection	14,000	7,900
Fees payable to the Audit Commission for the certification of grant claims and returns	37,500	39,800
Fees payable in respect of other services provided by the appointed auditor	132,100	22,000
	271,400	190,100

The fees for other services payable in both 2003/04 and 2004/05 related to work carried out on Crinkley Bottom for both Legal Fees and Audit Fees.

The fees disclosed above do not account for accruals or prepayments; they represent purely the Audit & Inspection fees paid in the year.

HOUSING REVENUE ACCOUNT

The purpose of the Housing Revenue Account is to record the expenditure and income relating to Council dwellings. The Council is obliged by law to fund revenue expenditure on Council dwellings only from housing rent income.

The expenditure and income on the Housing Revenue Account is brought into the Consolidated Revenue Account in order to include it within the total cost of services provided by the Council. The surplus or deficit is then appropriated from the Consolidated Revenue Account to the Housing Revenue Account working balance.

2003/04 £000		2004/05 £000	2004/05 £000	NOTES
	INCOME			
(9,357)	Gross rental income - dwellings	(9,530)		
(144)	- other	(147)		
(1,307)	Charges for services and facilities	(1,368)		
(8)	Contributions towards Expenditure	(8)		
(6,551)	HRA subsidy receivable	-		
(17,367)			(11,053)	
	EXPENDITURE			
2,698	Repairs and maintenance	3,037		
2,547	Supervision and management	2,532		
123	Rents, rates, taxes and other charges	163		
6,972	Rent rebates	-		
0	Negative Subsidy Payable to Secretary of State	755		7
233	Increased Provision for Bad or Doubtful Debts	131		
4,208	Cost of Capital Charge	5,496		
2,188	Depreciation and Impairments of Fixed Assets	2,212		5
21	Debt management Costs	12		
18,990			14,338	
1,623	NET COST OF SERVICES		3,285	
(3,171)	Net Income or Expenditure on Asset Management Revenue Account		(4,587)	4
0	Pension Interest Cost		54	
(110)	Transfers to/from General Fund as directed by Secretary of State		(37)	12
157	Amortised Premiums and Discounts		207	
(93)	Investment Income		(125)	
(1,594)	NET OPERATING EXPENDITURE		(1,203)	
898	Revenue Contribution to Capital Expenditure		943	
373	Contribution to Minimum Repayment Provision		-	9
(26)	Transfer from Major Repairs Reserve		(26)	
0	HRA Contributions to/from Pension Reserve		(105)	11
70	Transfers to/from Earmarked Reserves		194	
(279)	(SURPLUS)/DEFICIT FOR YEAR		(197)	
(553)	HRA balance brought forward		(832)	

(832)

HRA BALANCE CARRIED FORWARD

(1,029)

NOTES TO THE HOUSING REVENUE ACCOUNT

- 1** As at 31 March 2005 the authority held the following dwellings:

Bedsits		121
1 Bedroom	Houses & Bungalows	651
	Flats & Maisonettes	506
2 Bedroom	Houses & Bungalows	520
	Flats & Maisonettes	691
3 Bedroom	Houses & Bungalows	1,336
	Flats & Maisonettes	7
4 or more bedroomed dwellings		84
TOTAL ALL DWELLINGS		3,916

The Balance Sheet value of assets held in the Housing Revenue Account was as follows:

	1st April 2004 £'000	31st March 2005 £'000
Operational Assets:		
Council Dwellings	114,965	152,562
Other land and buildings	425	410
	115,390	152,972
Non-operational Assets	443	432
TOTAL	115,833	153,404

Dwellings were revalued on the basis of Existing Use Value (Social Housing) as at 01 April 2001 following the introduction of Resource Accounting in the Housing Revenue Account. This valuation has subsequently been re-based annually and is now held at April 2004 prices. This resulted in an increase in asset values of £41,190,000 in the year. The Major Repairs Allowance has been used as a proxy for depreciation on dwellings. Non-dwelling assets were valued at 01 April 2001.

The vacant possession value of dwellings held on 01 April 2004 was £264,671,000. The difference between this and the EUV-SH valuation of £156,156,000 represents the economic cost to the Government of providing Council Housing at less than open market rents.

- 2** Movements on the Major Repairs Reserve for the year were as follows:

Summary of Movements on Major Repairs Reserve 2004/05	
	£'000
Opening Balance 01 April	1,593
Transfer to MRR – Depreciation	2,212
Transfer to HRA - Depreciation Adjustment	(26)
Capital Expenditure - Land	-
- Houses	(1,614)
- Other property.	-
Closing Balance 31 March	2,165

- 3** Capital expenditure of £3,267,000 was incurred during the year being £3,130,000 on improvements to dwellings and £137,000 on other property. This was financed as follows:

	£'000
Borrowing	-
Usable Capital Receipts	700
Direct Revenue Financing	838
Earmarked Reserves	105
Majors Repairs Reserve	1,614
Grants and Contributions	10
Movement in Capital Creditors	-
Total Capital Financing	3,267

Capital Receipts totalling £3,176,000 were received during the year from the following sources:

	£'000
Sale of dwellings	3,107
Sale of land	-
Repayment of Principal on Mortgages	46
Repayment of Right to Buy discounts	23
Total Capital Receipts	3,176

Previously under the Local Government and Housing Act 1989, 75% of council house sales were to be set aside for debt redemption, however the Local Government Act 2003 (section 11(2)(b)) now requires all or part of the receipt to be paid over to the Secretary of State. The aim is to preserve and strengthen the principle of redistributing the spending power generated by the sale of such assets.

- 4 The Cost of Capital Charges is a notional interest charge of £5,496,000 representing 3½% of the revalued opening asset values, which is credited to the Asset Management Revenue Account. Because this exceeds the actual interest payable on HRA-related debt which is £909,000, a compensating transfer of £4,587,000 is made from the Asset Management Revenue Account.
- 5 Total depreciation charges for the year were:

	£'000
Council Dwellings	2,186
Other land and buildings	16
Non-operational Assets	10
TOTAL	2,212

- 6 No charges were made during the year in respect of deferred charges or impairment of fixed assets.
- 7 The total Negative Housing Subsidy payable for the year was £755,000. This is analysed over the various elements as follows:

	£'000
Management Allowance	1,337
Maintenance Allowance	2,951
Major Repairs Allowance	2,186
Admissible Allowances	85
Anti-Social Behaviour Allowance	-
Charges for Capital	1,872
Rent Rebates	-
Notional Rent	(9,191)
Interest on Receipts	(11)
Government Grants	16
Total Housing Subsidy	(755)

- 8** Total arrears of rent at 31 March 2005 amounted to £375,000. Against this an amount of £399,000 was held as provision for bad debts (including rent arrears and all other debts outstanding to the Housing Revenue Account). This represents allowances of 95% for arrears from former tenants and 25% for arrears from current tenants and leaseholders, in addition to 95% of other outstanding debts.

9 ABOLITION OF THE HOUSING REVENUE ACCOUNT SET-ASIDE

The SORP 2004 amends the content and format of the Housing Revenue Account. The financial effect under the new regulation is as follows:

Item 8 Interest Debit increased by £73,534 from £835,474 to £909,008 resulting in a reduced Cost of Capital Charge from £4,660,382 to £4,586,848.

In addition, by abolishing the Minimum Revenue Provision of 2% of the opening balance of Housing Account Credit Calling which amounted to £303,063 and the set-aside figure of £2,169,828, the Closing Credit Ceiling remained at £15,303,171 as at 31 March 2005 under the new regulations.

10 THE REMOVAL OF RENT REBATES

On 1st April 2004 policy and administration responsibility for subsidising rent rebates in respect of HRA dwellings passed to the Department of Work and Pensions (DWP). The DWP pays subsidy directly to the authority's general fund. Rent rebates now come under the same subsidy rules as other benefits, such as allowances or council tax benefit.

The SORP 2004 amends the content and format of the Housing Revenue Account to reflect the above, and as from 1 April 2004 Rent Rebates were removed from the Housing Revenue Account and transferred to the Authority's General Fund.

11 CONTRIBUTION TO/FROM THE PENSION RESERVE

This is the first year in which the requirements of FRS17 have been applied to the Housing Revenue Account. As such, the current service cost has been included within the Net Cost of Services and the net of the interest cost and the expected return on assets included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Movements for the period.

12 TRANSFERS TO/FROM GENERAL FUND AS DIRECTED BY SECRETARY OF STATE

Details of the transactions are as follows :

	£'000
Shared Amenities	(154)
Building Maintenance Deficit	59
Rent Rebates Compensation	58
TOTAL	(37)

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2004/05

This statement represents the transactions of the Collection Fund, a statutory account that must be kept separate from other Funds of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non Domestic Rates on behalf of those bodies, including the Council's own General Fund, for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

2003/04 £000	INCOME	See Note	2004/05 £000
	Council Tax		
41,963	Income from Council Tax	1	44,677
	Transfers from General Fund:		
6,965	Council Tax Benefits		7,801
	Council Tax Benefit Subsidy Limitation		
	Contributions from other Local Authorities		
	Business Rates		
37,332	Income from Business Ratepayers	2	38,751
	Contributions		
--	Towards previous year's Collection Fund deficit	5	
--	Adjustment of previous years Community Charges	3	
118	From Provisions for Council Tax Amounts Written Off		104
86,378	TOTAL INCOME		91,333

2003/04 £000	EXPENDITURE	See Note	2004/05 £000
	Precepts and Demands		
38,843	Lancashire County Council		38,939
5,881	Lancaster City Council (including parish precepts)		6,503
3,629	Lancashire Police Authority		4,229
0	Lancashire Fire Authority		2,085
	Business Rates		
37,104	Payment to National Pool		38,526
228	Cost of Collection Allowance		225
	Council Tax Bad and Doubtful Debts		
118	Write-offs		104
339	Contribution to Provision for Non-Collection		310
86,142	TOTAL EXPENDITURE		90,921

2003/04 £000	FUND BALANCE	See Note	2004/05 £000
(236)	(Surplus)/deficit for year		(412)
359	(Surplus)/deficit as at 01 April (Brought forward)	4	123
123	(Surplus)deficit as at 31 March (Carried forward)	6	(289)

NOTES TO THE COLLECTION FUND ACCOUNT

The following notes are intended to explain figures contained on the Collection Fund Summary Income and Expenditure Account.

1 COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 01 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lancashire County Council, Lancaster City Council and the Lancashire Police Authority for the forthcoming year and dividing this by the Council Tax base.

The Council Tax base represents the number of chargeable dwellings in each banding (i.e. the number of properties, adjusted for discounts etc.) multiplied by a set proportion to give the number of Band D equivalents. The estimated collection rate is then applied to the Band D equivalent total, to give the Council's Tax Base for that year. For 2004/05 the numbers are as follows:-

	Chargeable Dwellings	Band D Equivalents
Band A	16,471	10,979
Band B	12,688	9,868
Band C	9,628	8,559
Band D	5,259	5,259
Band E	3,324	4,063
Band F	1,668	2,409
Band G	728	1,214
Band H	37	74
Total	49,803	42,425
<i>Collection Rate</i>		99%
Council Tax Base		42,000

2 BUSINESS RATES

The City Council collects National Non-Domestic Rates (NNDR) for its area. NNDR is based on rateable values set by the Inland Revenue, multiplied by a Uniform Business Rate set by Central Government. This was set at 45.6p per £ for 2004/05 (44.4p for 2003/04). The rateable value at 31 March 2005 was £96,587,845 (£94,099,015 for 2003/04). The total amount due, after adjusting for certain reliefs and other deductions, is paid into a central pool (the NNDR pool) managed by Central Government. The Government redistributes the sums paid into the pool back to local authorities' in proportion to population. Lancaster's share of the pool for 2004/05, paid directly to the Consolidated Revenue Account, amounted to £3.638 M.

3 ADJUSTMENTS FOR PREVIOUS YEARS' COMMUNITY CHARGES

Although Council Tax has replaced Community Charge from 01 April 1993, the Council continues to account for residual adjustments in relation to the Community Charges raised in earlier years. A net adjustment of £100 was made with regard to Community Charge collection in 2004/05.

4 DISTRIBUTION OF COLLECTION FUND SURPLUSES OR DEFICITS

Collection Fund Surpluses relating to Council Tax (i.e. excluding Community Charge items) are distributed to the billing and precepting authorities in proportion to the value of their respective precepts or demands on the Fund.

At 1 April 2004 the Council Tax deficit was shown as £123,000. During 2004/05 no distribution was made to precepting authorities.

5 DISTRIBUTIONS OF RESIDUAL COLLECTION FUND SURPLUSES OR DEFICITS

Lancaster City Council receives the full impact of surpluses and deficits relating to residual Community Charge transactions, unlike those relating to Council Tax, which are shared (see note 4 above).

At 1 April 2004 the residual Community Charge deficit was £655.

6 CLOSING SURPLUS / DEFICIT BALANCES ON THE COLLECTION FUND

Surpluses and deficits relating to Community Charge transactions (residual) are administered separately from those surpluses and deficits relating to Council Tax transactions, as highlighted in notes 4 and 5 above.

The movements in the Collection Fund during 2004/05 are summarised below.

	Residual Community Charge	Council Tax	TOTAL
	£000	£000	£000
(Surplus)/Deficit 01/04/04	--	123	123
Distributions in Year	--		
Net Transaction in Year	--	(412)	(412)
(Surplus)/Deficit 31/03/05	--	(289)	(289)

Of the £289,000 surplus as at 31 March 2005, £253,000 is attributable to other Local Authorities as follows:

	£000
Lancashire County Council	(217)
Lancashire Police Authority	(24)
Lancashire Fire Authority	(12)

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

This shows the financial position of the Council as a whole and summarises its assets and liabilities.

2003/04 £000		2004/05 £000	Notes
240	Intangible Assets	465	1
	Tangible Fixed Assets		3
	Operational Assets :		
114,965	Council Dwellings	152,562	
31,162	Other Land and Buildings	31,484	
2,286	Vehicles, Plant and Equipment	3,339	
19,276	Infrastructure	19,587	
3,683	Community Assets	3,922	
13,785	Non Operational Assets	16,769	
185,397	TOTAL FIXED ASSETS	228,128	
3	Long Term Investments	3	11
362	Long Term Debtors	288	12
1,804	Deferred Premium	1,582	
187,566	TOTAL LONG TERM ASSETS	230,001	
	Current Assets		
472	Stocks and Work in Progress	409	13
9,619	Debtors	10,246	14
2,500	Investments	6,500	
36	Cash and Bank	481	
	Current Liabilities		
(319)	Borrowing (Amounts due within one year)	(321)	16
(7,741)	Creditors	(9,864)	15
(628)	Bank Overdraft	--	
191,505	TOTAL ASSETS LESS CURRENT LIABILITIES	237,452	
(40,795)	Long Term Borrowing	(41,474)	16
(223)	Deferred Liabilities	(223)	22
(156)	Deferred Credits	(109)	22
(255)	Provisions	(537)	18
(17,626)	Liability related to defined benefit pension scheme	(34,983)	
132,450	TOTAL ASSETS LESS LIABILITIES	160,126	
91,582	Fixed Asset Restatement Account	128,926	
40,623	Capital Financing Account	41,050	
1,171	Usable Capital Receipts Reserve	2,201	
(17,626)	Pensions Reserve	(34,983)	
10,689	Government Grants & Contributions Deferred	15,019	17
1,594	Major Repairs Reserve	2,165	
1,863	Earmarked Reserves	2,423	
1,845	Balances: General Fund	2,007	
832	Housing Revenue Account	1,029	
(123)	Collection Fund	289	
132,450	TOTAL EQUITY	160,126	

1 INTANGIBLE ASSETS

Intangible fixed assets result from expenditure of a capital nature which does not impact on the acquisition or enhancement of fixed assets owned by the City Council.

Software Licences	31/03/04	31/03/05
	£000	£000
Opening Balance	98	240
Amounts written off to Consolidated Revenue Account		
Expenditure during the year	267	365
Written off to Revenue in 2004/05	(125)	(140)
Closing Balance	240	465

Software Licences are held for the Salt Ayre Computerised Booking System, Local Land and Property Gazetteer, Housing Rents and Repairs System, Cash Receipting System, National Non Domestic Rating System, Asset Management System, PC based software and Customer Relationship Management System together with the software associated with implementing Electronic Government. The cost is being written off over the five year life of the licences.

2 FIXED ASSETS

Movements in fixed assets during the year were as follows:

	Council dwellings	Other land and buildings	Vehicles plant and equipment	Infra-structure assets	Comm-unity assets	Non-Operational properties	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Gross book value as at 01 April 2004	123,563	33,820	5,757	21,609	3,683	14,767	203,199
Additions	3,268	310	1,476	984	259	3,858	10,155
Disposals	(3,288)	(232)	(388)		(20)	(2,679)	(6,607)
Revaluations	42,786	818				2,499	46,103
Impairment						(114)	(114)
Transfers						(840)	(840)
Gross book value as at 31 March 2005	166,329	34,716	6,845	22,593	3,922	17,491	251,896

Depreciation as at 01 April 2004	(8,598)	(2,658)	(3,471)	(2,333)	--	(982)	(18,042)
Depreciation for year (on straight line basis)	(2,186)	(574)	(374)	(673)		(82)	(3,889)
Depreciation on assets sold / Transferred	(2,983)		339			342	(2,302)
Balance as at 31 March 2005	(13,767)	(3,232)	(3,506)	(3,006)	--	(722)	(24,233)

Net book value as at 31 March 2005	152,562	31,484	3,339	19,587	3,922	16,769	227,663
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3 CAPITAL EXPENDITURE AND FINANCING

Capital expenditure incurred during the year was £11.754M (including unfinanced expenditure of £147,000 relating to 2003/04). The following table sets out how this was funded.

2004/05	£000
Capital Investment	
Intangible Assets	365
Operational Assets	6,297
Non Operational Assets	3,018
Deferred Charges	2,219
Sources of Finance	
Capital Receipts	(1,759)
Government Grants, Contributions and Deferred Charges	(5,849)
Revenue Provision	(3,367)
Explanation of Movements in Year	
Increase in underlying need to borrow (supported by Government financial assistance)	(924)
Increase in underlying need to borrow (unsupported by Government financial assistance)	0

4 CAPITAL COMMITMENTS

As at 31 March 2005 the Council was contractually committed to capital works, which amounted to approximately £4.252M. Major contracts included the following schemes:-

Capital Projects	£000
Poulton Homezone	750
External Refurbishments & Renewals	953
Kitchen Renewals	650
Ryelands Regeneration	202
EDZ Cycling & Walking Network	896

5 MAJOR FIXED ASSETS

The Council is required to disclose details of the major fixed assets that support its functions. The following table shows the number of each type of asset.

	Number as at 31/03/04	Number as at 31/03/05
COUNCIL DWELLINGS	3,991	3,916
OPERATIONAL BUILDINGS		
Town Halls	2	2
Other Offices	9	9
Sports Centres with Pool	1	1
Depots	4	3
Surfaced Car Parks	37	17
Multi-Storey Car Parks	2	2
Cemeteries	7	7
Museums	3	3
Public Conveniences	32	11
Other Leisure Facilities	1	-

	Number as at 31/03/04	Number as at 31/03/05
OPERATIONAL EQUIPMENT		
Vehicles	135	14
Heavy Plant	72	7
COMMUNITY ASSETS		
Community Centres	1	1
Parks	15	15
Playing Fields	6	6
NON OPERATIONAL ASSETS		
Commercial/Investment Properties	125	58

Following a review of asset values and de minimis levels for asset recognition there has been a reduction in the number of assets identified in the above table.

6 FIXED ASSET VALUATION

The freehold and leasehold properties which comprise the Authority's property portfolio were originally valued as at 01 April 1994 by the City Council's Head of Property Services, G J Cox, ARICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation.

Since then, all assets valued on a current value basis, are being revalued on a rolling five year programme. This is in accordance with the requirements of the Accounting Code of Practice.

There has been one instance of impairment relating to Ryelands House which has been reduced in value due to physical damage. This loss has been recognised in the relevant service revenue account, the Asset Management Revenue Account and the fixed assets.

New additions during the year have been included at historic cost, and these will be formally valued in the future, as part of the rolling revaluation exercise. Specific valuation bases are disclosed within the Statement of Accounting Policies.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	Council dwellings	Other land and buildings	Vehicles plant and equipment	Investment Properties	Non-Operational	TOTAL
	£000	£000	£000	£000	£000	£000
Valued at Historical Cost	--	--	--	--	--	--
Valued at Current Value in :-						
1999/2000	--	(1,496)	--	(127)	--	(1,623)
2000/2001	--	2,438	--	369	--	2,807
2001/2002	(61,723)	135	--	277	--	(61,311)
2002/2003	14,146	(2)	(3)	--	--	14,141
2003/2004	31,635	2,376	--	--	798	34,809
2004/2005	42,786	818	--	--	2,499	46,103
TOTAL	26,844	4,269	(3)	519	3,297	34,926

As a result of a review of de minimis levels and changes to asset values, the total value of assets has reduced by £151,448.

7 FINANCE LEASES

As at 31st March 2005 there were no assets held under finance leases.

8 PRIVATE FINANCE INITIATIVE (PFI)

The PFI is a mechanism by which private sector investment is used to assist in the delivery of public services, normally for large schemes such as new schools, etc. The Council has not entered into any PFI arrangements and therefore there are no PFI related assets as at 31st March 2005.

9 NET ASSETS EMPLOYED

This summary gives details of the net assets employed during the year analysed over the Council's major accounts, namely General Fund, Housing Revenue Account and the former Direct Service Organisations. It should be noted that the latter has been consolidated into the General Fund for 2004/05, in line with the move away from operating trading accounts (see Note 2 to the Consolidated Revenue Account for more details).

In addition, the 2003/04 comparatives have been restated to include the new FRS17 requirements, as previously mentioned in Note 10 to the Consolidated Revenue Account.

	31/03/04	31/03/05
	£000	£000
General Fund	28,777	17,864
Housing Revenue Account	103,787	142,515
	132,564	160,379
Proportion of Collection Fund Surplus/(Deficit) not attributable to the City Council	(114)	(253)
	132,450	160,126

10 RELATED COMPANIES

Local authorities with material interests in subsidiary and associated companies must prepare, as supplementary information, a summarised set of accounts. These Group Accounts comprise of the local authority itself and its interests in any companies that would be regarded as its subsidiaries or associates within the Companies Act.

Lancaster City has relevant interests in the following companies:

- Williamson Park
- Dukes Playhouse Ltd
- Heysham Mossgate (Community Facilities) Company Ltd

Copies of the accounts can be obtained from the Head of Financial Services, Town Hall, Dalton Square, Lancaster.

None of the Council's interests in the above Companies are considered material when the tests as set out in the Code of Practice are applied. Consequently no Group Accounts are required to be prepared for the 2004/05 financial year.

10.1 WILLIAMSON PARK LTD

The Company is limited by guarantee. The principal activity of the Company during the year was the preservation of the park and the provision of amenities for the public benefit.

The Company's financial accounting period ended on 31 January 2005. Consequently the information below differs slightly from the other financial information in this summary. The City Council provided revenue grant support of £158,900 and capital grant support of £21,656 to the Company during the Council's 2004/05 financial year (2003/04 £159,900). These figures differ to those provided by the Company's accounts due to the timing difference in the respective financial year end.

	31/01/04	31/01/05
	£	£
Net assets	89,132	95,582
Profit/(Loss) before taxation	1,901	6,597
Profit/(Loss) after taxation	1,901	6,450

10.2 DUKES PLAYHOUSE LTD

The Company is limited by guarantee with no share capital. It is also a registered charity.

The principal activity and objective of the charity is to promote and advance artistic and aesthetic education and the public appreciation of the arts and manage a theatre, which is at the service of the whole community. The City Council provided grant support totalling £155,800 to the Company during the 2004/05 financial year (2003/04 £155,800). This included the provision of grant in lieu of rent free accommodation to the value of £13,200 (2003/04 £13,200).

The figures shown below have been updated for 2003/04 as the Company have restated their figures for this period due to the application of additional grant against their net assets.

	31/03/04	31/03/05
	£	£
Net Assets	333,964	337,877
Profit/(Loss) before taxation	54,247	913
Profit/(Loss) after taxation		

10.3 HEYSHAM MOSSGATE (COMMUNITY FACILITIES) COMPANY LTD

The Company is limited by guarantee without share capital. The principal activity of the company is the development of community facilities in the Mossgate area of Heysham on a non-profit making basis.

	31/03/04	31/03/05
	£	£
Net Assets	244,281	Accounts not yet received
Profit/(Loss) before taxation	52,602	With Auditors
Profit/(Loss) after taxation		

11 LONG TERM INVESTMENTS

The Council holds two small investments consisting of :

	Cost Price	Nominal Value	Value at 31/03/05
	£	£	£
3% London Consolidated Stock	4,444	5,000	2,740
3% Lincoln Redeemable Stock	606	700	360
BALANCE SHEET VALUE OF ASSETS	5,050	5,700	3,100

12 LONG TERM DEBTORS

Long term debtors represent the value of long term loans granted by the Council to external organisations. The main element comprises mortgages granted to occupiers of council dwellings under the council house "right to buy" scheme, and mortgages granted to housing associations.

Also included within this item is a loan of £112,000 to the Buildings at Risk Trust (BART) approved by the Council on 26 April 1995 to enable the Victoria Pavilion (Winter Gardens) to be renovated. Under the terms of the loan agreement the money will be repayable from grant monies received by BART on the Phase II redevelopment of the complex.

In addition, the Council approved on 03 July 1998 a £200,000 loan repayable over 10 years to Morecambe Football Club, to assist in the development of a new stand. The balance outstanding at 31 March 2005 was £60,000.

13 STOCKS AND WORK IN PROGRESS

At 31 March 2005 the City Council held stocks and work in progress to the value of £409,000 (£472,000 2003/04), after allowing for the provision of £151,000 for obsolescence / reductions in value, and excluding internal work in progress of £139,000.

14 ANALYSIS OF DEBTORS

Since the Council's Balance Sheet represents assets at the end of the financial year (31 March 2005), there are outstanding monies owed to the Council in respect of the 2004/05 financial year which at that date were yet to be received as cash. The amount in the Consolidated Balance Sheet therefore, represents amounts owed **to** the Council, which had not been received at 31 March 2005.

The Council makes provision for outstanding monies which it anticipates will not be recovered. The amount in the Consolidated Balance Sheet is net of such provisions.

The Debtors balance as at 31 March 2005 is analysed as follows.

	31/03/04	31/03/05
	£000	£000
Government Departments	2,836	3,227
Other Local Authorities	1,018	1,039
Commercial Ratepayers	744	740
Council Taxpayers	4,390	4,631
Housing Rents	557	378
Sundry Debtors and Accruals	2,876	3,259
Provisions for Bad Debts	(2,802)	(3,028)
Total	9,619	10,246

15 ANALYSIS OF CREDITORS

Since the Council's Balance Sheet represents liabilities at the end of the financial year (31 March 2005), there are outstanding monies owed by the Council in respect of the 2004/05 financial year which at that date were yet to be paid. The amount in the Consolidated Balance Sheet therefore, represents amounts owed **by** the Council, which had not yet been paid as at 31 March 2005.

The Creditors balance as at 31 March 2005 is analysed as follows.

	31/03/04	31/03/05
	£000	£000
Government Departments	1,772	1,526
Other Local Authorities	662	673
Commercial Ratepayers	951	1,539
Council Taxpayers	928	510
Housing Rents	96	92
Sundry Creditors and Accruals	3,332	5,524
Total	7,741	9,864

16 BORROWING

The following tables show the Council's Capital Related Longer Term Borrowing by lender and maturity.

ANALYSIS OF LOANS BY TYPE	2003/04	2004/05
	£000	£000
Public Works Loan Board	41,113	41,795

LOAN MATURITY ANALYSIS	2003/04	2004/05
	£000	£000
Maturing in 1 - 2 years	320	174
Maturing in 2 - 5 years	175	--
Maturing in 5 – 10 years	--	--
Maturing in 10 – 15 years	--	--
Maturing in more than 15 years	40,300	41,300
TOTAL BORROWING (DUE AFTER ONE YEAR)	40,795	41,474
Maturing within one year	319	321
TOTAL BORROWING (DUE WITHIN ONE YEAR)	319	321

It should be noted that loan repayments due within one year have been classified on the balance sheet under Current Liabilities – Borrowing (Amounts due within one year).

17 DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

The balance on this account represents, in general terms, the value of capital grants and contributions that have been applied to finance the acquisition or enhancement of fixed assets held in the asset register. A proportion of the balance on this account is released to revenue in line with any depreciation charges on such assets. Where no depreciation charges are to be made for assets financed by grants and contributions, the related financing has been transferred to the capital financing account.

18 PROVISIONS SUMMARY

	Balance 01/04/04 £000	Expenditure £000	Transfers £000	Income £000	Balance 31/03/05 £000
Revenue Provisions:					
Insurance	198	(330)	510	22	400
Car Parking Deficit	0	0	80	0	80
Capital Provisions:					
General Fund Clawback	57	0	0	0	57
Long Term Investments	0	0	0	0	0
TOTAL	255	(330)	590	22	537

The closing balance on the Insurance Provision is in respect of outstanding insurance claims to be settled by the Council. The Council provides an element of self insurance whereby it pays varying levels of excess depending upon the type of insurance policy. The balance on the provision is assessed throughout the year to ensure it is sufficient to meet all anticipated claims, and as a result of an increase in the number and value of claims being made and settled, a further £240,000 has been transferred into the provision.

A new provision has been created in relation to the element of car parking income which could potentially be clawed back as part of the new decriminalised parking enforcement agreement with Lancashire County Council and Parkwise. At the present time the exact allocation of surpluses and deficits generated by on-street and off-street parking enforcement have still to be agreed.

The capital Clawback provision is in respect of outstanding liabilities, where the Council has sold land originally financed by Derelict Land Grant. It is anticipated that the balance on this provision will be paid to English Partnerships during 2005/06, however the exact date has not been agreed as yet

19 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 March 2005.

20 EURO COSTS

The adoption of operational and information systems to accommodate the Euro continues to be considered by the Council as part of its computing strategy. Undertakings from software suppliers are requested to the effect that systems upgrades will be received when the exact criteria for the operation of the Euro are resolved.

At present no expenditure has been specifically incurred or committed in respect of the Euro and no specific provision has been made for estimated future costs relating to its possible introduction. The Council will continue to monitor this position.

21 RETIREMENT BENEFITS

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until the employees retire, the Authority has a commitment to make payments that need to be disclosed on an ongoing basis as employees earn their future entitlement.

The Authority participates in one pension scheme:

The Local Government Pension Scheme, administered by Lancashire County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets.

In 2004/05, pension costs have been charged to the consolidated revenue account on the basis of benefits earned by employees and the Council's resulting liability to pay those pension benefits at some future time in accordance with FRS 17. The costs of pensions payable in the year to retired officers is also included. As at 31 March 2005, the Authority had the following overall assets and liabilities for pensions as disclosed in the balance sheet :

	Local Government Pension Scheme	
	31 March 2005	31 March 2004
	£000	£000
Estimated liabilities in scheme	(114,767)	(90,838)
Estimated assets in scheme	79,784	73,212
Net asset/(liability)	(34,983)	(17,626)

Liabilities have been assessed on an actuarial basis using the projected unit method - an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The overall Pension Fund liabilities have been assessed by Mercer Human Resource Consulting Ltd., an independent firm of actuaries. The main assumptions used in their calculations are set out below, but it should be noted that as such, the position presented above represents a estimated snapshot position as at 31 March 2005, based on prevailing market and other economic conditions. Where relevant, assumptions were made for both the position at the beginning and end of the financial year, although the figures shown below represent the average assumptions applied for the year.

The figures quoted are based on a full valuation of the Pension Fund, which was carried out during 2004/05. The deficit for accounting purposes also includes liabilities in respect of added years enhancements for non-ill health early retirements, which are a charge directly on the authority's revenue account and not a charge to the Pension Fund.

The full valuation took into account market movements up to 31 December 2004 and projected the likely position at 31 March 2005. It also took into account the funding methodology and assumptions considered appropriate, the length of any recovery plan and any smoothing mechanisms that might be adopted.

Local Government Pension Scheme		
Financial Assumptions	2004/05	2003/04
	%	%
Rate of inflation	2.9	2.8
Rate of increase in salaries	4.65	4.3
Rate of increase in pensions	2.9	2.8
Rate of discounting scheme liabilities	5.4	6.3

Expected rate of return on assets	2004/05	2003/04
	%	%
Equity investments	7.5	7.5
Government Bonds	4.7	4.7
Other Bonds	5.4	5.5
Property	6.5	6.5
Cash/Liquidity	4.75	4.0
Other assets	7.5	7.5

Split of assets between investment categories	2004/05		2003/04	
	£	%	£	%
Equity investments	51,858	65.0	50,370	68.8
Government Bonds	7,181	9.0	7,102	9.7
Other Bonds	11,968	15.0	9,371	12.8
Property	3,989	5.0	4,686	6.4
Cash/Liquidity	2,394	3.0	1,683	2.3
Other Assets	2,394	3.0	0	0
	79,784	100	73,212	100

The movement in the net pension liability for the year to 31 March 2005 is as follows :

Movement in Surplus during 2004/05	£000
Surplus / (Deficit) at Beginning of Year	(17,626)
Current Service Costs	(2,599)
Employer Contributions	2,432
Past Service Cost / Curtailment Cost	(34)
Net Interest / Return on Assets	(683)
Actuarial Gain or (Loss)	(16,459)
Appropriation Adjustment re Actual Contributions	(14)
Surplus / (Deficit) at End of Year	(34,983)

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2005.

Statement of Actuarial Gains & (Losses)	£000	%
Differences between the expected and actual return on assets	3,768	(4.7% of assets)
Differences between actuarial assumptions about liabilities and actual experience	(1,546)	(1.3% of liabilities)
Changes in the demographic and financial assumptions used to estimate liabilities	(18,681)	(16.3% of liabilities)
	(16,459)	(14.3% of liabilities)

22 DEFERRED LIABILITIES AND DEFERRED CREDITS

Deferred liabilities consist of liabilities which are payable at some point in the future. The amount in the Balance Sheet represents balances held in respect of shared ownership and leasehold sheltered dwellings where the conditions of the lease include an option for the property to be sold back to the authority at a later point.

Deferred credits represent amounts due, by way of mortgages, from sales of properties in previous years.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

The statement of total movements in reserves brings together all the recognised gains and losses of the Authority during the period and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

		2004/05 £000	2003/04 £000
Surplus/(deficit) for the year:			
- General Fund		162	539
- Housing Revenue Account		197	279
add back Movements on specific revenue reserves (and suspense)		1,131	203
Deduct Appropriations from pension reserve		(884)	(958)
Appropriation Adjustment re Actual Contributions		(14)	--
Actuarial gains and (losses) relating to pensions		(16,459)	9,584
Total increase/(decrease) in revenue resources	Note 1	(15,867)	9,647
Increase/(decrease) in usable capital receipts		1,030	1,013
Increase/(decrease) in unapplied capital grants and contributions		--	--
Total increase/(decrease) in realised capital resources	Note 2	1,030	1,013
Gains/(losses) on revaluation of fixed assets		46,103	34,809
Impairment losses on fixed assets due to general changes in prices		--	--
Total increase/(decrease) in unrealised value of fixed assets	Note 3	46,103	34,809
Value of assets sold, dispose of or decommissioned	Note 4	(8,759)	(5,998)
Capital receipts set aside		1,760	3,921
Revenue resources set aside		(1,915)	(2,375)
Movement on Government Grants Deferred		4,341	1,187
Movement on Major Repairs Reserve		571	277
Total increase/(decrease) in amounts set aside to finance capital investment	Note 5	4,757	3,010
Increase / (decrease) on the pensions reserve		17,357	(8,626)
TOTAL RECOGNISED GAINS AND LOSSES		44,621	33,855

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

1 MOVEMENT IN REVENUE RESOURCES DURING 2004/05

	<i>General Fund Balances</i>	<i>HRA Balances</i>	<i>Earmarked Revenue Reserves</i>	<i>Pension Reserve</i>
	£000	£000	£000	£000
Surplus / (deficit) for 2004/05	162	197	--	--
Appropriation to / (from) revenue	--	--	1,131	(884)
Appropriation Adjustment re Actual Contributions	--	--	--	(14)
Actuarial gains and (losses) relating to pensions	--	--	--	(16,459)
Total movement on reserve	162	197	1,131	(17,357)
Balance brought forward at 01 April 2004	1,845	832	3,457	(17,626)
Balance carried forward at 31 March 2005	2,007	1,029	4,588	(34,983)

Earmarked Revenue Reserves – monies set aside for specific policy purposes.

Pensions Reserve – a non-distributable reserve reflecting the net liability of the Council's proportion of the assets and liabilities in the pension scheme.

2 MOVEMENT IN REALISED CAPITAL RESOURCES DURING 2004/05

	<i>Usable Capital Receipts</i>	<i>Unapplied Capital Grants and Contributions</i>
	£000	£000
Amounts receivable	2,789	--
Amounts applied to finance new capital investment	(1,759)	--
Total increase/(decrease) in realised capital resources	1,030	--
Balance brought forward at 01 April 2004	1,171	--
Balance carried forward at 31 March 2005	2,201	--

The usable capital receipts reserve represents the balance of capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans, and any amounts repayable to Government departments.

The Council does not hold any non-specific, unapplied capital grants and contributions as at 31 March 2005.

3 MOVEMENT IN UNREALISED VALUE OF FIXED ASSETS DURING 2004/05

	<i>Fixed Asset Restatement Account</i>
	£000
Gains/losses on revaluation of fixed assets	46,103
In year capital expenditure not resulting in valuation changes	
Impairment losses on fixed assets due to general changes in prices	
Total increase/(decrease) in unrealised capital resources	46,103

4 VALUE OF ASSETS SOLD, DECOMMISSIONED OR DISPOSED OF IN 2004/05

Amounts written off fixed asset balances for disposals in 2004/05	(8,759)
Total movement on reserve	37,344
Balance brought forward at 01 April 2004	91,582
Balance carried forward at 31 March 2005	128,926

The Fixed Asset Restatement Account represents mainly the difference between the valuation of assets under the previous capital accounting system, and the revaluation of assets as at 01 April 1994, in accordance with the current system of capital accounting.

In addition, the account is written down by both the net book value of assets as they are disposed of, and indirectly by any capital expenditure incurred on fixed assets which does not materially add to the value of the assets concerned. Also, the account is debited or credited with the deficits or surpluses arising on any other revaluation of assets undertaken, including deficits as a result of impairment. This account cannot be used to finance any revenue or capital expenditure.

	<i>Capital Financing Account</i>	<i>Government Grants Deferred</i>	<i>Total</i>
	£000	£000	£000
Capital receipts set aside:			
- Reserved receipts	11		
- Usable receipts applied	1,759		
Less reduction in associated debtors	(10)		
Total net capital receipts set aside	1,760		1,760
Revenue resources set aside:			
- Capital expenditure financed from revenue	2,688		
- Reconciling amount for provisions for loan repayment	(4,032)		
Total revenue resources set aside	(1,344)		(1,344)
Grants applied to capital investment		5,849	
Less grants applied against deferred charges		(1,200)	
Less credits to the asset mgmt. revenue a/c		(319)	
Less transfer to Capital Finance Reserve	11	--	
Movement on government grants deferred	11	4,330	4,341
Total increase/(decrease) in amounts set aside to finance capital investment			4,757
Total movement on reserve	427	4,330	
Balance brought forward at 01 April 2004	40,623	10,689	
Balance carried forward at 31 March 2005	41,050	15,019	

The capital financing account contains the amounts which are required by statute to be set aside as a Provision for Credit Liabilities, less the amount charged as depreciation. It is also increased by the amount of capital receipts, other reserves and revenue contributions that have been used in the financing of capital expenditure. Again, this account cannot be used to support any other revenue or capital spending.

The Government Grants Deferred balance as at 31 March 2005 represents the amount of capital expenditure that has been financed by grant in recent years, less any amounts that have been applied to offset associated deferred charges or asset depreciation charges.

6 EARMARKED RESERVES

These represent monies which have been earmarked for specific spending purposes, and they can be used to meet both revenue and capital expenditure. Most of such reserves held by the Council have relatively small balances, however the major reserves are listed below:-

	Balance as at 31/03/05 £ 000's
HRA Major Repairs Reserve	2,165
City Contract Services Reserves	121
Housing Revenue Account Reserves	1,014
Vehicle and Equipment Replacement	80
BEST Centre	146
Industrial Aid	156
Marsh Capital	48
Open Spaces	279
Building Regulations Reserve	158
Storm Damage	47
Job Evaluation	50
Access to Services	275
Other Minor Reserves	49
	4,588

7 PENSION RESERVE MOVEMENTS DURING 2004/05

The actuarial gains identified as movements on the Pension Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005.

	Local Government Pension Scheme	
	£000s	%
Differences between the expected and actual return on assets	3,768	(4.7% of assets)
Differences between actuarial assumptions about liabilities and actual experience	(1,546)	(1.3% of liabilities)
Changes in the demographic and financial assumptions used to estimate liabilities	(18,681)	(16.3% of liabilities)
	(16,459)	(14.3% of liabilities)

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and (outflows) of cash arising from transactions with third parties for revenue and capital purposes.

	Notes	2003/04		2004/05	
		£000	£000	£000	£000
Revenue Activities					
Cash Outflows					
Cash paid to and on behalf of employees		(24,800)		(24,056)	
Other operating cash payments		(44,599)		(49,480)	
Housing Benefit paid out		(23,651)		(32,163)	
Non-Domestic Rates payments to National Pool		(36,481)		(37,093)	
Precepts paid to the County		(42,472)		(45,253)	
TOTAL PAYMENTS			(172,003)		(188,045)
Cash inflows					
Rents (after rebates)		2,228		9,531	
Council Tax receipts		49,318		52,722	
NNDR receipts		37,530		38,427	
NNDR receipts from National Pool		5,881		6,503	
Revenue Support Grant		8,633		8,613	
DSS grants for benefits		22,426		23,336	
Other government grants		4,265		115	
Cash received for goods and services		12,856		33,820	
Other operating cash receipts / payments		35,431	178,568	23,948	197,015
NET CASH INFLOW FROM REVENUE ACTIVITY	1		6,565		8,970
Returns on Investments and Servicing of Finance					
Cash outflows : Interest paid		(2,924)		(2,478)	
Cash inflows : Interest received		545	(2,379)	423	(2,055)
Capital Activities					
Cash outflows : Purchase of fixed assets		(6,191)		(9,164)	
Other capital cash payments		(1,587)		(3,945)	
TOTAL PAYMENTS		(7,778)		(13,109)	
Cash inflows : Sale of fixed assets		4,934		4,635	
Capital grants received		2,240		5,951	
Other capital cash receipts		6		0	
TOTAL RECEIPTS		7,180		10,586	
NET CASH OUTFLOW FROM CAPITAL ACTIVITIES			(598)		(2,523)
NET CASH INFLOW/OUTFLOW(-) BEFORE FINANCING	5		3,588		4,392
Management of Liquid Resources					
Net increase / decrease in short term deposits			3,500		(4,000)
Financing					
Cash outflows					
Repayments of amounts borrowed		(6,109)		(3,319)	
Cash inflows					
New Loans Raised			(6,109)	4,000	681
NET CASH INFLOW/OUTFLOW(-)			(2,609)		(3,319)
NET (INCREASE)/DECREASE IN CASH			979		1,073

NOTES TO THE CASH FLOW STATEMENT

1 RECONCILIATION OF REVENUE CASH FLOW

The (surplus)/deficit on the Consolidated Revenue Account includes transactions which do not result in cash flows. The following table identifies these transactions and reconciles the Consolidated Revenue Account surplus with the actual net revenue cash flows.

NOTE I: These figures are shown gross of provisions whereas they are shown net on the Consolidated Balance Sheet. Provisions are shown separately in the above reconciliation.

NOTE II: Debtors and creditors also exclude capital debtors and creditors, which are shown under capital transactions on the above reconciliation.

		2003/04		2004/05	
		£000	£000	£000	£000
General Fund Surplus / (Deficit)			539		162
Housing Revenue Account Surplus / (Deficit)			279		198
Collection Fund Surplus / (Deficit)			236		412
ADD					
Provision for Debt Redemption		(680)		678	
Application of PCL for Debt Redemption		(2,038)		--	
Write Down of Deferred Assets		--		222	
Direct Revenue Financing of Capital Expenditure		3,053		2,690	
Contribution from / (to) Earmarked Provisions		26		282	
Contribution from / (to) Earmarked Reserves		203	564	1,131	5,003
Decrease / (Increase) in Debtors		3,442		(1,003)	
Decrease / (Increase) in Stocks		(32)		63	
Increase / (Decrease) in Creditors		(842)	2,568	2,080	1,140
ADD					
Financing items shown elsewhere -					
External Interest Paid		2,924		2,478	
Finance Lease Interest Paid					
Interest Received		(545)	2,379	(423)	2,055
Other Financing Adjustments					
Revenue Activities Net Cash Flow			6,565		8,970

2 GOVERNMENT GRANTS

The Government grants shown on the Cash Flow Statement represent the cash received by the City Council and may differ from the actual amounts included within gross income figures in the City Council's Revenue Account, which is prepared on an accruals basis.

Government grants in cash terms are outlined below.

	2003/04 £000	2004/05 £000
Revenue Support Grant	8,633	8,613
DSS Grants - Housing Benefits and Council Tax	22,426	23,336
<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> Council Tax Collection Council Tax Preparation Grant Benefit Fraud Grant Benefit Administration Grant </div> <div style="font-size: 3em; margin-left: 5px;">}</div> </div>		
Housing Subsidy	4,265	--
	35,324	31,949

3 MOVEMENT IN LONG TERM BORROWING

	As at 31/03/04 £000	As at 31/03/05 £000	Movement in Cash £000
Public Works Loans Board	40,795	41,474	(679)

4 MOVEMENT IN OTHER CURRENT ASSETS AND LIABILITIES

	As at 31/03/04 £000	As at 31/03/05 £000	Movement in Cash £000
Stocks and Work in Progress	472	409	(63)
Debtors	9,094	10,097	1,003
Creditors	(6,942)	(9,022)	(2,080)
TOTAL	2,624	1,484	(1,140)

5 RECONCILIATION OF THE NET CASH FLOW

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties. This movement in cash should be reflected in the increase or decrease in cash and cash equivalent between the 2003/04 and the 2004/05 Consolidated Balance Sheets.

The table below reconciles these movements in cash and cash equivalent:

	As at 31/03/04 £000	As at 31/03/05 £000	Movement in Cash £000
Short Term Borrowing	(318)	(320)	(2)
Long Term Borrowing	(40,795)	(41,474)	(679)
Temporary Investments	2,500	6,500	4,000
Cash in Hand and at Bank	(592)	481	1,073
TOTAL	(39,205)	(34,813)	4,392

BEQUESTS, ENDOWMENTS AND TRUST FUNDS

The Council is responsible for the administration of a number of trust funds on behalf of their specified trustees. These funds do not represent assets of the Council and are therefore not included in the Council's Balance Sheet.

At 31 March 2005 the Council was responsible for 43 of these Trust Funds, the balances of which are shown below.

Revenue Accounts	Balance b/f 01/04/04 £	Income £	Expenditure £	Balance c/f 31/03/05 £
Bequests and Endowments				
(a) Council sole trustee				
Ashton Memorial	--	1,341	1,341	
Williamson Park	--	1,925	1,925	
Other	1,524	1,147	1,066	1,605
(b) Council not sole trustee	7,120	457		7,577
School etc. Prize Funds				
(a) Council sole trustee	18,101	1,044		19,145
(b) Council not sole trustee	1,453	86		1,539
TOTAL	28,198	6,000	4,332	29,866

	Fund Balances £	Cash and Fund Investments £
Bequests and Endowments		
(a) Council sole trustee		
Capital		
Ashton Memorial	15,602	
Williamson Park	18,343	
Other	14,046	1,962
Revenue	1,604	
Cash and Debtors		47,633
(b) Council not sole trustee		
Capital	2,045	
Revenue	7,577	2,045
Cash and Debtors		7,577
School etc. Prize Funds		
(a) Council sole trustee		
Capital	2,496	
Revenue	19,145	1,328
Cash		20,313
(b) Council not sole trustee		
Capital	358	
Revenue	1,539	
Cash and Debtors		1,897
TOTAL	82,755	82,755

It is a requirement of the Charity Commission for all Bequests, Endowments and Trust funds an Income and Expenditure account for the Trusts they are responsible for with an income under £10,000. This must be accompanied by a Balance sheet.

The Council consolidates all the Bequests, Endowments and Trusts into one account, these can be found below.

2003/04	Income & Expenditure Account	2004/05	
£		£	£
	Income		
5,451	Interest	6,000	
90	Capital	--	
5,541			6,000
	Expenditure		
1,275	Ashton Memorial	1,341	
265	William Smith Festival	287	
658	Whalley Playground	658	
77	Lune Bank Gardens	100	
1,908	Williamson Park	1,925	
13	War Memorial Fund	17	
2	Other	4	
4,198			4,332
1,343	Excess Income		1,668

2003/04	Balance Sheet	2004/05	
£		£	£
	Assets		
3,836	Investments	3,836	
1,533	Debtors	1,622	
75,719	Bank	77,298	
81,088			82,756
	Represented by:		
79,745	Reserves as at 31.03.2005	81,088	
1,343	Income in 2004/05	1,668	
81,088			82,756

Below is a list and description of Bequests & Endowments where the Capital value exceeds £1,000.

Ashton Memorial

The Ashton Memorial, a historic folly, was built in 1907 and given to the City of Lancaster by Lord Ashton. The building is open to the public on 362 days a year and has free access. The interest is passed on annually to the management company Williamson Park Ltd and is used for general maintenance of the building and annual upkeep ie decoration.

Williamson Park

The annual interest is used for the cutting, pruning, trimming, hedging and the general upkeep of the grounds within Williamson Park.

William Smith Festival

The annual interest is used to provide prizes etc. at the Annual Easter Festival for schoolchildren.

Whalley Playground

The annual interest is used for the upkeep, maintenance and supervision of the Whalley Playground.

Lune Bank Gardens

The annual interest is available for the upkeep of Lune Bank Gardens.

Crook of Lune

The interest is passed to Lancashire County Council contributing towards the Hermitage Field Access for all and environmental enhancement works.

The Council also holds a further 37 trust funds which have individual values of less than £1,000, and these are predominantly held for educational purposes.