



**LANCASTER  
CITY COUNCIL**

*Promoting City, Coast & Countryside*

# **STATEMENT OF ACCOUNTS 2003/2004**



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# STATEMENT OF ACCOUNTS

## EXPLANATORY FOREWORD

### 1 INTRODUCTION

This document sets out the City Council's annual accounts for the financial year ended 31 March 2004. 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 2003/04 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 2003/04.

Expenditure	2003/04 Original Estimate £000	2003/04 Revised Estimate £000	2003/04 Actual £000	Variance from Revised Estimate £000
Central Services to the Public	1,161	1,069	1,092	23
Cultural, Environmental and Planning Services	13,600	13,994	13,489	(505)
Highways, Roads & Transport Services	402	430	307	(123)
Housing Services	3,206	3,182	3,679	497
Corporate & Democratic Core	1,898	1,952	2,081	129
Unapportionable Central Overheads	903	926	626	(300)
<b>Net Cost of General Fund Services</b>	<b>21,170</b>	<b>21,553</b>	<b>21,274</b>	<b>(279)</b>
Corporate Income & Expenditure	(925)	640	1,481	841
Appropriations	(1,056)	(3,430)	(4,325)	(895)
Parish Precepts	223	223	223	--
<b>Contribution to/(from) General Fund Reserve</b>	<b>(220)</b>	<b>206</b>	<b>539</b>	<b>333</b>
<b>BUDGET REQUIREMENT</b>	<b>19,192</b>	<b>19,192</b>	<b>19,192</b>	<b>--</b>
<b>Funded by :</b>				
Revenue Support Grant	(8,633)	(8,633)	(8,633)	--
National Non Domestic Rates	(4,677)	(4,677)	(4,677)	--
Council Tax	(5,906)	(5,906)	(5,906)	--
Collection Fund Balance	24	24	24	--
<b>TOTAL FUNDING</b>	<b>(19,192)</b>	<b>(19,192)</b>	<b>(19,192)</b>	<b>--</b>

## **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 2003/04 was originally approved at £19.192M (including £223,000 for precept payments to parishes) by Council on 26 February 2003 and assumed that balances would be £1.012M by 31 March 2004.

Overall, there has been an underspend of £334,000 against the Revised Budget. The main savings area has again been staff turnover, resulting in savings of £182,000. However, it should also be noted that increases in the number and cost of insurance claims has necessitated an additional contribution of £200,000 into the Insurance Provision.

Other savings were generated from investment interest, a ratings appeal, various income areas and a reassessment of the bad debt provision. As a result, the General Fund unallocated balance stands at £1.845M, of which £845,000 can be used to support future years' spending and still leaving a minimum balance of £1M.

## **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 2004, the working balance on the Housing Revenue Account amounted to £832,000, representing an increase of £279,000 from the position as at the end of the previous year. This increase was mainly as a result of staff turnover savings and reduced spending on responsive maintenance and rota painting. Current Council Policy is to maintain housing balances at £350,000.

## **2.4 Former Direct Service Organisations (City Contract Services)**

During 2003/04, several functions were taken back into the General Fund, namely Refuse Collection, Cleansing, Vehicle Maintenance and Building Cleaning and no longer operated as trading accounts.

The remaining functions are Building Maintenance and Highways which still operate as trading accounts, however this will be reviewed during 2004/05.

For 2003/04, the financial performance of Building Maintenance and Highways was worse than estimated, being £136,000 down on their budgeted surplus position of £155,000.

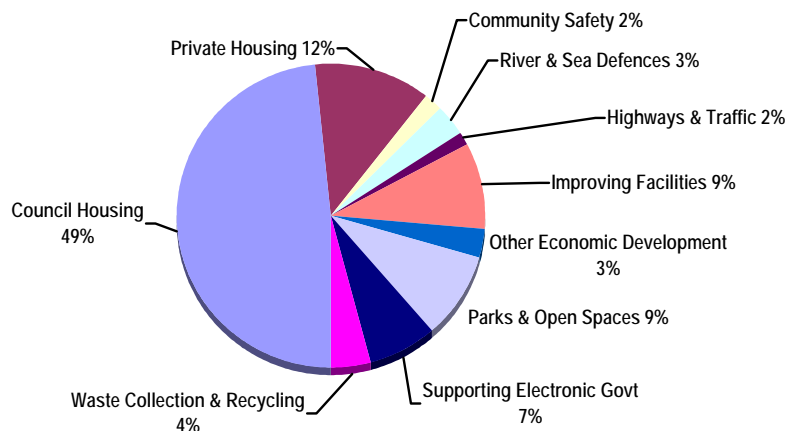
## **3 CAPITAL POSITION**

In 2003/04 the City Council spent £7.9M on capital schemes (including £278,000 brought forward from 2002/2003), and an analysis of the expenditure and funding is shown diagrammatically on the following page.

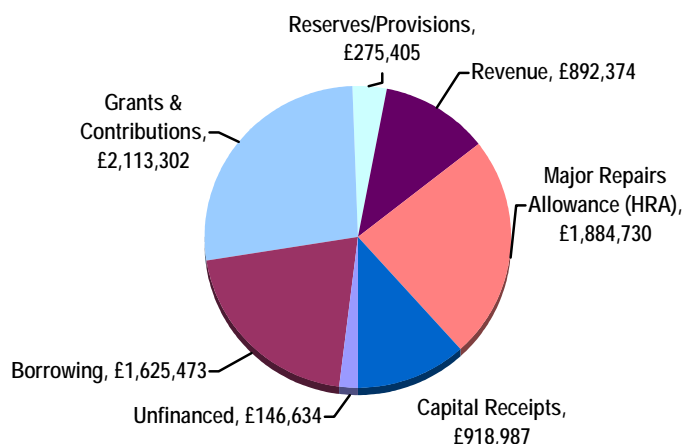
The Council's estimated capital spend for 2003/04 was £10.4M, however due to delays in starting a number of major schemes £3M of this spend will now be rolled forward into 2004/05. Although there have been some scheme overspends and underspends the programme overall is in line with the estimated financing.

Each year the Government provides the Council with a borrowing limit to enable it to finance elements of its capital programme if required. In 2003/04 the cost of accumulated external borrowing was £3.8M, and the value of long term debt owed as at 31 March 2004 amounted to £41.1M, which is a reduction of £6.1M 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 £186M as at 31 March 2004.

### Capital Expenditure Analysed by Service



### Capital Funding Analysed by Source



The unfinanced expenditure relates solely to capital payments due but not yet made as at 31<sup>st</sup> March 2004.

#### 4 PENSION LIABILITY

In accordance with new accounting practice, the Council must show the present surplus or deficit position on the Pension fund. For Lancaster, the net position showed a liability of £17.626M compared to a liability of £26.252M for the previous financial year. 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 rate, salary levels etc. This position represents a snapshot as at the end of the financial year, based on prevailing market and other economic conditions.

#### 5 CONCLUSION

As at 31 March 2004, the Council's overall financial position is still in a healthy position, in line with the improvements made in previous years, and for the third year running its year end 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.

Further detailed outturn reports will be presented to the Performance Review Committee and Budget and Performance Panel. This scrutiny of the 2003/04 financial performance will then inform the review of the Council's Medium Term Financial Strategy, and the 2004/05 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.

Following the adoption of Financial Reporting Standard (FRS) 17, this is the first year the accounts have had to incorporate any net pension liability/asset. The Standard requires the Council to account for retirement benefits when it has committed to give them, even if the actual giving will be many years into the future. The inclusion of the net liability or asset does not transfer legal title or obligation from the pension fund to the employer. Instead it represents the employer's commitment to increase contributions to make up any shortfall in assets, or its ability to benefit from a surplus in the scheme. It is important to note that the net liability/asset for each year does not impact on Council Tax as the balance is transferred to a Pensions Reserve.

### **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 employed in its operations, and summarised information on the fixed assets held. It excludes Trust Funds.

### **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

### AUDITOR'S REPORT

#### Independent Auditor's Report to Lancaster City Council

I have audited the financial statements on pages 17 to 52 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 16.

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 54 of the Statement of Responsibilities of Auditors and Audited Bodies, prepared by the Audit Commission.

#### **Respective Responsibilities of the Chief Financial Officer and Auditor.**

As described on page 7 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting the United Kingdom 2002: A Statement of Recommended Practice. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

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

I review whether the statement on pages 8 to 10 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 meet with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware from my other audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls. I am also not required to form an opinion on the authority'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 financial statements are 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.



### Report in the Public Interest

During this year a report in the Public Interest has been issued, made under section 8 of the Audit Commission Act 1998. The report, issued on 15 January 2004 sets out the significant failings in the management of the Crinkley Bottom Theme Park in Happy Mount Park, Morecambe.

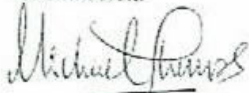
### Opinion

As stated in my report dated 23 November 2004, the financial statements present fairly the financial position of Lancaster City Council as at 31 March 2004 and its income and expenditure for the year then ended.

### Certificate

In my report dated 23 November 2004, I explained that my audit could not be formally concluded until investigations relating to previous years' accounts had been completed. My predecessor has now certified that he has completed the previous years' audit of accounts.

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



Mike Thomas  
District Auditor

Date: 14 MARCH 2005

Audit Commission  
Aspinall House  
Aspinall Close  
Middlebrook  
Horwich  
Bolton  
BL6 6QQ



# STATEMENT OF ACCOUNTS

## STATEMENT OF RESPONSIBILITIES

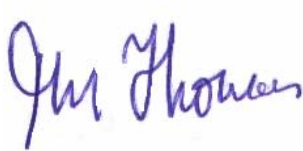
### 1 THE AUTHORITY'S RESPONSIBILITIES

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 2003/04 was approved by the Audit Committee at its meeting held on 28 July 2004, prior to the audit being completed.



28<sup>th</sup> July 2004

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 2004 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.

## 2. THE SYSTEM OF INTERNAL CONTROL AND CORPORATE GOVERNANCE FRAMEWORK

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.

The Council has adopted a Code of Corporate Governance that sets out how the principles of openness, inclusively, integrity and accountability are applied to the Council's activities, in line with the principles and requirements of the CIPFA/SOLACE<sup>1</sup> framework – *Corporate Governance in Local Government: A Keystone for Community Governance*.

## 3. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the systems of internal control. The work of internal auditors and Corporate Directors and Service Heads, who have responsibility for the development and maintenance of the systems of internal control, inform this review. Comments made by the Council's external auditors and other review agencies and inspectorates in their annual audit letter and other reports are also key elements in an effective review of the Council's overall internal control arrangements.

Under the Council's Risk Management Policy, Service Heads have primary responsibility to manage effectively both strategic and operational risks relating to their Services. This will be underpinned by the Council's Risk Register, currently being developed, which will be aligned to the Corporate Plan and the business planning process.

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. As an independent appraisal function Internal Audit's role is to assist managers in this process by evaluating risk in areas under review, providing assurance wherever possible and making recommendations to optimise levels of control.

In addition other monitoring and review committees and working groups are in operation, including a Cabinet committee with responsibility for Performance Review, Overview and Scrutiny Committees and senior officer working groups.

## 4. SIGNIFICANT INTERNAL CONTROL ISSUES

The Council has taken significant steps to meet the standards set by the Corporate Governance Framework and the governance themes in relation to:

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

- **Community Focus**, through the development and approval of a Community Strategy and Community Consultation Strategy, and the Communications Strategy;
- **Service Delivery**; through the Corporate Plan, the business planning process and the development of a performance management framework;
- **Structures and Processes**, through the Council's established Constitution and Financial Regulations and Procedures, scheme of delegation and newly established Executive and Overview/Scrutiny arrangements;
- **Risk Management and Internal Control**, through the Council's commitment to employing effective risk management and the adoption of a Corporate Risk Management Policy and Strategy; an effective Internal Audit function providing assurance to the Audit Committee on the efficiency and effectiveness of operations and activities, and an objective and professional relationship with external auditors and statutory inspectors;
- **Standards of Conduct**, through established policies, codes and procedures to promote high standards of conduct and to prevent and detect fraud and corruption.

The Council recognises that it is not yet in a position to produce a Statement on Internal Control for the financial year 2003/04 in full compliance with the Accounts & Audit Regulations 2003. It has therefore developed plans to ensure full compliance, in accordance with the CIPFA/SOLACE Framework for the year ending 31 March 2005.

The Council's is committed to continuous improvement and to achieving the highest standards of Corporate Governance, and to this end we will, over the next year:

- Implement an annual consultation programme with outcomes being integrated into the corporate and business planning process as a contribution to the development and delivery of Council priorities and future planning;
- Continue to embed the performance management system by systematically translating the Council's ambitions into clear standards and improvement targets for Services and individuals;
- Develop a framework for the effective integration of the Council's strategic, operational and financial planning and performance and risk management functions;
- Achieve greater consistency and focus on corporate key themes and priorities in the business planning process, including the embedding of risk management in the process;
- Continue to develop risk management practices and the compilation of a comprehensive register of strategic and operational risks as a contribution to effective prioritisation and performance management throughout the Council's activities;
- Further enhance the links between our corporate priorities and the allocation of resources through the medium term financial strategy and annual budget, and develop a budget and policy framework review strategy;
- Develop the Human Resource Management Strategy into a three year 'People Plan';
- Implement the Council's Procurement Strategy;
- Implement the Council's Improvement Plan, which sets out our priority areas for improvement as identified in our Comprehensive Performance Assessment inspection and actions arising from other external inspection reports.

## 5. OVERALL OPINION ON THE SYSTEM OF INTERNAL CONTROL

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. 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. The plans outlined in Section 4 will ensure full compliance with the CIPFA/Solace framework by

31 March 2005 in accordance with the Accounts & Audit Regulations 2003, and will ensure continuous improvement of our already considerable governance controls.



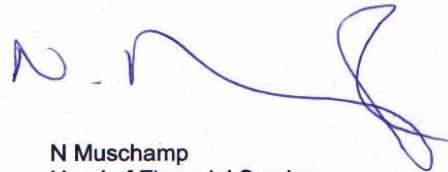
I Barker  
Leader of the Council



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 2003 : A Statement of Recommended Practice* 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 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**

Deferred charges are payments of a capital nature where no fixed asset is created, and should be amortised to revenue over an appropriate period in a consistent and prudent manner.

All deferred charges created during the year, other than those relating to software, have been amortised to revenue in total, on the basis that there is no continuing benefit obtained from them for the Council in future years.

## **5 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.

## **6 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.

## **7 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.

## **8 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.

## **9 PROVISIONS**

Proper provisions are required for any liabilities or losses which are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise. Provisions are charged to the appropriate revenue account and related expenditure is charged direct to the provision. Provisions are utilised only for the purpose for which they were established, except where a regular review to determine the appropriateness of the level of the charge and the balance of the provision properly requires a change. Any change in the use of a provision is disclosed in the notes to the consolidated balance sheet.

## **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 reserve, usable capital receipts, and capital financing reserves 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.

### **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**

Discounts or premiums resulting from the rescheduling of debt are written off over the life of the replacement loans. This is consistent with CIPFA's recommended accounting treatment within the guidance for capital accounting under Part IV of the Local Government and Housing Act 1989 and satisfies both the accruals and prudence concepts of SSAP2.

## **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 Credit Ceiling at the beginning of the year for the General Fund and 2% for the Housing Revenue Account. If depreciation does not equal this amount a transfer to/from the Capital Financing Reserve is required for the difference.

## **19 CAPITAL RECEIPTS**

Capital receipts from the disposal of assets are treated in accordance with provisions of the Local Government and Housing Act 1989. For the 2003/04 year, 75% of council house sales receipts must be either set aside by way of provision for future credit liabilities or used to repay debt. 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 £6,000 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

2002/03 £000		EXP £000	INC £000	NET £000	Notes
	<b>NET COST OF SERVICES</b>				
909	Central Service to the Public	8,750	(7,659)	1,091	
11,887	Cultural, Environmental & Planning Services	19,269	(7,063)	12,206	
408	Highways, Roads & Transport Services	2,890	(2,584)	306	
7,124	Housing Services	39,531	(34,433)	5,098	
2,212	Corporate & Democratic Core	2,236	(155)	2,081	
722	Non Distributed Costs	627	(1)	626	
<b>23,262</b>	<b>NET COST OF SERVICES</b>	<b>73,303</b>	<b>(51,895)</b>	<b>21,408</b>	
	<b>CORPORATE INCOME &amp; EXPENDITURE</b>				
212	Precept of Local Precepting Authorities			223	4
1,042	(Surpluses) / Deficits on trading undertakings			733	2
(5,678)	Asset Management Revenue Account			(3,879)	1
54	Gross loss on Debt Rescheduling			2,206	
(598)	Interest and Investment Income			(473)	
1,041	Pensions Interest Costs & Expected Return on Pensions Assets			1,131	9
<b>19,335</b>	<b>NET OPERATING EXPENDITURE</b>			<b>21,349</b>	
	<b>APPROPRIATIONS</b>				
225	(Deficit)/Surplus transferred to HRA			279	
50	Contribution to or (from) HRA Earmarked Reserves			44	
327	Contributions to or (from) General Fund Earmarked Reserves			(18)	
222	Contributions to or (from) DSO Earmarked Reserves			(127)	
(1,170)	Contributions to or (from) Capital Reserves			(1,917)	
(882)	Contribution to or (from) Pensions Reserve			(958)	9
<b>18,107</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>			<b>18,652</b>	
(5,532)	Demand on Collection Fund			(5,881)	
(6,765)	Revenue Support Grant			(8,633)	
(5,804)	Contribution from NNDR Pool			(4,677)	
<b>6</b>	<b>(SURPLUS) / DEFICIT FOR YEAR</b>			<b>(539)</b>	
(1,312)	Balance on General Fund brought forward			(1,306)	
(1,306)	Balance on General Fund carried forward			(1,845)	

## 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:

<b>Transactions on the Asset Management Revenue Account</b>		
<b>Income</b>	<b>£000</b>	<b>£000</b>
Capital Charges :		
General Fund	(3,476)	
Housing Revenue Account	(6,396)	
Government Grants Deferred	(255)	
		(10,127)
<b>Expenditure</b>		
Depreciation	3,592	
External Interest Charges	2,656	
		6,248
<b>Balance to Consolidated Revenue Account</b>		<b>(3,879)</b>

### 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 2003/04, the Council still operated trading accounts for Building Maintenance and Highways Contractor. Building Maintenance is anticipated to be consolidated with Council Housing during 2004/05, and a review of the working arrangements under the Highways Partnership is also due to take place.

	<b>Income</b>	<b>Expenditure</b>	<b>2003/04</b>	<b>2002/03</b>
	<b>£000</b>	<b>£000</b>	<b>(Surplus) /</b>	<b>(Surplus) /</b>
			<b>Deficit</b>	<b>Deficit</b>
			<b>£000</b>	<b>£000</b>
General highway and sewer work	(1,334)	1,296	(38)	(198)
Other maintenance work	(2,125)	2,130	5	(93)
Trade refuse collection	(759)	523	(236)	311 †
Grounds maintenance	--	--	--	(40)
Building cleaning	--	--	--	9
Vehicle Maintenance	--	--	--	9
New Deal Activities	--	--	--	10
Salt Ayre Sports Centre	(964)	2,245	1,281	1,112
<b>Total Former DSO's for 2003/2004</b>	<b>(5,182)</b>	<b>6,194</b>	<b>1,012</b>	<b>1,120</b>
Markets	(684)	872	188	228
Commercial Properties/Industrial Units	(909)	442	(467)	(306)
<b>Total (Surplus) / Deficit on Trading Undertakings</b>			<b>733</b>	<b>1,042</b>

† The 2002/03 figure includes Cleansing and Domestic Refuse Collection net costs. The comparative figure for Trade Refuse Collection is a surplus of £230,000.

### 3 LEASING AND OTHER LONG TERM COMMITMENTS

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

<b>Leased Assets – Rentals (excluding staff car leases)</b>	
	<b>Operating Leases</b>
	<b>£000</b>
Total rentals paid in 2003/04	346
Outstanding undischarged leasing obligations:	
2004/05	370
2005/06	380

At 31 March 2004, 65 cars were leased for staff. The total cost in 2003/04 was £277,000 and after contributions by staff of £30,000 it resulted in a charge to the Authority of £247,000.

The Council had no outstanding obligations in respect of finance leases as at 31 March 2004, nor did it have any outstanding obligations arising from other long term contracts such as Private Finance Initiative agreements.

### 4 PARISH PRECEPTS

2003/04 was the eighth year that local parishes levied their own precept within their parish boundaries. In total the precepts levied amounted to £223,033.29. 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 2003/04 of £253,756. The actual expenditure under this provision in 2003/04 was £44,649, as analysed below -

Analysis	£
Victim Support	4,329
Council for Voluntary Service	17,336
Lancaster DISC	5,384
Relate	6,200
Miscellaneous Grants	7,700
Twinning	3,700
<b>Total</b>	<b>44,649</b>

In 2002/03, a similar sum of £44,465 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.

2002/03 £000	Section 5 Local Government Act 1986	2003/04 £000
179	Promotions and Publicity	159
113	Recruitment Advertising	124
41	Other Advertising	38
<b>333</b>	<b>TOTAL</b>	<b>321</b>

## 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 2003/04 divided between the chargeable and non-chargeable activities.

2003/04	Chargeable	Non-Chargeable	Total Building Control
	£000	£000	£000
Expenditure	327	112	439
Income	(465)	0	(465)
<b>(Surplus)/Deficit for Year</b>	<b>(138)</b>	<b>112</b>	<b>(26)</b>

Comparatives for 2002/03

Expenditure	270	103	373
Income	(401)	0	(401)
<b>(Surplus)/Deficit for Year</b>	<b>(131)</b>	<b>103</b>	<b>(28)</b>



## 8 AGENCY SERVICES

The Council undertakes work as highways agent for Lancashire County Council for which reimbursement is made subject to defined limits, together with a contribution towards administrative costs based upon fixed percentages. Agency work is limited to the urban core area and the Overton peninsula, including maintenance and improvement to footways, carriageways, street lighting and the highways cleansing function. Expenditure, including administrative costs, on maintenance and improvements amounted to £844,440, of which £769,305 was reimbursed. It should be noted that some of these functions are now carried out by the newly formed Lancashire Highways Partnership which commenced on 01 July 2003.

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

## 9 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 2003/04 year in accordance with FRS 17.

<b>Net Cost of Services:</b>	£000
Current Service Costs	1,741
Past Service & Curtailment Costs	248
<b>Net Operating Expenditure</b>	
Interest Costs	5,156
Expected return on Assets in the scheme	(4,030)
<b>Amounts to be met from Government Grants &amp; Local Taxation</b>	
Movement on Pensions Reserve	(958)
Actual amount charged against Council Tax for pensions in the 2003/04 year	--
<b>Employer's contributions payable to the scheme</b>	(2,157)
<b>Overall cash impact of FRS 17 transactions</b>	<b>0</b>

For the purposes of the 2003/04 accounts, the Council takes the view that the outstanding issues regarding the application of FRS 17 to the Housing Revenue Account (HRA) have not yet been satisfactorily proven as regards statutory authority to make charges to the HRA. FRS 17 has not, therefore, been applied to the HRA for the 2003/04 financial year. This issue will be reviewed again for the preparation of the 2004/05 accounts. In addition to the figures shown in the table above under FRS 17, pension costs totalling £171,800 have been charged to the HRA in respect of contributions made to the fund in 2003/04 on the same basis as those made in 2002/03.

Note 22 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.

## 10 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 2003/04 the amount is £788,417 (2002/03 £606,625) as set out below.

	2002/03	2003/04
	£000	£000
Non-housing amount - 4% of credit ceiling (adjusted re commutation)	213	431
Housing amount – 2% of credit ceiling	394	357
<b>Minimum Revenue Provision</b>	<b>607</b>	<b>788</b>
Amount charged as depreciation (net)	(1,183)	(1,148)
Net credit to Consolidated Revenue Account	(576)	(360)

## 11 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 four officers of the Council received in excess of this amount during 2003/04.

Remuneration Band	No. of Employees	
	2002/03	2003/04
£50,000 - £59,999	3	2
£60,000 - £69,999	0	1
£70,000 - £79,999	0	0
£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.

## 12 MEMBERS ALLOWANCES

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

Type of Allowance	2002/03	2003/04
	£	£
Basic Allowance	159,738	162,959
Special Responsibility Allowance	60,875	71,228
Carer Allowance	3,843	1,071
<b>Total For All Members</b>	<b>224,456</b>	<b>235,258</b>

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

## 13 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

As a result of the full adoption of FRS17 the associated accounting policy has changed, and the comparative figures for 2002/03 have been restated, resulting in a net increase in revenue expenditure of £882,000 which has been met by a transfer from the Pension Reserve. This prior period adjustment has affected the Consolidated Revenue Account, Consolidated Balance Sheet and Statement of Total Movement in Reserves.

The restatement of the 2002/03 figures has required an appropriation to the pension reserve. However, the statutory instrument that established this reserve did not come into force until 01 April 2003, therefore the restatement of the figures requires an appropriation to a reserve that technically did not exist. However, practically, it would not be possible to undertake the prior period adjustment without this reserve so the appropriation has been effect as if it were in existence.

## 14 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 other public bodies (i.e. Lancashire County Council, Lancashire Police Authority and other District Councils) have been disclosed within the Consolidated Revenue Account, the Collection Fund Accounts and the Cash Flow Statement as well as in other notes to the accounts.
- 3 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.
- 4 Transactions with associated companies have been disclosed within the notes to the Consolidated Balance Sheet.

During 2003/04 the Council paid capital grants totalling £151,165.83 to the Marsh Community Centre, a voluntary body in which Councillor J.Barry and Councillor G.Dowding were trustees.

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.

## 15 AUDIT COSTS

In 2003/04 Lancaster City Council incurred the following fees relating to external audit and inspection :

	<b>2002/03</b>	<b>2003/04</b>
	£	£
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	110,800	87,800
Fees payable to the Audit Commission in respect of statutory inspection	16,700	14,000
Fees payable to the Audit Commission for the certification of grant claims and returns	32,000	37,500
Fees payable in respect of other services provided by the appointed auditor	96,700	132,100
	<b>256,200</b>	<b>271,400</b>

The fees for other services payable in both 2002/03 and 2003/04 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 for the appropriate years' audit plans.

## 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.

2002/03 £000		2003/04 £000	2003/04 £000	NOTES
	<b>INCOME</b>			
(9,250)	Gross rental income - dwellings	(9,357)		
(143)	- other	(144)		
(1,374)	Charges for services and facilities	(1,307)		
(8)	Contributions towards Expenditure	(8)		
(6,533)	HRA subsidy receivable	(6,551)		7
(17,308)			(17,367)	
	<b>EXPENDITURE</b>			
2,797	Repairs and maintenance	2,698		
2,636	Supervision and management	2,547		
123	Rents, rates, taxes and other charges	123		
6,826	Rent rebates	6,972		
345	Increased Provision for Bad or Doubtful Debts	233		
5,525	Cost of Capital Charge	4,208		
2,226	Depreciation and Impairments of Fixed Assets	2,188		5
28	Debt management Costs	21		
20,506			18,990	
<b>3,198</b>	<b>NET COST OF SERVICES</b>		<b>1,623</b>	
(4,285)	Net Income or Expenditure on Asset Management Revenue Account		(3,171)	4
(203)	Transfers to/from General Fund as directed by Secretary of State		(110)	
69	Amortised Premiums and Discounts		157	
(86)	Investment Income		(93)	
<b>(1,307)</b>	<b>NET OPERATING EXPENDITURE</b>		<b>(1,594)</b>	
621	Revenue Contribution to Capital Expenditure		898	3
411	Contribution to Minimum Repayment Provision		373	
(26)	Transfer from Major Repairs Reserve		(26)	
75	Transfers to/from Earmarked Reserves		70	
<b>(226)</b>	<b>(SURPLUS)/DEFICIT FOR YEAR</b>		<b>(279)</b>	
(327)	HRA balance brought forward		(553)	
<b>(553)</b>	<b>HRA BALANCE CARRIED FORWARD</b>		<b>(832)</b>	

## NOTES TO THE HOUSING REVENUE ACCOUNT

**1** As at 31 March 2004 the authority held the following dwellings:

Bedsits		127
1 Bedroom	Houses & Bungalows	651
	Flats & Maisonettes	500
2 Bedroom	Houses & Bungalows	528
	Flats & Maisonettes	703
3 Bedroom	Houses & Bungalows	1,384
	Flats & Maisonettes	8
4 or more bedroomed dwellings		90
<b>TOTAL ALL DWELLINGS</b>		<b>3,991</b>

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

	1 <sup>st</sup> April 2003 £'000	31 <sup>st</sup> March 2004 £'000
Operational Assets:		
Council Dwellings	87,681	114,965
Other land and buildings	444	425
	88,125	115,390
Non-operational Assets	566	443
<b>TOTAL</b>	<b>88,691</b>	<b>115,833</b>

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 2003 prices. This resulted in an increase in asset values of £31,530,000 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 2003 was £213,197,000. The difference between this and the EUV-SH valuation of £119,211,000 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:

<b>Summary of Movements on Major Repairs Reserve 2003/04</b>		£'000
Opening Balance 01 April		1,316
Transfer to MRR – Depreciation		2,188
Transfer to HRA - Depreciation Adjustment		(26)
Capital Expenditure - Land		-
- Houses		(1,885)
- Other property.		-
<b>Closing Balance 31 March</b>		<b>1,593</b>

- 3 Capital expenditure of £3,514,000 was incurred during the year being £3,358,000 on improvements to dwellings and £156,000 on other property. This was financed as follows:

	<b>£'000</b>
Borrowing	-
Usable Capital Receipts	919
Direct Revenue Financing	786
Earmarked Reserves	112
Majors Repairs Reserve	1,885
Grants and Contributions	11
Movement in Capital Creditors	(199)
<b>Total Capital Financing</b>	<b>3,514</b>

Capital Receipts totalling £4,141,000 were received during the year from the following sources:

	<b>£'000</b>
Sale of dwellings	3,912
Sale of land	138
Repayment of Principal on Mortgages	51
Repayment of Right to Buy discounts	40
<b>Total Capital Receipts</b>	<b>4,141</b>

- 4 The Cost of Capital Charges is a notional interest charge of £4,208,000 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 £1,037,000, a compensating transfer of £3,171,000 is made from the Asset Management Revenue Account.
- 5 Total depreciation charges for the year were:

	<b>£'000</b>
Council Dwellings	2,162
Other land and buildings	16
Non-operational Assets	10
<b>TOTAL</b>	<b>2,188</b>

- 6 No charges were made during the year in respect of deferred charges or impairment of fixed assets.

- 7 The total Housing Subsidy receivable for the year was £6,551,000. This is analysed over the various elements as follows:

	<b>£'000</b>
Management Allowance	1,336
Maintenance Allowance	2,662
Major Repairs Allowance	2,162
Charges for Capital	2,273
Rent Rebates	7,054
Notional Rent	(8,921)
Interest on Receipts	(15)
<b>Total Housing Subsidy</b>	<b>6,551</b>

- 8 Total arrears of rent at 31 March 2004 amounted to £551,000. Against this an amount of £505,000 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 The HRA is a ring-fenced account and there is no general discretion to make transfers to or the General Fund. In certain circumstances it may become necessary for a transfer to take place and the consent of the Secretary of State is required. This may be given as a general direction, which is applicable to all authorities, or as a special direction specific to an individual authority. Transfers directed by the Secretary of State in 2003/04 were as follows:

	<b>£'000</b>
Contributions towards amenities shared by whole community	(125)
HRA share of deficit on Building Maintenance Internal Trading Organisation	15
<b>Total</b>	<b>110</b>



## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2003/04

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.

2002/03 £000	INCOME	See Note	2003/04 £000
	<b>Council Tax</b>		
37,796	Income from Council Tax	1	41,963
	<b>Transfers from General Fund:</b>		
6,320	Council Tax Benefits		6,965
	<b>Council Tax Benefit Subsidy Limitation</b>		
--	Contributions from other Local Authorities		
	<b>Business Rates</b>		
39,473	Income from Business Ratepayers	2	37,332
	<b>Contributions</b>		
--	Towards previous year's Collection Fund deficit	5	--
--	Adjustment of previous years Community Charges	3	--
72	From Provisions for Council Tax Amounts Written Off		118
<b>83,661</b>	<b>TOTAL INCOME</b>		<b>86,378</b>

2002/03 £000	EXPENDITURE	See Note	2003/04 £000
	<b>Precepts and Demands</b>		
35,471	Lancashire County Council		38,843
5,532	Lancaster City Council (including parish precepts)		5,881
3,059	Lancashire Police Authority		3,629
	<b>Business Rates</b>		
39,245	Payment to National Pool		37,104
228	Cost of Collection Allowance		228
	<b>Council Tax Bad and Doubtful Debts</b>		
72	Write-offs		118
307	Contribution to Provision for Non-Collection		339
<b>83,914</b>	<b>TOTAL EXPENDITURE</b>		<b>86,142</b>

2002/03 £000	FUND BALANCE	See Note	2003/04 £000
253	(Surplus)/deficit for year		(236)
106	(Surplus)/deficit as at 01 April (Brought forward)	4	359
<b>359</b>	<b>(Surplus)deficit as at 31 March (Carried forward)</b>	6	<b>123</b>

## 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 2003/04 the numbers are as follows:-

	<b>Chargeable Dwellings</b>	<b>Band D Equivalents</b>
Band A	16,466	10,975
Band B	12,630	9,824
Band C	9,532	8,473
Band D	5,190	5,190
Band E	3,258	3,982
Band F	1,611	2,327
Band G	713	1,189
Band H	30	61
Total	49,430	42,021
<i>Collection Rate</i>		99%
<b>Council Tax Base</b>		<b>41,600</b>

### 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 44.4p per £ for 2003/04 (43.7p for 2002/03). The rateable value at 31 March 2004 was £94,099,015 (£96,087,404 for 2002/03). 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 2003/04, paid directly to the Consolidated Revenue Account, amounted to £4.677 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 £163 was made with regard to Community Charge collection in 2003/04.

#### 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 2003 the Council Tax deficit was shown as £359,000. During 2003/04 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 2003 the residual Community Charge deficit was £492.

#### 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 2003/04 are summarised below.

	<b>Residual Community Charge</b>	<b>Council Tax</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
(Surplus)/Deficit 01/04/03	--	359	359
Distributions in Year	--	--	--
Net Transaction in Year	--	(236)	(236)
<b>(Surplus)/Deficit 31/03/04</b>	<b>--</b>	<b>123</b>	<b>123</b>

Of the £123,000 deficit as at 31 March 2004, £114,000 is attributable to other Local Authorities as follows:

	<b>£000</b>
Lancashire County Council	99
Lancashire Police Authority	15

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2004

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

2002/03 £000		2003/04 £000	Notes
	<b>Fixed Assets</b>		
	Operational Assets :		
87,681	Council Dwellings	114,965	
27,105	Other Land and Buildings	31,162	
1,867	Vehicles, Plant and Equipment	2,286	
19,758	Infrastructure	19,276	
3,544	Community Assets	3,683	
13,789	Non Operational Assets	13,785	
<b>153,744</b>	<b>TOTAL FIXED ASSETS</b>	<b>185,157</b>	1
434	Deferred Charges	2,044	2
3	Long Term Investments	3	12
446	Long Term Debtors	362	13
<b>154,627</b>	<b>TOTAL LONG TERM ASSETS</b>	<b>187,566</b>	
	<b>Current Assets</b>		
440	Stocks and Work in Progress	472	14
12,866	Debtors	9,619	15
6,000	Investments	2,500	
37	Cash in Hand	36	
	<b>Current Liabilities</b>		
(609)	Borrowing (Amounts due within one year)	(319)	17
(8,488)	Creditors	(7,741)	16
(1,608)	Bank Overdraft	(628)	
<b>163,265</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>191,505</b>	
(46,613)	Long Term Borrowing	(40,795)	17
(223)	Deferred Liabilities	(223)	23
(214)	Deferred Credits	(156)	23
(229)	Provisions	(255)	19
(26,252)	Liability related to defined benefit pension scheme	(17,626)	22
<b>89,734</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>132,450</b>	
62,771	Fixed Asset Restatement Reserve	91,582	
38,789	Capital Financing Reserve	40,623	
158	Usable Capital Receipts Reserve	1,171	
(26,252)	Pensions Reserve	(17,626)	22
9,514	Government Grants & Contributions Deferred	10,689	18
1,316	Major Repairs Reserve	1,594	
1,938	Earmarked Reserves	1,863	
1,306	Balances: General Fund	1,845	
553	Housing Revenue Account	832	
(359)	Collection Fund	(123)	
<b>89,734</b>	<b>TOTAL EQUITY</b>	<b>132,450</b>	

## 1 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 2003	92,493	29,279	5,232	21,426	3,544	14,761	166,735
Additions	3,514	2,347	690	183	139	1,161	8,034
Disposals	(4,079)	(182)	(165)			(113)	(4,539)
Revaluations	31,635	2,376				798	34,809
Impairment							
Transfers						(1,840)	(1,840)
Gross book value as at 31 March 2004	123,563	33,820	5,757	21,609	3,683	14,767	203,199

Depreciation as at 01 April 2003	(4,812)	(2,174)	(3,365)	(1,668)	--	(972)	(12,991)
Depreciation for year (on straight line basis)	(2,162)	(489)	(265)	(665)		(10)	(3,591)
Depreciation on assets sold	(1,624)	5	159				(1,460)
Balance as at 31 March 2004	(8,598)	(2,658)	(3,471)	(2,333)	--	(982)	(18,042)

<b>Net book value as at 31 March 2004</b>	<b>114,965</b>	<b>31,162</b>	<b>2,286</b>	<b>19,276</b>	<b>3,683</b>	<b>13,785</b>	<b>185,157</b>
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## 2 DEFERRED CHARGES

Deferred charges result from expenditure of a capital nature which does not impact on the acquisition or enhancement of fixed assets owned by the City Council. These primarily relate to housing improvement grants of a capital nature and other capital grants to external organisations.

	Improvement Grants	Other Deferred Charges	Total
	£000	£000	£000
Balance as at 01 April 2003	--	434	434
Amounts written off to Consolidated Revenue Account			
Expenditure during the year	754	2,288	3,042
Income during the year	(754)	(678)	(1,432)
<b>Balance as at 31 March 2004</b>	<b>--</b>	<b>2,044</b>	<b>2,044</b>

### 3 CAPITAL EXPENDITURE AND FINANCING

Capital expenditure incurred during the year was £7.857M. The following table sets out how this was funded.

	£000		£000
Capital Expenditure	7,579	Credit Approvals	1,625
Unfinanced b/f	278	Grant	2,107
		Capital Receipts	919
		Revenue/Reserves	1,168
		Major Repairs Allowances	1,885
		Other Contributions	6
		Unfinanced c/f	147
<b>TOTAL</b>	<b>7,857</b>	<b>TOTAL</b>	<b>7,857</b>

### 4 CAPITAL COMMITMENTS

As at 31 March 2004 the Council was contractually committed to capital works, which amounted to approximately £3.6M. Major contracts included the following schemes:-

Capital Projects	£000
Highways Maintenance Works	22
Traffic Calming	47
Poulton Homezone	579
External Refurbishments & Renewals	856
Kitchen Renewals - Westgate	941
Ryelands Regeneration	21
Environmental Improvement Works	213
Group Repair Schemes	518
Smoke Detector Installations	254
Community Woodland	71
Luneside East 'Urban Village'	61

### 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 31/03/03	Number as at 31/03/04
<b>COUNCIL DWELLINGS</b>	4,108	3,991
<b>OPERATIONAL BUILDINGS</b>		
Town Halls	2	2
Other Offices	8	9
Sports Centres with Pool	1	1
Depots	4	4
Surfaced Car Parks	37	37
Multi-Storey Car Parks	2	2
Cemeteries	7	7
Museums	3	3
Public Conveniences	32	32

Other Leisure Facilities	1	1
	<b>Number as at 31/03/03</b>	<b>Number as at 31/03/04</b>
<b>OPERATIONAL EQUIPMENT</b>		
Vehicles	139	135
Heavy Plant	72	72
<b>COMMUNITY ASSETS</b>		
Community Centres	1	1
Parks	15	15
Playing Fields	6	6
<b>NON OPERATIONAL ASSETS</b>		
Commercial/Investment Properties	125	125

## 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 Estates and Valuation Officer, 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.

The Council is not aware of any other circumstances that would have any material impact on the asset values as disclosed on the balance sheet.

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)	--	<b>(1,623)</b>
2000/2001	--	2,438	--	369	--	<b>2,807</b>
2001/2002	(61,723)	135	--	277	--	<b>(61,311)</b>
2002/2003	14,146	(2)	(3)	--	--	<b>14,141</b>
2003/2004	31,635	2,376	--	--	798	<b>34,809</b>
<b>TOTAL</b>	<b>(15,942)</b>	<b>3,451</b>	<b>(3)</b>	<b>519</b>	<b>798</b>	<b>(11,177)</b>

## 7 FINANCE LEASES

As at 31<sup>st</sup> March 2004 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 31<sup>st</sup> March 2004.

## 9 PROVISION FOR CREDIT LIABILITIES (MEMORANDUM ACCOUNT)

This account is required in accordance with the Local Government and Housing Act 1989 and is shown as a memorandum only. The balance on this account represents amounts set aside for debt repayment, in accordance with legislation. These relate to a proportion of the receipts from asset sales, together with amounts set aside from revenue accounts (see also note 10 to the Consolidated Revenue Account).

	2002/03	2003/04
	£000	£000
<b>Balance brought forward as at 01 April</b>	<b>15,845</b>	<b>14,375</b>
Amount set aside for MRP	606	788
Reserved capital receipts	1,449	3,013
	17,900	18,176
LESS: Amounts applied to repay loans	(3,525)	(5,500)
Amounts applied to premia on early repayment of loans	--	(2,037)
<b>Balance carried forward at 31 March</b>	<b>14,375</b>	<b>10,639</b>

## 10 NET ASSETS EMPLOYED

This summary gives details of the net assets employed during the year analysed over the Council's three 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 2003/04, in line with the move away from operating trading accounts (see Note 2 to the Consolidated Revenue Account for more details).

In addition, the 2002/03 comparatives have been restated to include the new FRS17 requirements, as previously mentioned in Note 13 to the Consolidated Revenue Account.

	31/03/03	31/03/04
	£000	£000
General Fund	14,580	28,777
Housing Revenue Account	72,067	103,787
Former Direct Service Organisation	3,401	--
	<b>90,048</b>	<b>132,564</b>
Proportion of Collection Fund Surplus/(Deficit) not attributable to the City Council	(314)	(114)
	<b>89,734</b>	<b>132,450</b>

## 11 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 2003/04 financial year.

### 11.1 WILLIAMSON PARK LTD

A company limited by guarantee with no share capital, set up to restore and revitalise the park with the ultimate aim of creating a major visitor centre. The Company's financial accounting period ended on 31 January 2004. Consequently the information below for 2003/04 differs slightly from the other financial information in this summary. The City Council provided grant support of £159,900 to the company during the Council's 2003/04 financial year (2002/2003 £85,100).

	31/01/03	31/01/04
	£	£
Net assets	87,231	89,132
Profit/(Loss) before taxation	(14,951)	1,901
Profit/(Loss) after taxation	(14,331)	1,901

### 11.2 DUKES PLAYHOUSE LTD

The Company is limited by guarantee without share capital by the City and County Councils. 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 2003/04 financial year (2002/03 £172,000), in addition it provided the Company with rent free accommodation to the value of £13,200 (2002/03 £12,500).

	31/03/03	31/03/04
	£	£
Net Assets	16,676	62,478
Profit/(Loss) before taxation	(16,407)	45,802
Profit/(Loss) after taxation		

### 11.3 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.

	31/03/03	31/03/04
	£	£
Net Assets	191,679	244,281
Profit/(Loss) before taxation	5,386	52,602
Profit/(Loss) after taxation		

## 12 LONG TERM INVESTMENTS

The Council holds two small investments consisting of :

	<b>Cost Price</b>	<b>Nominal Value</b>	<b>Value at 31/03/04</b>
	£	£	£
3% London Consolidated Stock	4,444	5,000	2,680
3% Lincoln Redeemable Stock	606	700	360
<b>BALANCE SHEET VALUE OF ASSETS</b>	<b>5,050</b>	<b>5,700</b>	<b>3,040</b>

## 13 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 2004 was £80,000.

## 14 STOCKS AND WORK IN PROGRESS

At 31 March 2004 the City Council held stocks and work in progress to the value of £472,000 (£440,000 2002/03), after allowing for the provision of £52,000 for obsolescence / reductions in value.

## 15 ANALYSIS OF DEBTORS

Since the Council's Balance Sheet represents assets at the end of the financial year (31 March 2004), there are outstanding monies owed to the Council in respect of the 2003/04 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 2004.

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 2004 is analysed as follows.

	<b>31/03/03</b>	<b>31/03/04</b>
	<b>£000</b>	<b>£000</b>
Government Departments	4,268	2,836
Other Local Authorities	1,383	1,018
Commercial Ratepayers	542	744
Council Taxpayers	3,992	4,390
Housing Rents	587	557
Sundry Debtors and Accruals	4,649	2,876
Provisions for Bad Debts	(2,555)	(2,802)
<b>Total</b>	<b>12,866</b>	<b>9,619</b>

## 16 ANALYSIS OF CREDITORS

Since the Council's Balance Sheet represents liabilities at the end of the financial year (31 March 2004), there are outstanding monies owed by the Council in respect of the 2003/04 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 2004.

The Creditors balance as at 31 March 2004 is analysed as follows.

	31/03/03	31/03/04
	£000	£000
Government Departments	1,703	1,772
Other Local Authorities	197	662
Commercial Ratepayers	462	951
Council Taxpayers	861	928
Housing Rents	62	96
Sundry Creditors and Accruals	5,203	3,332
<b>Total</b>	<b>8,488</b>	<b>7,741</b>

## 17 BORROWING

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

ANALYSIS OF LOANS BY TYPE	2002/03	2003/04
	£000	£000
Public Works Loan Board	47,222	41,113

LOAN MATURITY ANALYSIS	2002/03	2003/04
	£000	£000
Maturing in 1 - 2 years	319	320
Maturing in 2 - 5 years	494	175
Maturing in 5 – 10 years	--	--
Maturing in 10 – 15 years	--	--
Maturing in more than 15 years	45,800	40,300
<b>TOTAL BORROWING (DUE AFTER ONE YEAR)</b>	<b>46,613</b>	<b>40,795</b>
Maturing within one year	609	319
<b>TOTAL BORROWING (DUE WITHIN ONE YEAR)</b>	<b>609</b>	<b>319</b>

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).

## 18 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 reserve.

## 19 PROVISIONS SUMMARY

	<b>Balance 01/04/03 £000</b>	<b>Expenditure £000</b>	<b>Transfers £000</b>	<b>Income £000</b>	<b>Balance 31/03/04 £000</b>
<b>Revenue Provisions:</b>					
Insurance	105	(312)	381	24	198
<b>Capital Provisions:</b>					
General Fund Clawback	124	(124)	0	57	57
Long Term Investments	--	0	0	0	0
<b>TOTAL</b>	<b>229</b>	<b>(436)</b>	<b>381</b>	<b>81</b>	<b>255</b>

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 £200,000 has been transferred into the provision.

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 2004/05, however the exact date has not been agreed as yet.

## 20 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 March 2004.

## 21 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.

## 22 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 2003/04, 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 2004, the Authority had the following overall assets and liabilities for pensions as discussed in the balance sheet :

	Local Government Pension Scheme	
	31 March 2004 £000	31 March 2003 £000
Estimated liabilities in scheme	(90,838)	(86,438)
Estimated assets in scheme	73,212	60,186
<b>Net asset/(liability)</b>	<b>(17,626)</b>	<b>(26,252)</b>

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 snapshot position as at 31 March 2004, based on prevailing market and other economic conditions.

It represents an actuarial calculated figure for accounting purposes, and uses different actuarial assumptions from the full valuation of the Fund. Whilst successive year on year figures can normally be expected to give a general indication of how the finances of the Fund are progressing, they do not purport to give any indication of the outcome of the full valuation of the Pension Fund, which will be carried out in 2004/05 with its effects implemented from April 2005. 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 will take into account market movements up to 31 March 2004, 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	
	2003/04 %	2002/03 %
<b>Financial Assumptions</b>		
Rate of inflation	2.8	2.5
Rate of increase in salaries	4.3	4.0
Rate of increase in pensions	2.8	2.5
Rate of discounting scheme liabilities	6.3	6.0

	2003/04 %	2002/03 %
<b>Expected rate of return on assets</b>		
Equity investments	7.5	7.5
Government Bonds	4.7	4.5
Other Bonds	5.5	5.4
Property	6.5	6.5
Other assets	4.0	3.75

Split of assets between investment categories	2003/04		2002/03	
	£	%	£	%
Equity investments	50,370	68.8	39,602	65.8
Government Bonds	7,102	9.7	5,477	9.1
Other Bonds	9,371	12.8	9,570	15.9
Property	4,686	6.4	3,972	6.6
Other Assets	1,683	2.3	1,565	2.6
	73,212	100	60,186	100

The movement in the net pension liability for the year to 31 March 2004 is as follows :

<b>Movement in Surplus during 2003/04</b>	<b>£000</b>
<b>Surplus / (Deficit) at Beginning of Year</b>	<b>(26,252)</b>
Current Service Costs	(1,907)
Employer Contributions	2,323
Past Service Cost / Curtailment Cost	(248)
Net Interest / Return on Assets	(1,126)
Actuarial Gain or (Loss)	9,584
<b>Surplus / (Deficit) at End of Year</b>	<b>(17,626)</b>

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 2004.

<b>Statement of Actuarial Gains &amp; (Losses)</b>	<b>£000</b>	<b>%</b>
Differences between the expected and actual return on assets	(9,584)	(13.1% of assets)
Differences between actuarial assumptions about liabilities and actual experience	0	(0% of liabilities)
Changes in the demographic and financial assumptions used to estimate liabilities	0	(0% of liabilities)
	<b>(9,584)</b>	<b>(10.6% of liabilities)</b>

## **23 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.

		2003/04 £000	2002/03 £000
Surplus/(deficit) for the year:			
- General Fund		539	(6)
- Housing Revenue Account		279	226
<i>add back</i> Movements on specific revenue reserves (and suspense)		203	772
Deduct Appropriations from pension reserve		(958)	(882)
Actuarial gains and losses relating to pensions		9,584	8,823
<b>Total increase/(decrease) in revenue resources</b>	<b>Note 1</b>	<b>9,647</b>	<b>8,933</b>
Increase/(decrease) in usable capital receipts		1,013	(77)
Increase/(decrease) in unapplied capital grants and contributions		--	--
<b>Total increase/(decrease) in realised capital resources</b>	<b>Note 2</b>	<b>1,013</b>	<b>(77)</b>
Gains/(losses) on revaluation of fixed assets		34,809	13,631
Impairment losses on fixed assets due to general changes in prices		--	--
<b>Total increase/(decrease) in unrealised value of fixed assets</b>	<b>Note 3</b>	<b>34,809</b>	<b>13,631</b>
<b>Value of assets sold, dispose of or decommissioned</b>	<b>Note 4</b>	<b>(5,998)</b>	<b>(2,758)</b>
Capital receipts set aside		3,921	2,478
Revenue resources set aside		(2,375)	(1,429)
Movement on Government Grants Deferred		1,187	651
Movement on Major Repairs Reserve		277	253
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	<b>Note 5</b>	<b>3,010</b>	<b>1,953</b>
<b>Increase / (decrease) on the pensions reserve</b>		<b>(8,626)</b>	<b>(7,941)</b>
<b>TOTAL RECOGNISED GAINS AND LOSSES</b>		<b>33,855</b>	<b>13,741</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

### 1 MOVEMENT IN REVENUE RESOURCES DURING 2003/04

	<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 2003/04	539	279	--	--
Appropriation to / from revenue	--	--	203	(958)
Actuarial gains and losses relating to pensions	--	--	--	9,584
<b>Total movement on reserve</b>	<b>539</b>	<b>279</b>	<b>203</b>	<b>8,626</b>
Balance brought forward at 01 April 2003	1,306	553	3,254	(26,252)
Balance carried forward at 31 March 2004	1,845	832	3,457	(17,626)

*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 2003/04

	<i>Usable Capital Receipts</i>	<i>Unapplied Capital Grants and Contributions</i>
	£000	£000
Amounts receivable	1,932	--
Amounts applied to finance new capital investment	(919)	--
<b>Total increase/(decrease) in realised capital resources</b>	<b>1,013</b>	<b>--</b>
Balance brought forward at 01 April 2003	158	--
Balance carried forward at 31 March 2004	1,171	--

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 2004.



**3 MOVEMENT IN UNREALISED VALUE OF FIXED ASSETS DURING 2003/04**

	<i>Fixed Asset Restatement Reserve</i>
	<b>£000</b>
Gains/losses on revaluation of fixed assets	34,809
In year capital expenditure not resulting in valuation changes	--
Impairment losses on fixed assets due to general changes in prices	--
<b>Total increase/(decrease) in unrealised capital resources</b>	<b>34,809</b>

**4 VALUE OF ASSETS SOLD, DECOMMISSIONED OR DISPOSED OF IN 2003/04**

<b>Amounts written off fixed asset balances for disposals in 2003/04</b>	<b>(5,998)</b>
Total movement on reserve	28,811
Balance brought forward at 01 April 2003	62,771
<b>Balance carried forward at 31 March 2004</b>	<b>91,582</b>

The Fixed Asset Restatement Reserve 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 reserve 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 reserve 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 reserve cannot be used to finance any revenue or capital expenditure.

**5 MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT DURING 2003/04**

	<i>Capital Financing Reserve</i>	<i>Government Grants Deferred</i>	<i>Total</i>
	£000	£000	£000
Capital receipts set aside:			
- Reserved receipts	3,013		
- Usable receipts applied	919		
Less reduction in associated debtors	(11)		
<b>Total net capital receipts set aside</b>	<b>3,921</b>		<b>3,921</b>
Revenue resources set aside:			
- Capital expenditure financed from revenue	3,052		
- Reconciling amount for provisions for loan repayment	(5,150)		
<b>Total revenue resources set aside</b>	<b>(2,098)</b>		<b>(2,098)</b>
Grants applied to capital investment		2,105	
Less grants applied against deferred charges		(675)	
Less credits to the asset mgmt. revenue a/c		(255)	
Less transfer to Capital Finance Reserve	11		
<b>Movement on government grants deferred</b>	<b>11</b>	<b>1,176</b>	<b>1,187</b>
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>			<b>3,010</b>
Total movement on reserve	1,834	1,176	
Balance brought forward at 01 April 2003	38,789	9,513	
<b>Balance carried forward at 31 March 2004</b>	<b>40,623</b>	<b>10,689</b>	

The capital financing reserve 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 reserve cannot be used to support any other revenue or capital spending.

The Government Grants Deferred balance as at 31 March 2004 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:-

	<b>Balance as at 31/03/04 £ 000's</b>
HRA Major Repairs Reserve	1,594
City Contract Services Reserves	99
Housing Revenue Account Reserves	820
Vehicle and Equipment Replacement	80
BEST Centre	150
Industrial Aid	135
Marsh Capital	48
Open Spaces	253
Building Regulations Reserve	194
Storm Damage	47
Other Minor Reserves	37
	<b>3,457</b>

## 7 PENSION RESERVE MOVEMENTS DURING 2003/04

The actuarial gains identified as movements on the Pension Reserve in 2003/04 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2004.

	<b>Local Government Pension Scheme</b>	
	<b>£000s</b>	<b>%</b>
Differences between the expected and actual return on assets	9,584	(13.1)
Differences between actuarial assumptions about liabilities and actual experience	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	0	0
	<b>9,584</b>	

## 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	2002/03		2003/04	
		£000	£000	£000	£000
<b>Revenue Activities</b>					
Cash Outflows					
Cash paid to and on behalf of employees		(19,233)		(24,800)	
Other operating cash payments		(36,370)		(44,599)	
Housing Benefit paid out		(24,401)		(23,651)	
Non-Domestic Rates payments to National Pool		(40,448)		(36,481)	
Precepts paid to the County		(38,530)		(42,472)	
<b>TOTAL PAYMENTS</b>			<b>(158,982)</b>		<b>(172,003)</b>
Cash inflows					
Rents (after rebates)		2,272		2,228	
Council Tax receipts		31,906		49,318	
NNDR receipts		44,383		37,530	
NNDR receipts from National Pool		5,532		5,881	
Revenue Support Grant		6,765		8,633	
DSS grants for benefits		21,592		22,426	
Other government grants		4,325		4,265	
Cash received for goods and services		8,374		12,856	
Other operating cash receipts / payments		36,254	161,403	35,431	178,568
<b>NET CASH INFLOW FROM REVENUE ACTIVITY</b>	<b>1</b>		<b>2,421</b>		<b>6,565</b>
<b>Returns on Investments and Servicing of Finance</b>					
Cash outflows : Interest paid		(3,182)		(2,924)	
Cash inflows : Interest received		618	(2,564)	545	(2,379)
<b>Capital Activities</b>					
Cash outflows : Purchase of fixed assets		(5,389)		(6,191)	
Other capital cash payments		(1,574)		(1,587)	
<b>TOTAL PAYMENTS</b>		<b>(6,963)</b>		<b>(7,778)</b>	
Cash inflows : Sale of fixed assets		2,401		4,934	
Capital grants received		1,918		2,240	
Other capital cash receipts		270		6	
<b>TOTAL RECEIPTS</b>		<b>4,589</b>		<b>7,180</b>	
<b>NET CASH OUTFLOW FROM CAPITAL ACTIVITIES</b>			<b>(2,374)</b>		<b>(598)</b>
<b>NET CASH INFLOW/OUTFLOW(-) BEFORE FINANCING</b>	<b>5</b>		<b>(2,517)</b>		<b>3,588</b>
<b>Management of Liquid Resources</b>					
Net increase / decrease in short term deposits			5,543		3,500
<b>Financing</b>					
Cash outflows					
Repayments of amounts borrowed		(3,525)		(6,109)	
Cash inflows					
New Loans Raised		0	(3,525)		(6,109)
<b>NET CASH INFLOW/OUTFLOW(-)</b>			<b>2,018</b>		<b>(2,609)</b>
<b>NET (INCREASE)/DECREASE IN CASH</b>			<b>(499)</b>		<b>979</b>

## 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.

	2002/03		2003/04	
	£000	£000	£000	£000
General Fund Surplus / (Deficit)		(6)		539
Housing Revenue Account Surplus / (Deficit)		226		279
Collection Fund Surplus / (Deficit)		(253)		236
<b>ADD</b>				
Provision for Debt Redemption	607		(680)	
Application of PCL for Debt Redemption			(2,038)	
Direct Revenue Financing of Capital Expenditure	3,029		3,053	
Contribution from / (to) Earmarked Provisions	(382)		26	
Contribution from / (to) Earmarked Reserves	772	4,026	203	564
Decrease / (Increase) in Debtors	(3,700)		3,442	
Decrease / (Increase) in Stocks	44		(32)	
Increase / (Decrease) in Creditors	(480)	(4,136)	(842)	2,568
<b>ADD</b>				
Financing items shown elsewhere -				
External Interest Paid	3,182		2,924	
Finance Lease Interest Paid				
Interest Received	(618)	2,564	(545)	2,379
Other Financing Adjustments				
<b>Revenue Activities Net Cash Flow</b>		<b>2,421</b>		<b>6,565</b>

### 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.

	2002/03	2003/04
	£000	£000
Revenue Support Grant	6,765	8,633
DSS Grants - Housing Benefits and Council Tax	21,592	22,426
Council Tax Collection		
Council Tax Preparation Grant		
Benefit Fraud Grant		
Benefit Administration Grant		
Housing Subsidy	4,325	4,265
	<b>32,682</b>	<b>35,324</b>

### 3 MOVEMENT IN LONG TERM BORROWING

	As at 31/03/03 £000	As at 31/03/04 £000	Movement in Cash £000
Public Works Loans Board	46,614	40,795	5,819

### 4 MOVEMENT IN OTHER CURRENT ASSETS AND LIABILITIES

	As at 31/03/03 £000	As at 31/03/04 £000	Movement in Cash £000
Stocks and Work in Progress	440	472	32
Debtors	12,411	9,094	(3,317)
Creditors	(7,726)	(7,009)	717
<b>TOTAL</b>	<b>5,125</b>	<b>2,557</b>	<b>(2,568)</b>

### 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 2002/03 and the 2003/04 Consolidated Balance Sheets.

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

	As at 31/03/03 £000	As at 31/03/04 £000	Movement in Cash £000
Short Term Borrowing	(608)	(318)	290
Long Term Borrowing	(46,614)	(40,795)	5,819
Temporary Investments	6,000	2,500	(3,500)
Cash in Hand and at Bank	(1,571)	(592)	979
<b>TOTAL</b>	<b>(42,793)</b>	<b>(39,205)</b>	<b>3,588</b>

## 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 2004 the Council was responsible for 43 of these Trust Funds, the balances of which are shown below.

Revenue Accounts	Balance b/f 01/04/03 £	Income £	Expenditure £	Balance c/f 31/03/04 £
<b>Bequests and Endowments</b>				
(a) Council sole trustee				
Ashton Memorial	--	1,275	1,275	--
Williamson Park	--	1,908	1,908	--
Other	1,464	1,075	1,015	1,524
(b) Council not sole trustee	6,762	358	--	7,120
<b>School etc. Prize Funds</b>				
(a) Council sole trustee	17,329	772	--	18,101
(b) Council not sole trustee	1,390	63	--	1,453
<b>TOTAL</b>	<b>26,945</b>	<b>5,451</b>	<b>4,198</b>	<b>28,198</b>

	Fund Balances £	Cash and Fund Investments £
<b>Bequests and Endowments</b>		
(a) Council sole trustee		
Capital		
Ashton Memorial	15,602	
Williamson Park	18,343	
Other	14,046	1,962
Revenue	1,524	
Cash and Debtors		47,553
(b) Council not sole trustee		
Capital	2,045	
Revenue	7,120	2,040
Cash and Debtors		7,125
<b>School etc. Prize Funds</b>		
(a) Council sole trustee		
Capital	2,496	
Revenue	18,101	1,242
Cash		19,355
(b) Council not sole trustee		
Capital	358	
Revenue	1,453	
Cash and Debtors		1,811
<b>TOTAL</b>	<b>81,088</b>	<b>81,088</b>

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.

2002/03 £	Income & Expenditure Account	2003/04	
		£	£
	<b>Income</b>		
5,654	Interest	5,451	
--	Capital	90	
5,654			5,541
	<b>Expenditure</b>		
1,294	Ashton Memorial	1,275	
295	William Smith Festival	265	
658	Whalley Playground	658	
84	Lune Bank Gardens	77	
1,914	Williamson Park	1,908	
14	War Memorial Fund	13	
4	Other	2	
4,263			4,198
<b>1,391</b>	<b>Excess Income</b>		<b>1,343</b>

2002/03 £	Balance Sheet	2003/04	
		£	£
	<b>Assets</b>		
3,836	Investments	3,836	
1,455	Debtors	1,533	
74,454	Bank	75,719	
<b>79,745</b>			<b>81,088</b>
	<b>Represented by:</b>		
78,354	Reserves as at 31.03.2004	79,745	
1,391	Income in 2004	1,343	
<b>79,745</b>			<b>81,088</b>

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.