



**LANCASTER
CITY COUNCIL**

Promoting City, Coast & Countryside

STATEMENT OF ACCOUNTS 2002/2003



CONTENTS

	PAGE
EXPLANATORY FOREWORD	2
AUDITOR'S REPORT	6 (i)-(ii)
STATEMENT OF RESPONSIBILITIES	7
STATEMENT ON SYSTEM OF INTERNAL FINANCIAL CONTROL	8
STATEMENT OF ACCOUNTING POLICIES	9
CONSOLIDATED REVENUE ACCOUNT	14
HOUSING REVENUE ACCOUNT	20
COLLECTION FUND ACCOUNT	24
CONSOLIDATED BALANCE SHEET	27
STATEMENT OF TOTAL MOVEMENT IN RESERVES	37
CASH FLOW STATEMENT	41
BEQUESTS, ENDOWMENTS AND TRUST FUNDS	44

STATEMENT OF ACCOUNTS

EXPLANATORY FOREWORD

1 INTRODUCTION

This document sets out the City Council's annual accounts for the financial year ended 31st March 2003. 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 2002/03 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 2002/03.

Expenditure	2002/03 Original Estimate	2002/03 Revised Estimate	2002/03 Actual	Variance from Revised Estimate
	£000	£000	£000	£000
Central Services to the Public	983	997	908	(89)
Cultural, Environmental and Planning Services	13,193	13,244	12,996	(248)
Highways, Roads & Transport Services	69	566	408	(158)
Housing Services	2,972	5,407	7,122	1,715
Corporate & Democratic Core	1,863	2,113	2,211	98
Unapportionable Central Overheads	851	922	888	(34)
Net Cost of General Fund Services	19,931	23,249	24,533	1,284
Corporate Income & Expenditure	(1,775)	(5,172)	(6,080)	(908)
Appropriations	(141)	104	(346)	(450)
Net Cost of Services to be met from Government Grants, Local Taxpayers & Revenue Balances	18,015	18,181	18,107	(74)
Contribution to/(from) General Fund Reserve	86	(80)	(6)	74
BUDGET REQUIREMENT	18,101	18,101	18,101	0

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 2002/03 was originally approved at £18.101M (including £211,600 for precept payments to parishes) by Council on 27th February 2002 and assumed that balances would be £1,000,000 by 31st March 2003.

Last year saw few areas of overspending. This included some activities undertaken by the former Direct Service Organisations (see section 2.4 below) such as refuse collection.

Overall, however, in the last year or so the Council made significant net savings against its original approved budget, mainly from staff turnover, treasury management activities and successful rating appeals, and as a result its balances have remained at £1.3M as at 31st March 2003. Whilst approximately £300,000 of these monies are to be used to support future years' spending, this still leaves unallocated balances of £1M. This level is in accordance with the Council's stated policy.

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 31st March 2003, the working balance on the Housing Revenue Account amounted to £553,000, representing an increase of £226,000 from the position as at the end of the previous year. This increase was mainly as a result of some additional income being received during the year and a reduction in the amount of revenue funding required to support capital spending. Current Council Policy is to maintain housing balances at £350,000.

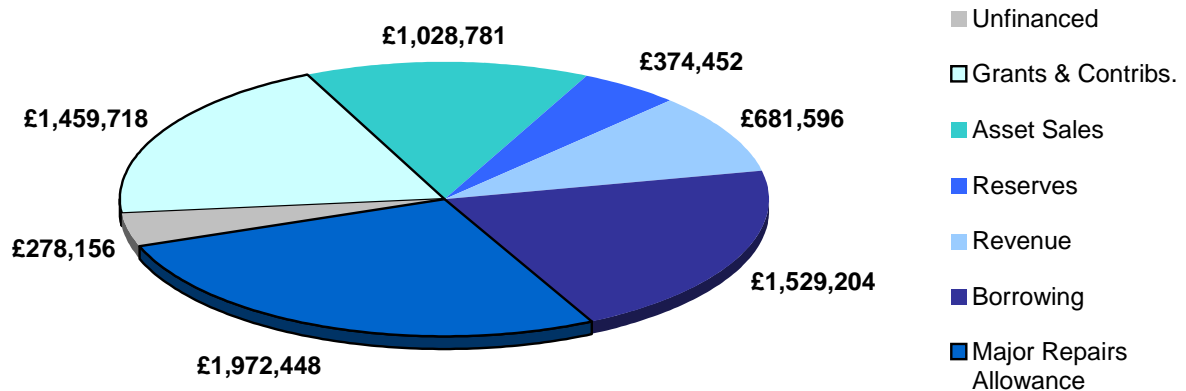
2.4 Former Direct Service Organisations (City Contract Services)

The legislation that required Councils to bid in open competition to provide a range of front line community services was effectively abolished from 2 January 2000. The introduction of the Best Value legislation (also in January 2000) requires that Councils continue to be cost effective in arranging the provision of these services. As a consequence of the change in legislation, Councils' former DSO's no longer have to meet statutory financial targets but Lancaster chose to maintain trading accounts initially, in line with good practice. During 2002/03, these arrangements were reviewed for some activities, and this process will continue for 2003/04.

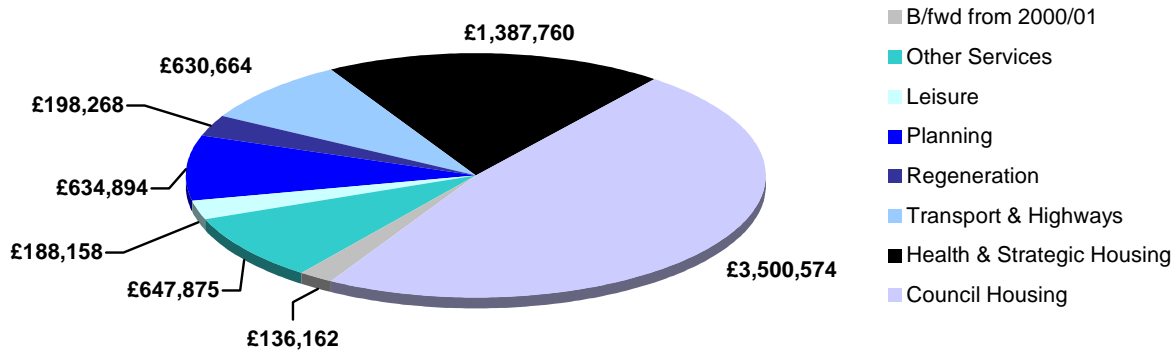
In 2002/03, the remaining former DSO's made a small net deficit of £8,000, compared with a surplus of £327,000 in the previous year. To help counter the increased costs that the Council is facing in delivering services such as recycling and refuse collection, the Council has increased its associated reserves to £227,000 as at 31st March 2003. Further work is being undertaken to review the financial aspects of these service areas.

3 CAPITAL POSITION

In 2002/03 the City Council spent £7.3M on capital schemes (including £136,000 brought forward from 2001/2002), and an analysis of the expenditure and funding is shown diagrammatically below. The unfinanced expenditure relates solely to capital payments due but not yet made as at 31st March 2003.



Sources of Capital Funding Used (£7.3M)



Capital Expenditure Analysed by Service (£7.3M)

As can be seen from the above charts, the Council maintains a wide ranging capital programme. It includes projects such as the Poulton Housing Renewal Programme, council housing improvements, Sea and River Defence Works and various other regeneration schemes.

4 CONCLUSION

As at 31st March 2003 the Council's overall financial position is healthy, in line with the improvements made in previous years, and for the second 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, action is being taken to address these for the future.

The Council is continuing its focus on improving its financial performance further during 2003/04, tied in with its business planning arrangements. The Council is also taking action to strengthen its medium term financial planning, alongside reviewing its corporate objectives, to ensure that it is best placed to prepare and respond to both local needs and circumstances, as well as national issues and influences.

5 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 Financial Control

This sets out the framework within which financial control is managed and reviewed, and highlights any major weaknesses and corrective action.

Consolidated Revenue Account

This reports the cost 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.

It should be noted that following the introduction of Best Value, the accounting statements no longer require separate disclosure of the former Direct Service Organisations. It should be noted, however, that the costs and income associated with these operations are included within the Consolidated Revenue Account, and a trading summary is shown as a separate note.

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/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 15 to 45 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 10 to 14.

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 of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 8 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in 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 page 9 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2002: A Statement of Recommended Practice. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review is 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.

Opinion

As stated in my report dated 17 December 2003 the financial statements present fairly the financial position of Lancaster City Council as at 31 March 2003 and its income and expenditure for the year then ended.

Reports in the Public Interest

Two reports in the Public Interest have been issued, made under section 8 of the Audit Commission Act 1998 concerning the following matters:

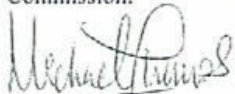
31 January 2003 – the report sets out the auditor's decisions on a series of statutory objections to expenditure incurred by the Council on Crinkley Bottom Theme Park in Happy Mount Park, Morecambe.

15 January 2004 – the report sets out the significant failings in the management of the Crinkley Bottom Theme Park in Happy Mount Park, Morecambe.

Certificate

In my report dated 17 December 2003, I explained that my audit could not be formally concluded until objections made by a number of local government electors to the Council's accounts had been heard and formally determined. My predecessor has now heard and determined those objections. His decisions are set out in the public interest report above dated January 2003.

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 2002/03 was approved by the Audit Committee at its meeting held on 26th August 2003, prior to the audit being completed.

Cllr M Thomas

M Thomas 26/08/2003

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.

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 31st March 2003 and the income and expenditure for the year then ended.

Nadine Muschamp, CPFA
Head of Financial Services

N. Muschamp

21/08/03

N. Muschamp
09/12/03

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

- 1 This statement is given in respect of the statement of accounts for Lancaster City Council for the financial year ended 31 March 2003. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
- 2 The system of financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a satisfactory period.
- 3 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:
 - Comprehensive budgeting systems;
 - Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
 - Setting targets to measure financial and other performance;
 - The preparation of regular financial reports which indicate actual expenditure against the forecasts; and
 - Clearly-defined capital expenditure guidelines and contract management rules.

- 4 In accordance with the Accounts and Audit Regulations 2003, the Council maintains a system of internal audit, which is delivered by an in-house team. The Internal Audit team operates to proper professional standards as set out in the CIPFA Code of Practice for Internal Audit in Local Government.

The Internal Audit Manager reports to the Council's Audit Committee, to the Head of Financial Services and to the Chief Executive and all levels of management as necessary.

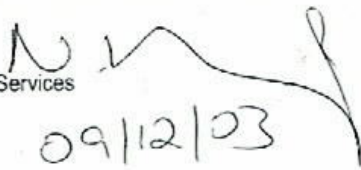
Based on an annually updated risk analysis, Internal Audit undertakes a review of the Council's significant financial systems. Based on this work, the Internal Audit Manager provides an independent opinion on the adequacy and effectiveness of the system of internal financial control.

- 5 My review of the effectiveness of the system of internal financial control is informed by:
 - The work of managers within the Council;
 - The work of the internal auditors as described above; and
 - The external auditors in their annual audit letter and other reports.
- 6 My review did not highlight any explicit significant weaknesses in the system of internal financial control relating to the financial year 2002/03. Notwithstanding this, attention is being given to a number of areas with a view to improving the Council's financial performance and internal control, including:
 - the financial management arrangements for City Contract Services; and
 - aspects of the Council's management of debt, income collection and arrears.

The review did identify that during the year, there were weaknesses in the Council's approach to risk management and procurement and that these may have an underlying impact on the effectiveness of internal financial control. In response to these issues, the Council is currently undertaking major projects to establish effective corporate risk management and procurement processes.

Signed:  Head of Financial Services

Date: 21/08/03


09/12/03

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 2002 : 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 cost of providing pensions for employees should be charged to the accounts in accordance with the statutory requirements governing the particular pension scheme or funds to which the authority contributes.

The requirements of FRS17 will be incorporated into the statement of recommended practice on a staged basis, with full incorporation scheduled for 2003/2004.

Compliance in 2002/2003 requires additional balance sheet notes disclosing the Authority's net asset or liability in relation to retirement benefits, to allow users to understand the underlying economic situation of the Authority.

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 2002/03 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.

Prior year adjustments should be accounted for in the year in which they are identified and disclosed within the notes to the accounts or, where considered necessary for fair reporting, on the face of the appropriate revenue account. However, there should not be any adjustments to preceding year comparative figures or of the opening balances of funds.

22 POST BALANCE SHEET EVENTS

Where a material post balance sheet event occurs which:

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

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

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

23 FOREIGN CURRENCY TRANSLATION

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

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

24 CONTINGENT ASSETS

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

25 CONTINGENT LIABILITIES

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

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

2001/02 £000		EXP £000	INC £000	NET £000	Notes
	NET COST OF SERVICES				
926	Central Service to the Public	7,935	(7,027)	908	
12,014	Cultural, Environmental & Planning Services	19,850	(6,854)	12,996	
320	Highways, Roads & Transport Services	2,660	(2,252)	408	
5,321	Housing Services	42,827	(35,705)	7,122	
2,768	Corporate & Democratic Core	6,262	(4,051)	2,211	
787	Unapportionable Central Overheads	888	--	888	
22,136	NET COST OF SERVICES	80,422	(55,889)	24,533	
	CORPORATE INCOME & EXPENDITURE				
192	Precept of Local Precepting Authorities			212	4
(320)	(Surpluses) / Deficits on trading undertakings			(70)	2
(4,100)	Asset Management Revenue Account			(5,678)	1
89	Gross loss on Debt Rescheduling			54	
(1,511)	Interest and Investment Income			(598)	
16,486	NET OPERATING EXPENDITURE			18,453	
	APPROPRIATIONS				
(780)	(Deficit)/Surplus transferred to HRA			225	
37	Contribution to or (from) HRA Earmarked Reserves			50	
209	Contributions to or (from) General Fund Earmarked Reserves			327	
(69)	Contributions to or (from) DSO Earmarked Reserves			222	
56	Contributions to or (from) Capital Reserves			(1,170)	
15,939	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS			18,107	
(4,741)	Demand on Collection Fund			(5,532)	
(7,046)	Revenue Support Grant			(6,765)	
(5,190)	Contribution from NNDR Pool			(5,804)	
(1,038)	(SURPLUS) / DEFICIT FOR YEAR			6	
(274)	Balance on General Fund brought forward			(1,312)	
(1,312)	Balance on General Fund carried forward			(1,306)	

DISCLOSURE NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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

1 ASSET MANAGEMENT REVENUE ACCOUNT

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

Transactions on the Asset Management Revenue Account		
Income	£000	£000
Capital Charges :		
General Fund	(4,401)	
Housing Revenue Account	(7,751)	
Government Grants Deferred	(289)	
		(12,441)
Expenditure		
Depreciation	3,698	
External Interest Charges	3,065	
		6,763
Balance to Consolidated Revenue Account		(5,678)

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 2 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.

For 2002/03, the Council still operated trading accounts for former CCT activities with the exception of the management of sports and leisure facilities, which has now been consolidated into cultural services. The remaining trading activities are currently being reviewed together with all other trading activities undertaken by the Council.

	Income	Expenditure	(Surplus) / Deficit	2001/02 (Surplus) / Deficit
	£000	£000	£000	£000
General highway and sewer work	(1,566)	1,368	(198)	(180)
Other maintenance work	(2,791)	2,698	(93)	(249)
Cleansing and Refuse Collection	(4,137)	4,448	311	59
Grounds maintenance	(1,924)	1,884	(40)	49
Building cleaning	(223)	232	9	(5)
Vehicle Maintenance	(370)	379	9	(17)
New Deal Activities	(2)	12	10	16
Management of sports & leisure facilities	--	--	--	227
Total Former DSO's for 2002/2003	(11,013)	11,021	8	(100)
Markets	(694)	922	228	170
Commercial Properties/Industrial Units	(984)	678	(306)	(390)
Total (Surplus) / Deficit on Trading Undertakings	(12,691)	12,621	(70)	(320)

3 LEASING AND OTHER LONG TERM COMMITMENTS

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

Leased Assets – Rentals (excluding staff car leases)	
	Operating Leases £000
Total rentals paid in 2002/03	270
Outstanding undischarged leasing obligations:	
2003/04	277
2004/05	285

At 31 March 2003, 65 cars were leased for staff. The total cost in 2002/03 was £264,000 and after contributions by staff of £26,000 resulted in a charge to the Authority of £238,000.

The Council had no outstanding obligations in respect of finance leases as at 31st March 2003, nor did it have any outstanding obligations arising from other long term contracts such as Private Finance Initiative agreements.

4 PARISH PRECEPTS

2002/03 was the seventh year that local parishes levied their own precept within their parish boundaries. In total the precepts levied amounted to £211,600.95. 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 2002/03 of £254,695. The actual expenditure under this provision in 2002/03 was £44,465, as analysed below -

Analysis	£
Victim Support	4,223
Council for Voluntary Service	16,913
Lancaster DISC	5,253
Relate	5,750
Miscellaneous Grants	8,189
Twinning	4,137
Total	44,465

In 2001/02, a similar sum of £39,867 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.

2001/02 £000	Section 5 Local Government Act 1986	2002/03 £000
152	Promotions and Publicity	179
64	Recruitment Advertising	113
41	Other Advertising	41
257	TOTAL	333

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 2002/03, divided between the chargeable and non-chargeable activities.

	Chargeable	Non- Chargeable	Total Building Control
	£000	£000	£000
Expenditure	270	103	373
Income	(401)	0	(401)
(Surplus)/Deficit for Year	(131)	103	(28)

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 £2,596,746, of which £2,534,383 was reimbursed.

On behalf of the United Utilities, the Council carries out repair and maintenance of the sewer system and 60 sewerage pumping stations. Net revenue expenditure of £73,274 was fully reimbursed. Expenditure of £86,429 on capital works was also reimbursed.

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

The Council pays contributions to Lancashire County Council's Pension Fund, which provides its members with defined benefits relating to pay and service. The contributions are based on rates determined by the Fund's professionally qualified actuaries based on triennial valuations of the Fund. The following financial details are based on the actuarial valuation completed in 31 March 2001.

In 2002/03 the Council paid an employer's contribution of £2,221,935 (2001/2002 £1,928,942) based on 13.2% of pensionable employees' reckonable pay.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2002/03 these amounted to £481,332.

The capital cost of discretionary increases in pensions payments agreed by the Council are set out below. These relate to enhanced retirement benefits for redundancies and retirements in the interest of the efficiency of the Council.

Capitalised cost of in year payments : £301,492

Capitalised cost of earlier years payments (still being made) : £7,733,915

Further details of the Superannuation Fund can be obtained from the County Treasurer, Lancashire County Council, County Hall, Preston.

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 2002/03 the amount is £606,625 (2001/02 £629,436) as set out below.

	2001/02	2002/03
	£000	£000
Non-housing amount - 4% of credit ceiling (adjusted re commutation)	203	213
Housing amount – 2% of credit ceiling	426	394
Minimum Revenue Provision	629	607
Amount charged as depreciation (net)	1,171	1,183
Net credit to Consolidated Revenue Account	(542)	(576)

11 OFFICERS' EMOLUMENTS

Regulation 6(2) of the 1996 Accounting and Audit Regulations require a specific disclosure of officers' annual remuneration in excess of £40,000. Only eleven officers of the Council received in excess of this amount during 2002/03.

Remuneration Band	No. of Employees	
	2001/02	2002/03
£40,000 - £49,999	5	7
£50,000 - £59,999	3	3
£60,000 - £69,999	0	0
£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 during the 2002/03 financial year were as follows.

Type of Allowance	Amount Paid £
Basic Allowance	159,738
Special Responsibility Allowance	60,875
Carer Allowance	3,843
Total For All Members	224,456

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

There are two prior year adjustment to note, which have no impact on the Consolidated Revenue Account. One relates to the treatment of government grants and a note on the change is included within the Statement of Total Movement in Reserves. The second relates to the presentation of deferred instalment sales of capital assets and is commented on in the notes to the Consolidated Balance Sheet.

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.
- 4 Transactions with associated companies have been disclosed within the notes to the Consolidated Balance Sheet.

During 2002/03 the Council paid capital grants totalling £48,834.17 to the Marsh Community Centre, a voluntary body in which Councillor J.Barry and Councillor G.Dowding were Directors.

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.

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.

2001/02 £000		2002/03	
		£000	£000
	INCOME		
(9,112)	Gross rental income - dwellings	(9,250)	
(130)	- other	(143)	
(1,160)	Charges for services and facilities	(1,374)	
(7)	Contributions towards Expenditure	(8)	
(6,619)	HRA subsidy receivable	(6,533)	
(17,028)			(17,308)
	EXPENDITURE		
2,823	Repairs and maintenance	2,797	
2,493	Supervision and management	2,636	
130	Rents, rates, taxes and other charges	123	
6,558	Rent rebates	6,826	
204	Increased Provision for Bad or Doubtful Debts	345	
4,739	Cost of Capital Charge	5,525	
2,243	Depreciation and Impairments of Fixed Assets	2,226	
60	Debt management Costs	28	
19,250			20,506
2,222	NET COST OF SERVICES		3,198
(3,377)	Net Income or Expenditure on Asset Management Revenue Account		(4,285)
(120)	Transfers from General Fund as directed by Secretary of State		(203)
66	Amortised Premiums and Discounts		69
(46)	Investment Income		(86)
(1,255)	NET OPERATING EXPENDITURE		(1,307)
1,554	Revenue Contribution to Capital Expenditure		621
444	Contribution to Minimum Repayment Provision		411
(26)	Transfer from Major Repairs Reserve		(26)
63	Transfers to/from Earmarked Reserves		75
780	SURPLUS/DEFICIT FOR YEAR		(226)
(1,107)	HRA balance brought forward		(327)
(327)	HRA BALANCE CARRIED FORWARD		(553)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 As at 31st March 2003 the authority held the following dwellings:

Bedsits		127
1 Bedroom	Houses & Bungalows	654
	Flats & Maisonettes	509
2 Bedroom	Houses & Bungalows	538
	Flats & Maisonettes	707
3 Bedroom	Houses & Bungalows	1,469
	Flats & Maisonettes	8
4 or more bedroomed dwellings		96
TOTAL ALL DWELLINGS		4,108

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

	1 st April 2002 £'000	31 st March 2003 £'000
Operational Assets:		
Council Dwellings	75,179	87,681
Other land and buildings	463	444
	75,642	88,125
Non-operational Assets	577	566
TOTAL	76,219	88,691

Dwellings were revalued on the basis of Existing Use Value (Social Housing) as at 1st April 2001 following the introduction of Resource Accounting in the Housing Revenue Account. This valuation has subsequently been re-based to April 2002 prices resulting in an increase in asset values of £15,867,000 in the year. The Major Repairs Allowance has been used as a proxy for depreciation on dwellings. Non-dwelling assets were valued at 1st April 2001.

The vacant possession value of dwellings held on 1st April 2002 was £154,315,000. The difference between this and the EUV-SH valuation of £91,046,000 represents the economic cost to the Government of providing Council Housing at less than open market rents.

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

Summary of Movements on Major Repairs Reserve 2002/03	£'000
Opening Balance 1st April	1,089
Transfer to MRR – Depreciation	2,225
Transfer to HRA - Depreciation Adjustment	(26)
Capital Expenditure - Land	(24)
- Houses	(1,948)
- Other property.	-
Closing Balance 31st March	1,316

- 3** Capital expenditure of £3,501,000 was incurred during the year being £3,401,000 on improvements to dwellings, £26,000 on works to land, and £74,000 on other property. This was financed as follows:

	£'000
Borrowing	-
Usable Capital Receipts	682
Direct Revenue Financing	549
Earmarked Reserves	72
Majors Repairs Reserve	1,972
Movement in Capital Creditors	226
Total Capital Financing	3,501

Capital Receipts totalling £1,932,000 were received during the year from the following sources:

	£'000
Sale of dwellings	1,860
Repayment of Principal on Mortgages	72
Repayment of Right to Buy discounts	-
Total Capital Receipts	1,932

- 4** The Cost of Capital Charges is a notional interest charge of £5,525,000 representing 6% 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 £1,239,000, a compensating transfer of £4,286,000 is made from the Asset Management Revenue Account.
- 5** Total depreciation charges for the year were:

	£'000
Council Dwellings	2,200
Other land and buildings	16
Non-operational Assets	10
TOTAL	2,226

- 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 £6,533,000. This is analysed over the various elements as follows:

	£'000
Management Allowance	1,249
Maintenance Allowance	2,603
Major Repairs Allowance	2,200
Charges for Capital	2,301
Rent Rebates	6,930
Notional Rent	(8,687)
Interest on Receipts	(21)
Adjustment from Previous Year	(42)
Total Housing Subsidy	6,533

- 8** Total arrears of rent at 31st March 2003 amounted to £582,000. Against this an amount of £409,000 was held as provision for bad debts, which includes allowances of 75% for arrears from former tenants and 25% for arrears from current tenants, in addition to 75% of other outstanding debts.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2002/03

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.

2001/02 £000	INCOME	See Note	2002/03 £000
34,628	Council Tax Income from Council Tax	1	37,796
5,695	Transfers from General Fund: Council Tax Benefits		6,320
184	Council Tax Benefit Subsidy Limitation Contributions from other Local Authorities		--
41,420	Business Rates Income from Business Ratepayers	2	39,473
11	Contributions Towards previous year's Collection Fund deficit	5	--
--	Adjustment of previous years Community Charges	3	--
179	From Provisions for Council Tax Amounts Written Off		72
82,117	TOTAL INCOME		83,661

2001/02 £000	EXPENDITURE	See Note	2002/03 £000
32,603	Precepts and Demands Lancashire County Council		35,471
4,752	Lancaster City Council (including parish precepts)		5,532
2,783	Lancashire Police Authority		3,059
41,190	Business Rates Payment to National Pool		39,245
230	Cost of Collection Allowance		228
179	Council Tax Bad and Doubtful Debts Write-offs		72
390	Contribution to Provision for Non-Collection		307
82,127	TOTAL EXPENDITURE		83,914

2001/02 £000	FUND BALANCE	See Note	2002/03 £000
10	(Surplus)/deficit for year		253
96	(Surplus)/deficit as at 01 April (Brought forward)		106
106	(Surplus)deficit as at 31 March (Carried forward)	6	359

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 2002/03 the numbers are as follows:-

	Chargeable Dwellings	Band D Equivalents
Band A	16,377	10,917
Band B	12,619	9,815
Band C	9,484	8,431
Band D	5,272	5,272
Band E	3,186	3,894
Band F	1,542	2,227
Band G	722	1,203
Band H	35	69
Total	49,237	41,828
<i>Collection Rate</i>		99%
Council Tax Base		41,410

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 43.7p per £ for 2002/03 (43p for 2001/02). The rateable value at 31 March 2003 was £96,087,404 (£97,172,452 for 2001/02). 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 2002/03, paid directly to the Consolidated Revenue Account, amounted to £5.804 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. No net adjustments regarding Community Charge collection were required in 2002/03.

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 2002 the Council Tax deficit was shown as £106,000. During 2002/03 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 2002 the residual Community Charge deficit was £500.

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 2002/03 are summarised below.

	Residual Community Charge £000	Council Tax £000	TOTAL £000
(Surplus)/Deficit 01/04/02	--	106	106
Distributions in Year	--	--	--
Net Transaction in Year	--	253	253
(Surplus)/Deficit 31/03/03	--	359	359

Of the £359,000 deficit as at 31 March 2003, £314,000 is attributable to other Local Authorities as follows:

	£000
Lancashire County Council	289
Lancashire Police Authority	25

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2003

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

2001/02 £000		2002/03 £000	Notes
	Fixed Assets		
	Operational Assets :		
75,179	Council Dwellings	87,681	
27,493	Other Land and Buildings	27,105	
1,874	Vehicles, Plant and Equipment	1,867	
18,951	Infrastructure	19,758	
2,527	Community Assets	3,544	
15,110	Non Operational Assets	13,789	
141,134	TOTAL FIXED ASSETS	153,744	1
220	Deferred Charges	98	2
51	Long Term Investments	3	12
570	Long Term Debtors	446	13
141,975	TOTAL LONG TERM ASSETS	154,291	
	Current Assets		
484	Stocks and Work in Progress	440	14
9,404	Debtors	13,202	15
11,543	Investments	6,000	
31	Cash in Hand	37	
	Current Liabilities		
(1,525)	Borrowing (Amounts due within one year)	(609)	17
(7,955)	Creditors	(8,488)	16
(1,103)	Bank Overdraft	(1,608)	
152,854	TOTAL ASSETS LESS CURRENT LIABILITIES	163,265	
(49,222)	Long Term Borrowing	(46,613)	17
(223)	Deferred Liabilities	(223)	23
(300)	Deferred Credits	(214)	23
(611)	Provisions	(229)	19
102,498	TOTAL ASSETS LESS LIABILITIES	115,986	
51,898	Fixed Asset Restatement Reserve	62,771	
27,405	Capital Financing Reserve	38,789	
235	Usable Capital Receipts Reserve	158	
18,944	Government Grants & Contributions Deferred	9,514	18
1,089	Major Repairs Reserve	1,316	
1,393	Earmarked Reserves	1,938	
1,312	Balances: General Fund	1,306	
328	Housing Revenue Account	553	
(106)	Collection Fund	(359)	
102,498	TOTAL EQUITY	115,986	

NOTES TO CONSOLIDATED BALANCE SHEET

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 2002	77,401	29,135	4,960	20,035	2,527	15,988	150,046
Additions	3,501	245	275	1,391	1,017	(1,040)	5,389
Disposals	(2,555)	(99)				(187)	(2,841)
Revaluations	14,146	(2)	(3)				14,141
Impairment							
Transfers							
Gross book value as at 31 March 2003	92,493	29,279	5,232	21,426	3,544	14,761	166,735

Depreciation as at 01 April 2002	(2,222)	(1,641)	(3,086)	(1,085)		(878)	(8,912)
Depreciation for year (on straight line basis)	(2,199)	(541)	(279)	(583)		(96)	(3,698)
Depreciation on assets sold	(391)	8				2	(381)
Balance as at 31 March 2003	(4,812)	(2,174)	(3,365)	(1,668)	--	(972)	(12,991)

Net book value as at 31 March 2003	87,681	27,105	1,867	19,758	3,544	13,789	153,744
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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 2002	--	220	220
Amounts written off to Consolidated Revenue Account			
Expenditure during the year	1,207	592	1,799
Income during the year	(1,207)	(714)	(1,921)
Balance as at 31 March 2003	--	98	98

3 CAPITAL EXPENDITURE AND FINANCING

Capital expenditure incurred during the year was £7.324M. The following table sets out how this was funded.

	£000		£000
Capital Expenditure	7,188	Credit Approvals	1,529
Unfinanced b/f	136	Grant	1,190
		Capital Receipts	1,029
		Revenue/Reserves	1,087
		Major Repairs Allow.	1,941
		Other Contributions	270
		Unfinanced c/f	278
TOTAL	7,324	TOTAL	7,324

4 CAPITAL COMMITMENTS

As at 31 March 2003 the Council was contractually committed to capital works, which amounted to approximately £2.9M. Major contracts included the following schemes:-

Capital Projects	£000
Highways Maintenance Works	374
Environmental Improvements – Dalton Square	131
Traffic Calming	47
Lancaster Bus Station	21
External Refurbishments & Renewals	788
Kitchen Renewals - Westgate	414
Ryelands Regeneration	118
Domestic Dwellings Gas Servicing	573
Gas Boiler & Fire Replacement - Beaumont	249
Environmental Improvement Works	52
Group Repair Schemes – Private Housing	85

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 31/03/02	Number as at 31/03/03
COUNCIL DWELLINGS	4,202	4,108
OPERATIONAL BUILDINGS		
Town Halls	2	2
Other Offices	8	8
Sports Centres with Pool	1	1
Depots	4	4
Surface Car Parks	37	37
Multi-Storey Car Parks	2	2
Cemeteries	7	7
Museums	3	3
Public Conveniences	33	32
Other Leisure Facilities	1	1

	Number as at 31/03/02	Number as at 31/03/03
OPERATIONAL EQUIPMENT		
Vehicles	139	139
Heavy Plant	72	72
COMMUNITY ASSETS		
Community Centres	1	1
Parks	15	15
Playing Fields	6	6
NON OPERATIONAL ASSETS		
Commercial/Investment Properties	128	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 held have been revalued within the last five years. 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.

7 FINANCE LEASES

As at 31st March 2003 there were no assets held under finance leases.

8 PRIVATE FINANCE INITIATIVE (PFI)

The PFI is a mechanism by which private sector investment is used to assist in the delivery of public services, normally for large schemes such as new schools, etc. The Council has not entered into any PFI arrangements and therefore there are no PFI related assets as at 31st March 2003.

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).

	2001/02 £000	2002/03 £000
Balance brought forward as at 01 April	13,976	15,845
Amount set aside for MRP	629	606
Reserved capital receipts	1,240	1,449
	15,845	17,900
LESS: Amounts applied to repay loans	--	(3,525)
Balance carried forward at 31 March	15,845	14,375

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.

	31/03/02	31/03/03
	£000	£000
General Fund	41,702	40,832
Housing Revenue Account	57,630	72,067
Former Direct Service Organisation	3,259	3,401
	102,591	116,300
Proportion of Collection Fund Surplus/(Deficit) not attributable to the City Council	(93)	(314)
	102,498	115,986

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, however, when the tests as set out in the Code of Practice are applied. Consequently no Group Accounts are required to be prepared for the 2002/03 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 2003. Consequently the information below for 2002/03 differs slightly from the other financial information in this summary. The City Council provided grant support of £85,100 to the company during the Council's 2002/2003 financial year (2001/2002 £83,000).

	31/01/02	31/01/03
	£	£
Net assets	86,562	87,231
Profit/(Loss) before taxation	6,548	(14,951)
Profit/(Loss) after taxation	5,928	(14,331)

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 support totalling £172,000 to the company during the 2002/2003 financial year (2001/2002 £168,163).

	31/03/02	31/03/03
	£	£
Net Assets	33,083	16,676
Profit/(Loss) before taxation	33,431	(16,407)
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.

	31/03/02	31/03/03
	£	£
Net Assets	186,293	191,679
Profit/(Loss) before taxation	62,378	5,386
Profit/(Loss) after taxation		

12 LONG TERM INVESTMENTS

The Council holds two small investments consisting of :

	Cost Price	Nominal Value	Value at 31/03/03
	£	£	£
3% London Consolidated Stock	4,444	5,000	2,325
3% Lincoln Redeemable Stock	606	700	325
BALANCE SHEET VALUE OF ASSETS	5,050	5,700	2,650

During 2002/03 the Council revalued the investment with Chancery to nil following information received from the Company's Administrators on the value of shares and likelihood of future loan payments. This had no impact on the Consolidated Revenue Account as the amounts had been financed at the time Chancery initially went into administration.

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 3 July 1998 a £200,000 loan repayable over 10 years to Morecambe Football Club, to assist in the development of a new stand.

14 STOCKS AND WORK IN PROGRESS

At 31 March 2003 the City Council held stocks and work in progress to the value of £440,000, after allowing for the provision of £40,000 for obsolescence / reductions in value (£484,000 2001/02).

15 ANALYSIS OF DEBTORS

Since the Council's Balance Sheet represents assets at the end of the financial year (31 March 2003), there are outstanding monies owed to the Council in respect of the 2002/03 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 2003.

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 2003 is analysed as follows.

	£000
Government Departments	4,268
Other Local Authorities	1,383
Commercial Ratepayers	849
Council Taxpayers	3,992
Housing Rents	587
Sundry Debtors and Accruals	4,678
Provision for Bad Debts	(2,555)
Total	13,202

16 ANALYSIS OF CREDITORS

Since the Council's Balance Sheet represents liabilities at the end of the financial year (31 March 2003), there are outstanding monies owed by the Council in respect of the 2002/03 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 2003.

The Creditors balance as at 31 March 2003 is analysed as follows.

	£000
Government Departments	1,703
Other Local Authorities	197
Commercial Ratepayers	462
Council Taxpayers	861
Housing Rents	62
Sundry Creditors and Accruals	5,203
Total	8,488

17 BORROWING

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

ANALYSIS OF LOANS BY TYPE	2001/02	2002/03
	£000	£000
Public Works Loan Board	50,747	47,222

LOAN MATURITY ANALYSIS	2001/02	2002/03
	£000	£000
Maturing in 1 - 2 years	609	319
Maturing in 2 - 5 years	813	494
Maturing in 5 – 10 years	--	--
Maturing in 10 – 15 years	--	--
Maturing in more than 15 years	47,800	45,800
TOTAL BORROWING (DUE AFTER ONE YEAR)	49,222	46,613
Maturing within one year	1,525	609
TOTAL BORROWING (DUE WITHIN ONE YEAR)	1,525	609

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

	Balance 01/04/02 £000	Expenditure £000	Transfers £000	Income £000	Balance 31/03/03 £000
Revenue Provisions:					
Insurance	196	(317)	188	38	105
Capital Provisions:					
General Fund Clawback	413	(335)	(2)	48	124
Long Term Investments	2	--	(2)	--	--
TOTAL	611	(652)	184	86	229

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.

The capital Clawback provision is in respect of outstanding liabilities, where the Council has sold land originally financed by Derelict Land Grant. The balance on the provision relates to a payment due to English Partnerships in 2003/04.

20 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 March 2003.

21 EURO COMPLIANCE

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 2002/03, pension costs have been charged to the consolidated revenue account on the basis of contributions payable for the year to the Lancashire County Council pension scheme (based on a formal

actuarial valuation for 31 March 2001) and the pensions payable in the year to retired officers. However, at 31 March 2003, the Authority had the following overall assets and liabilities for pensions that have not been included in the balance sheet :

	Local Government Pension Scheme	
	31 March 2003 £000	31 March 2002 £000
Estimated liabilities in scheme	(86,438)	(82,000)
Estimated assets in scheme	60,186	74,800
Net asset/(liability)	(26,252)	(7,200)

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 County Council 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 31st March 2003, based on prevailing market and other economic conditions.

It represents an actuarially 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 next year 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.

Financial Assumptions	Local Government Pension Scheme	
	2002/03	2001/02
Rate of inflation	2.5%	2.5%
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions	2.5%	2.5%
Rate of discounting scheme liabilities	6.0%	6.0%

Expected rate of return on assets	2002/03	2001/02
Equity investments	7.5%	8.0%
Government Bonds	4.5%	} 6.0%
Other Bonds	5.4%	
Property	6.5%	} 6.0%
Other assets	3.75%	

Split of assets between investment categories	2002/03		2001/02	
Equity investments	£39,602	65.8%	£54,903	73.4%
Government Bonds	£5,477	9.1%	} £11,594	15.5%
Other Bonds	£9,570	15.9%		
Property	£3,972	6.6%	} £8,303	11.1%
Other Assets	£1,565	2.6%		
	£60,186	100%	£74,800	100%

The movement in the net pension liability for the year to 31 March 2003 is as follows :

Movement in Surplus during 2002/03	£000
Surplus / (Deficit) at Beginning of Year	(7,200)
Current Service Costs	(1,742)
Employer Contributions	1,941
Past Service Cost / Curtailment Cost	(434)
Net Interest / Return on Assets	667
Actuarial Gain or (Loss)	(19,484)
Surplus / (Deficit) at End of Year	(26,252)

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 2003.

Statement of Actuarial Gains & (Losses)	£000	%
Differences between the expected and actual return on assets	(19,484)	(32.4% 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)
	(19,484)	(22.5% of liabilities)

23 DEFERRED LIABILITIES AND DEFERRED CREDITS

There has been a prior year adjustment to the 2001/02 balance sheet figures in respect of the presentation of deferred instalment sales of capital assets. Previously, these were shown as deferred liabilities and have now been correctly classified as deferred credits. The 2001/02 figures have been restated for comparative purposes.

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.

		2002/03	2001/02
		£000	£000
Surplus/(deficit) for the year:			
- General Fund		(6)	1,038
- Housing Revenue Account		226	(780)
<i>add back</i> Movements on specific revenue reserves (and suspense)		772	1,256
Total increase/(decrease) in revenue resources		992	1,514
Increase/(decrease) in usable capital receipts		(77)	(82)
Increase/(decrease) in unapplied capital grants and contributions		--	--
Total increase/(decrease) in realised capital resources	Note 1	(77)	(82)
Gains/(losses) on revaluation of fixed assets		13,631	(59,068)
Impairment losses on fixed assets due to general changes in prices		--	--
Total increase/(decrease) in unrealised value of fixed assets	Note 2	13,631	(59,068)
Value of assets sold, dispose of or decommissioned (note 3)	Note 3	(2,758)	(1,882)
Capital receipts set aside		2,478	2,287
Revenue resources set aside		(1,176)	(899)
Movement on Government Grants Deferred		651	1,057
Total increase/(decrease) in amounts set aside to finance capital investment	Note 4	1,953	2,445
TOTAL RECOGNISED GAINS AND LOSSES		13,741	(57,073)

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

1 MOVEMENT IN REALISED CAPITAL RESOURCES DURING 2002/03

	<i>Usable Capital Receipts</i>	<i>Unapplied Capital Grants and Contributions</i>
	£000	£000
Amounts receivable	952	--
Amounts applied to finance new capital investment	(1,029)	--
Total increase/(decrease) in realised capital resources	(77)	--
Balance brought forward at 1 April 2002	235	--
Balance carried forward at 31 March 2003	158	--

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 31st March 2003.

2 MOVEMENT IN UNREALISED VALUE OF FIXED ASSETS DURING 2002/03

	<i>Fixed Asset Restatement Reserve</i>
	£000
Gains/losses on revaluation of fixed assets	13,631
In year capital expenditure not resulting in valuation changes	--
Impairment losses on fixed assets due to general changes in prices	--
Total increase/(decrease) in unrealised capital resources	13,631

3 VALUE OF ASSETS SOLD, DECOMMISSIONED OR DISPOSED OF IN 2002/03

Amounts written off fixed asset balances for disposals in 2002/03	(2,758)
Total movement on reserve	10,873
Balance brought forward at 1 April 2002	51,898
Balance carried forward at 31 March 2003	62,771

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 1 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.

4 MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT DURING 2002/03

	<i>Capital Financing Reserve</i>	<i>Government Grants Deferred</i>	<i>Total</i>
	£000	£000	£000
Capital receipts set aside:			
- Reserved receipts	1,449		
- Usable receipts applied	1,029		
Less reduction in associated debtors	--		
Total net capital receipts set aside	2,478		2,478
Revenue resources set aside:			
- Capital expenditure financed from revenue	3,029		
- Reconciling amount for provisions for loan repayment	(4,205)		
Total revenue resources set aside	(1,176)		(1,176)
Grants applied to capital investment		1,460	
Less grants applied against deferred charges		(519)	
Less credits to the asset mgmt. revenue a/c		(290)	
Less transfer to Capital Finance Reserve	10,082	(10,082)	
Movement on government grants deferred	10,082	(9,431)	651
Total increase/(decrease) in amounts set aside to finance capital investment			1,953
Total movement on reserve	11,384	(9,431)	
Balance brought forward at 1 April 2002	27,405	18,944	
Balance carried forward at 31 March 2003	38,789	9,513	

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 31st March 2003 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. Previously, assets that were not depreciated and were grant funded, the grant funding was also not depreciated. In accordance with best

practice this has now changed and grant funding in relation to these assets is written off to the capital financing reserve.

5 EARMARKED RESERVES

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

	Balance as at 31/03/03 £ 000's
HRA Major Repairs Reserve	1,316
City Contract Services Reserves	227
Housing Revenue Account Reserves	750
Vehicle and Equipment Replacement	102
BEST Centre	110
Industrial Aid	115
Marsh Capital	48
Open Spaces	232
Capital Support	210
Building Regulations Reserve	57
Storm Damage	47
Other Minor Reserves	40
	3,254

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	2001/02		2002/03	
		£000	£000	£000	£000
Revenue Activities					
Cash Outflows					
Cash paid to and on behalf of employees		(18,167)		(19,233)	
Other operating cash payments		(45,278)		(36,370)	
Housing Benefit paid out		(22,192)		(24,401)	
Non-Domestic Rates payments to National Pool		(41,194)		(40,448)	
Precepts paid to the County		(35,386)		(38,530)	
TOTAL PAYMENTS			(162,217)		(158,982)
Cash inflows					
Rents (after rebates)		2,350		2,272	
Council Tax receipts		40,546		31,906	
NNDR receipts		41,604		44,383	
NNDR receipts from National Pool		5,190		5,532	
Revenue Support Grant		7,046		6,765	
DSS grants for benefits		20,671		21,592	
Other government grants		4,402		4,325	
Cash received for goods and services		8,052		8,374	
Other operating cash receipts / payments		22,040	151,901	36,254	161,403
NET CASH INFLOW FROM REVENUE ACTIVITY	1		(10,316)		2,421
Returns on Investments and Servicing of Finance					
Cash outflows : Interest paid		(3,484)		(3,182)	
Cash inflows : Interest received		1,875	(1,609)	618	(2,564)
Capital Activities					
Cash outflows : Purchase of fixed assets		(3,154)		(5,389)	
Other capital cash payments		(3,341)		(1,574)	
TOTAL PAYMENTS		(6,495)		(6,963)	
Cash inflows : Sale of fixed assets		2,209		2,401	
Capital grants received		2,217		1,918	
Other capital cash receipts		42		270	
TOTAL RECEIPTS		4,468		4,589	
NET CASH OUTFLOW FROM CAPITAL ACTIVITIES			(2,027)		(2,374)
NET CASH INFLOW/OUTFLOW(-) BEFORE FINANCING	5		(13,952)		(2,517)
Management of Liquid Resources					
Net increase / decrease in short term deposits			17,057		5,543
Financing					
Cash outflows					
Repayments of amounts borrowed		(7,252)		(3,525)	
Cash inflows					
New Loans Raised		4,000	(3,252)	0	(3,525)
NET CASH INFLOW/OUTFLOW(-)			13,805		2,018
INCREASE IN CASH AND CASH EQUIVALENTS			(147)		(499)

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.

	2001/02		2002/03	
	£000	£000	£000	£000
General Fund Surplus / (Deficit)		1,038		(6)
Housing Revenue Account Surplus / (Deficit)		(780)		226
Collection Fund Surplus / (Deficit)		(10)		(253)
ADD				
Provision for Debt Redemption	629		607	
Direct Revenue Financing of Capital Expenditure	1,407		3,029	
Contribution from / (to) Earmarked Provisions	(90)		(382)	
Contribution from / (to) Earmarked Reserves	2,691	4,637	772	4,026
Decrease / (Increase) in Debtors	424		(3,700)	
Decrease / (Increase) in Stocks	61		44	
Increase / (Decrease) in Creditors	(17,295)	(16,810)	(480)	(4,136)
ADD				
Financing items shown elsewhere - External Interest Paid	3,484		3,182	
Finance Lease Interest Paid				
Interest Received	(1,875)	1,609	(618)	2,564
Other Financing Adjustments	--			
Revenue Activities Net Cash Flow		(10,316)		2,421

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.

	2001/02	2002/03
	£000	£000
Revenue Support Grant	7,046	6,765
DSS Grants - Housing Benefits and Council Tax	20,671	21,592
Council Tax Collection		
Council Tax Preparation Grant		
Benefit Fraud Grant		
Benefit Administration Grant		
Housing Subsidy	4,402	4,325
	32,119	32,682

3 MOVEMENT IN LONG TERM BORROWING

	As at 31/03/02 £000	As at 31/03/03 £000	Movement in cash £000
Public Works Loans Board	49,222	46,614	2,608

4 MOVEMENT IN OTHER CURRENT ASSETS AND LIABILITIES

	As at 31/03/02 £000	As at 31/03/03 £000	Movement in Cash £000
Stocks and Work in Progress	524	480	(44)
Debtors	8,590	12,441	3,851
Creditors	(7,899)	(7,419)	480
TOTAL	1,215	5,502	4,287

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 2001/02 and the 2002/03 Consolidated Balance Sheets.

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

	As at 31/03/02 £000	As at 31/03/03 £000	Movement in Cash £000
Short Term Borrowing	(1,525)	(608)	917
Long Term Borrowing	(49,222)	(46,614)	2,608
Temporary Investments	11,543	6,000	(5,543)
Cash in Hand and at Bank	(1,072)	(1,571)	(499)
TOTAL	(40,276)	(42,793)	(2,517)

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 2003 the Council was responsible for 43 of these Trust Funds, the balances of which are shown below.

Revenue Accounts	Balance b/f 01/04/02 £	Income £	Expenditure £	Balance c/f 31/03/03 £
Bequests and Endowments				
(a) Council sole trustee				
Ashton Memorial	--	1,294	1,294	--
Williamson Park	--	1,914	1,914	--
Other	1,402	1,118	1,056	1,464
(b) Council not sole trustee	6,389	373	--	6,762
School etc. Prize Funds				
(a) Council sole trustee	16,506	888	65	17,329
(b) Council not sole trustee	1,323	67	--	1,390
TOTAL	25,620	5,654	4,329	26,945

	Fund Balances £	Cash and Fund Investments £
Bequests and Endowments		
(a) Council sole trustee		
Capital		
Ashton Memorial	15,602	
Williamson Park	18,343	
Other	13,955	1,962
Revenue	1,464	
Cash and Debtors		47,402
(b) Council not sole trustee		
Capital	2,045	
Revenue	6,763	2,040
Cash and Debtors		6,768
School etc. Prize Funds		
(a) Council sole trustee		
Capital	2,496	
Revenue	17,329	1,165
Cash		18,660
(b) Council not sole trustee		
Capital	358	
Revenue	1,390	
Cash and Debtors		1,748
TOTAL	79,745	79,745

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.