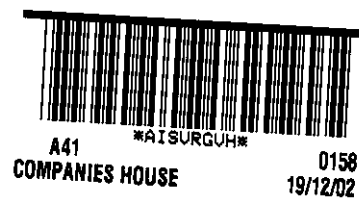


Company no 1792921
Charity no 515060

LOCAL SOLUTIONS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2002



LOCAL SOLUTIONS

FINANCIAL STATEMENTS

For the year ended 31 March 2002

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LOCAL SOLUTIONS

FINANCIAL STATEMENTS

For the year ended 31 March 2002

LEGAL AND ADMINISTRATIVE DETAILS

Local Solutions is a company limited by guarantee and a registered charity governed by its memorandum and articles of association. The directors of the charity are its trustees for the purposes of charity law and throughout this report are collectively referred to as the trustees.

Company registration number: 1792921

Charity registration number 515060

Registered office: Mount Vernon Green
Hall Lane
Liverpool
L7 8TF

Directors and trustees:	M A Ali	
	H J Dowell	- Vice Chairman
	J R Duggan	
	T Graham	
	B Hogan-Howe	- (resigned 11 July 2001)
	A T R Macfarlane	- Honorary Treasurer
	D A Mathieson	- Chairman
	S McGrath	
	G Russell	
	A Samuels	
	N Scales	
	M Tonge	- (appointed 19 September 2001)
	B H Wood	- Vice Chairman
	R White	

Secretary: M Pearson

Bankers: National Westminster Bank plc
22 Castle Street
Liverpool
L69 2BE

LOCAL SOLUTIONS

FINANCIAL STATEMENTS

For the year ended 31 March 2002

Solicitors: Brabners Chaffe Street
 1 Dale Street
 Liverpool
 L2 2ET

Mace & Jones
Drury House
19 Water Street
Liverpool
L2 ORP

Auditors: Grant Thornton
 1st Floor
 Royal Liver Building
 Liverpool
 L3 1PS

LOCAL SOLUTIONS

REPORT OF THE TRUSTEES

The trustees (who are directors of the charity for the purposes of the Companies Act) present their report together with financial statements for the year ended 31 March 2002.

Objectives and policies

The objects of the charity are set out in the Memorandum of Association. These are the promotion of charitable purposes in the fields of education, social welfare and recreation.

As we say in our mission statement we seek to improve the quality of life by challenging social and economic disadvantage. This we do by working closely with partners in the public, private and voluntary sectors.

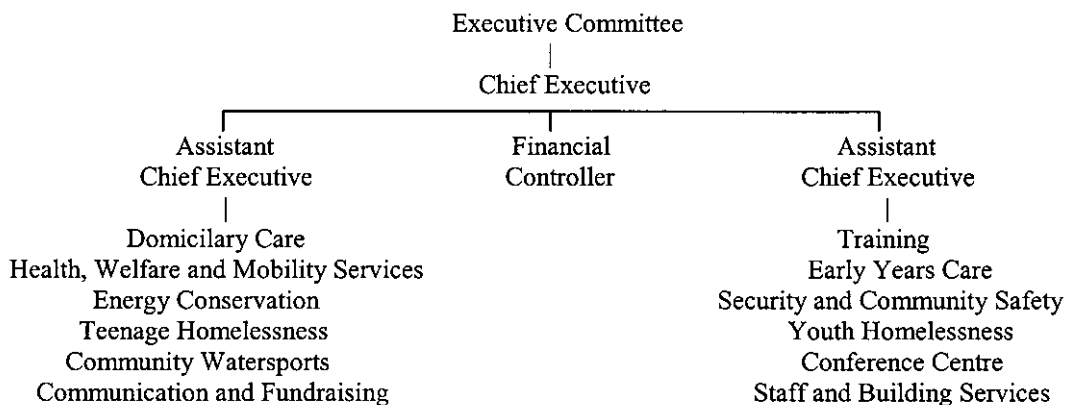
Organisation

The Executive Committee, who are directors for the purpose of company law and trustees for the purpose of charity law, are listed in the legal and administrative details on page 1. Within the Committee there is a wide range of expertise and experience.

The Committee meets between six and eight times a year. Where appropriate sub-committees or working parties are formed to address specific topics. Matters arising between meetings are referred to the officers for appropriate attention.

A Chief Executive is appointed by the Executive Committee to manage the day-to-day operations of the charity.

The organisation structure is represented by the following chart:



Risk Management

The Executive Committee are aware of their responsibilities regarding risk management and to that end have established a working party involving both the Committee and Senior Management. Work is now taking place regarding profiling risks, examining controls already in place and looking at what new controls should be considered.

Trustees

The trustees who served on the Board throughout the year unless otherwise stated are listed on page 1.

LOCAL SOLUTIONS

REPORT OF THE TRUSTEES

Review of the year

The year has been one of significant progress. Not only have we seen continuing growth in the volume of the services we deliver, but we have also seen ongoing development in the quality of those services as evidenced by the reports we receive from reviewing bodies.

One of the most significant movements during the year was when Local Solutions won an "Inner City 100" Award. Initiated by the New Economics Foundation, this prestigious award is presented to the top 100 'fast growing' companies in inner cities as recognition of their success in generating wealth, employment and regeneration in such under-invested areas. It was good to be reminded of the significant economic contribution we have made and continue to make in our area.

Training

That contribution is exemplified on an individual level by the work of our Training Division providing lifelong learning opportunities for its clients. Although at the end of the year we were disappointed to lose our Welfare to Work New Deal Voluntary Sector Option contract in Liverpool, other areas of our work, particularly in the Disability Training Initiatives have shown significant expansion. One particularly exciting new development has been a Dyslexia Project involving screening and assisting those affected by dyslexia.

Within the Sports Development Unit of our Training Division we have opened pathways for hundreds of young people wishing to pursue a career in the sports and leisure industry through training programmes leading to National Vocational Qualifications. It has also provided a range of personal, social development and team building activities through the Mobex unit's delivery of a variety of sports, outdoor pursuits and other activities.

Early Years Care

During the year we saw significant growth in our work in the Early Years Sector. Our established nursery facilities in Mount Vernon Green and at the Liverpool University Children's Centre continued their excellent work. However, in addition to this we have seen significant developments in Knowsley where we are now managing two new Educare Centres.

Homelessness

Our work in accommodating and supporting the young homeless continued through our Homeground and Merseyside Accommodation Projects. With the Homeground hostel in Liverpool, we have undertaken considerable refurbishment work to improve the quality of the accommodation we provide for our clients. The Merseyside Accommodation Project is now establishing its work in St Helens in addition to relocating to new premises in both Wirral and Sefton. During the year the Knowsley office has started a support service for young offenders in partnership with the local Youth Offending Team.

Health, Welfare and Mobility Services

For twenty-one years now the Disablement Resource Unit has been working to promote health, well being and dignity for people experiencing disabilities and social exclusion. During the year, the project has continued many well established activities such as our Welfare Rights Advice Team; entered new partnerships with, for example, the Kensington Winter Survival Project; expanded areas of work such as its Mental Health Carers Project in Knowsley; and started new activities such as the Carers Information Point at the Royal Liverpool University Hospital.

Domiciliary Care

In recognition of its high quality care provision, the Homecare project has been awarded three block contracts to deliver care packages to vulnerable people in Liverpool, Sefton and St Helens. With these contracts comes a commitment to develop and improve information systems and enhance the training given to Homecare's staff. As a follow on from the success of the 'Supported Living Scheme' in Knowsley in integrating vulnerable people back into the community, we are now running a similar pilot scheme on the Wirral.

LOCAL SOLUTIONS

REPORT OF THE TRUSTEES

Security, Community Safety and Energy Conservation

Our interest in home security and energy conservation is represented by our "Safe and Warm" and "Safe and Sound" initiatives. The "Safe and Warm" initiative operated by the Keep Warm division combines a wide range of energy efficiency and security measures. We have also recently taken steps to further develop the project's work within the homes of disadvantaged people. Our other crime prevention activities have included the Safer Terraces Alleygating project now covering some 40,000 properties in Liverpool and the Target-Hardening scheme run in conjunction with the Safer Merseyside Partnership.

Conference Centre

At our Mount Vernon Green headquarters, the Northern Conference Centre continues to provide excellent conference facilities for a long list of clients from both the statutory and voluntary sectors. During the year we have taken the opportunity to upgrade the amenities and facilities for disabled visitors and users of that facility.

Community Watersports

Our work providing leisure facilities for the disadvantaged and disabled, is based on the Merseysport project which continues to operate from the purpose-built watersports centre based at Liverpool's Queens Dock. Here a range of watersport activities including sailing, canoeing and windsurfing are available.

Conclusions

All of these activities have only been possible because of the wonderful support we have received from staff, volunteers and other supporters, and the organisation can look back on a year of successful outcomes and achievement in all of its charitable activities.

The operating activities of the subsidiary company, MCVS Educational Services Limited, have ceased in the year.

Looking to the future, we intend to continue our work to improve the quality of life for our clients, whilst being conscious of the need to ensure the financial stability of the organisation.

Financial review

Income and expenditure

Total income increased by 15.1% from £8.71m in 2000/01 to £10.03m in 2001/02. The main source of the increase was Project Income, including European Social Funding, up by £1.53m. The demand for Homecare services continued to realise substantial growth. The New Hutte Educare Centre became fully established during the year which also saw the development of the Overdale Educare Centre in readiness for its opening in April 2002. Income from Training Services increased from £2.01m to £2.69m and income from Child Care nursery projects increased from £358k to £664k. Income from donations fell by £160k reflecting the increased competition for the funds available.

There was a corresponding increase in expenditure (up by £1.30m) which mainly resulted from increased project activity culminating in higher salary costs. The growth in employee numbers and salary costs is summarised in note 4 to the accounts.

A surplus of income over expenditure of £198,230 was achieved (2000/01: £189,579).

Balance sheet

The increase in fixed assets represents continued investment in fixtures, fittings and equipment together with the replacement of vehicles. There were no additions to freehold properties and no leasehold improvements in the period.

The company's liquidity has been stretched largely as a result of a substantial increase in debtors arising during the year. Increased effort and focus is being made to address the debtor situation and to reduce the overall investment in working capital.

LOCAL SOLUTIONS

REPORT OF THE TRUSTEES

Reserves policy

It is the policy of the charity to hold reserves in its unrestricted funds, in order to establish an appropriate level of working capital and to protect the future operations of the charity from the effects of any unforeseen variations in its income streams as part of a policy of good financial management practice. The Trustees have established a contingency fund out of these reserves after undertaking an assessment of the charity's needs, and based upon the likely costs associated with a material reduction in the income stream of the charity. They have considered the staff costs in terms of notice and redundancy together with commitments in respect of other expenditure. The aim is to build up a contingency fund of £900k, based on current operating levels, and to that end £100k (2001: £180k) has been transferred from the surplus for the year creating a balance at 31 March 2002 of £600k (2001: £500k). This leaves reserves of £485k, of which £464k is currently invested in fixed assets, to be used in the furtherance of the charity's objectives.

Funding

The Trustees are satisfied that the charity's assets attributable to each of its individual funds are available and adequate to fulfil its obligations in relation to those funds.

Trustees' responsibilities for the financial statements

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of financial activities of the charitable company and its subsidiaries during the year and of their financial position at the end of the year. In preparing those financial statements, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charitable company and its subsidiaries and which enable them to ascertain their financial position and to ensure that the financial statements comply with the Companies Act 1985, the Charities Act 1993 and regulations thereunder. They are also responsible for safeguarding the assets of the charitable company and its subsidiaries and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Status

The company is a registered charity (number 515060).

The company is limited by guarantee and permission has been obtained from the Registrar of Companies to dispense with the use of the word "Limited".

LOCAL SOLUTIONS

REPORT OF THE TRUSTEES

Disabled employees and employee involvement

Local Solutions operates a policy of equal opportunities regardless of sex, sexual orientation, race, colour, nationality, religion, ethnic or national origins, disability or marital status, in respect of the people to whom it provides a service, its salaried staff and voluntary workers, job applicants for both salaried and voluntary posts, members of its Executive Committee and subsidiary committees.

Local Solutions is much aware of the needs of disabled people and reviews ways in which practical assistance can be given by alteration to work sites. Care is taken to ascertain from new disabled employees, or from employees who may develop disabilities, what assistance they may require to enable them to fulfil their duties. Because of Local Solutions' commitment to disabled people, all Local Solutions' advertisements for staff are eligible to carry the words "Local Solutions is working towards being an equal opportunities employer".

Local Solutions Investor in People (IiP) status was achieved in June 1997 and successfully re-assessed in December 2000. The IiP standard is one an organisation has to keep striving for, and Local Solutions is confident that its staff will continue to rise to the challenge.

Employees are encouraged to participate actively in the running of Local Solutions via project, divisional and other special interest meetings. A communications group helps to ensure that information is made available to employees, and a regular newsletter is produced.

Local Solutions is committed to providing appropriate training, career development and promotion opportunities for all its employees.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE TRUSTEES



Chairman
18 September 2002

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LOCAL SOLUTIONS

We have audited the financial statements of Local Solutions for the year ended 31 March 2002 which comprise the principal accounting policies, the statement of financial activities, summary income and expenditure account, the balance sheet, the cash flow statement and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the trustees and auditors

The trustees, who are directors of the charity for the purposes of company law, are responsible for preparing the trustees' report and the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the company is not disclosed.

We read other information contained in the trustees' report, and consider whether it is consistent with the audited financial statements. This other information comprises only the trustees' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LOCAL SOLUTIONS**

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 March 2002 and of its incoming resources and application of resources, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

**LIVERPOOL
18 September 2002**

LOCAL SOLUTIONS

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and follow the recommendations in the Statement of Recommended Practice: Accounting by Charities (the SORP) issued in October 2000. They have been prepared under the historical cost convention except that certain freehold and leasehold properties are shown at their revalued amounts.

The company is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiary, it qualifies as a medium-size group under S248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

INCOMING RESOURCES

Donations and gifts

All monetary donations and gifts are included in full in the statement of financial activities when receivable, provided that there are no donor-imposed restrictions as to the timing of the related expenditure, in which case recognition is deferred until the pre-condition has been met.

Legacies are included when the charity is advised by the personal representative of an estate that payment will be made and the amount involved can be quantified. They are included in the statement of financial activities.

Gifts-in-kind are accounted for at the trustees' estimate of value to the charity or sale value as follows:

- assets received for distribution by the charity are recognised only when distributed
- assets received for resale are recognised, where practicable, when receivable or otherwise when sold
- gifts of fixed assets for charity use or funds for acquiring fixed assets for charity use are accounted for (as restricted funds) immediately on receipt.

Intangible income, which comprises donated services, is included in income at a valuation which is an estimate of the financial cost borne by the donor where such a cost is quantifiable and measurable. An equivalent amount is charged as expenditure. No income is recognised when there is no financial cost borne by a third party. Voluntary help is not included as income.

Donations under Gift Aid together with the associated income tax recoveries are credited as income when the donations are received.

Grants receivable

Revenue grants are credited as incoming resources when they are receivable provided conditions for receipt have been complied with, unless they relate to a specified future year, in which case they are deferred.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

LOCAL SOLUTIONS

PRINCIPAL ACCOUNTING POLICIES

RESOURCES EXPENDED

Expenditure, which is charged on an accruals basis, is allocated between:

- expenditure incurred directly to the fulfilment of the charity's objectives (direct charitable);
- expenditure incurred directly in the effort to raise voluntary contributions (fundraising and publicity);
- and
- expenditure incurred in the management and administration of the charity.

FUND ACCOUNTING

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund, together with a fair allocation of overheads and support costs.

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of the charity.

Designated funds are unrestricted funds which have been designated for specific purposes by the Trustees.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

All items of capital expenditure incurred prior to 1 April 1990, whether purchased or donated, were charged against income in the year in which they were acquired. Subsequent to 1 April 1990 the company has capitalised all individual items of fixed assets in excess of £1,000 acquired after that date.

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Freehold properties	2% on valuation
Leasehold improvements	Remaining life of leases
Motor vehicles	25% on cost
Fixtures, fittings and equipment	25% on cost

ASSET RESERVE

Where donors specify that their donation is for a restricted purpose, income received from donors for the purchase of fixed assets is transferred from the income and expenditure account to the asset reserve. The income is released to the income and expenditure account on the same basis as the depreciation charge, and is included in grants and donations. The asset reserve is a restricted fund.

STOCK

Stock is stated at the lower of cost and net realisable value.

VALUE ADDED TAX

The company is partially exempt from VAT and all irrecoverable VAT is shown in direct charitable expenditure.

LOCAL SOLUTIONS

PRINCIPAL ACCOUNTING POLICIES

RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The pension costs charged against the operating surplus are the contributions payable to the scheme in respect of the accounting year.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of financial activities over the year of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of financial activities on a straight line basis over the lease term.

LOCAL SOLUTIONS

SUMMARY INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2002

	Not	Unrestricted Funds £	Restricted Funds £	Total 2002 £	Total 2001 £
Income					
Incoming resources	1				
Donations and gifts		59,619	334,488	394,107	556,045
Less: Deferred income		(16,668)	(142,493)	(159,161)	(170,830)
Project income		8,412,642	840,953	9,253,595	7,683,165
Less: Deferred income		(105,384)	(90,271)	(195,655)	(178,656)
European social funding		-	730,238	730,238	773,743
Lottery funding		-	-	-	43,399
Investment income		2,983	-	2,983	7,615
Total incoming resources		<u>8,353,192</u>	<u>1,672,915</u>	<u>10,026,107</u>	<u>8,714,481</u>
Expenditure					
Resources expended	2				
Direct charitable expenditure		7,946,412	1,611,374	9,557,786	8,261,153
Fund raising and publicity		39,628	-	39,628	35,835
Management and administration		192,547	37,916	230,463	227,914
Total resources expended		<u>8,178,587</u>	<u>1,649,290</u>	<u>9,827,877</u>	<u>8,524,902</u>
Net incoming resources for the year		174,605	23,625	198,230	189,579
Total funds brought forward at 1 April 2001		910,016	49,239	959,255	769,676
Total funds carried forward at 31 March 2002	12	<u>1,084,621</u>	<u>72,864</u>	<u>1,157,485</u>	<u>959,255</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

LOCAL SOLUTIONS

SUMMARY INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2002

	Note	2002 £	2001 £
Total income	1	10,026,107	8,714,481
Total expenditure	2	<u>(9,827,877)</u>	<u>(8,524,902)</u>
Net income for the year before transfer to contingency fund		198,230	189,579
Transfer to contingency fund	13	(100,000)	(180,000)
Net income for the year		<u>98,230</u>	<u>9,579</u>

Total income is from charitable activities and comprises £8,353,192 for unrestricted funds and £1,672,915 for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities.

Detailed analyses of expenditure are provided in the statement of financial activities and Note 2.

Net income before investment asset disposals for the year of £198,230 comprises £174,605 net income of unrestricted funds and £23,625 net income of restricted funds, as shown in the statement of financial activities.

The summary income and expenditure account is derived from the statement of financial activities on page 13 which, together with the notes on pages 17 to 24, provides full information on the movements during the year on all the funds of the charity.

The accompanying accounting policies and notes form an integral part of these financial statements.

LOCAL SOLUTIONS

BALANCE SHEET AT 31 MARCH 2002

	Note	£	2002 £	£	2001 £
Fixed assets					
Tangible assets	7		463,207		410,402
Investments	8		<u>1,000</u>		<u>1,000</u>
			464,207		411,402
Current assets					
Stock	9	31,113		19,527	
Debtors	10	2,065,812		1,428,154	
Cash at bank and in hand		<u>50,327</u>		<u>300,995</u>	
		2,147,252		1,748,676	
Creditors: amounts falling due within one year	11	<u>1,453,974</u>		<u>1,200,823</u>	
Net current assets			693,278		547,853
Net assets			<u>1,157,485</u>		<u>959,255</u>
Funds					
Restricted	12		72,864		49,239
Unrestricted	13		<u>1,084,621</u>		<u>910,016</u>
			<u>1,157,485</u>		<u>959,255</u>

The financial statements were approved by the Board of Trustees on 18 September 2002



Trustee – Chairman



Trustee – Honorary Treasurer

The accompanying accounting policies and notes form an integral part of these financial statements.

LOCAL SOLUTIONS

CASH FLOW STATEMENT

For the year ended 31 March 2002

	Note	2002 £	2001 £
Net cash (outflow)/inflow from operating activities	15	(258,894)	193,172
Returns of investments and servicing of finance			
Interest received		2,983	7,615
Interest paid		<u>(4,858)</u>	<u>(834)</u>
Net cash (outflow)/inflow from returns on investments and servicing of finance		(1,875)	6,781
Acquisitions and disposals			
Purchase of ordinary shares in subsidiary		-	(501)
Capital expenditure			
Purchase of tangible fixed assets		(138,505)	(113,761)
Sale of tangible fixed assets		<u>450</u>	<u>3,623</u>
Net cash outflow from capital expenditure		(138,055)	(110,138)
(Decrease)/increase in cash	16	<u>(398,824)</u>	<u>89,314</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

1 ANALYSIS OF INCOMING RESOURCES

	2002 £	2001 £
Donations deferred at 1 April 2001	170,830	159,824
Donations receivable in the year	223,277	396,221
Credit for the year	(234,946)	(385,215)
Donations deferred at 31 March 2002	<u>159,161</u>	<u>170,830</u>

	£	£
Project income deferred at 1 April 2001	178,656	148,304
Project income receivable in the year	9,805,177	8,308,604
Credit for the year	(9,788,178)	(8,278,252)
Project income deferred at 31 March 2002	<u>195,655</u>	<u>178,656</u>

Analysis of income	£	£
European Social Funding	730,238	773,743
Other project income for charitable services provided	<u>9,057,940</u>	<u>7,504,509</u>
Total project income for charitable services provided	9,788,178	8,278,252
Donations	234,946	385,215
National Lottery Charity Board	-	43,399
Investment income	<u>2,983</u>	<u>6,615</u>
	<u>10,026,107</u>	<u>8,714,481</u>

Project income is analysed by projects as follows:

	£	£
Training	2,688,290	2,017,581
Domiciliary care	2,913,807	2,387,749
Early Years Care	664,067	358,505
Health, Welfare and mobility services	703,057	534,702
Security and energy conservation	1,141,001	1,082,113
Supporting young homeless	1,267,664	998,582
Other services	<u>410,292</u>	<u>899,020</u>
	<u>9,788,178</u>	<u>8,278,252</u>

Investment income comprises income from:

	£	£
Bank deposits	<u>2,983</u>	<u>7,615</u>

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

2 ANALYSIS OF RESOURCES EXPENDED

	Staff costs £	Depreciation £	Other £	Total 2002 £	Total 2001 £
Charitable expenditure					
Provision of services	6,009,754	85,700	3,390,352	9,485,806	8,191,153
Support costs	50,210	-	21,770	71,980	70,000
Management and administration	125,000	-	105,463	230,463	227,914
	<u>6,184,964</u>	<u>85,700</u>	<u>3,517,585</u>	<u>9,788,249</u>	<u>8,489,067</u>
Cost of generating funds					
Fundraising and publicity	20,401	-	19,227	39,628	35,835
Total	<u>6,205,365</u>	<u>85,700</u>	<u>3,536,812</u>	<u>9,827,877</u>	<u>8,524,902</u>

Support costs are the costs of central services not included within Management and Administration and Fundraising and Publicity. They include costs of training, operational management, and the finance and payroll functions.

Management and administration relates to the costs of organisational administration and compliance with statutory requirements.

Total resources expended include:

	2002 £	2001 £
Auditors remuneration:		
Audit services	14,000	14,000
Non-audit services	4,770	6,085
Depreciation and amortisation:		
Tangible fixed assets, owned	85,700	82,272
Operating leases		
Hire of plant and equipment	36,313	73,146
Pension costs	<u>92,900</u>	<u>65,263</u>

3 NET INTEREST PAYABLE

	2002 £	2001 £
On bank overdraft	4,858	834
Other interest receivable and similar income	<u>(2,983)</u>	<u>(7,615)</u>
	<u>1,875</u>	<u>(6,781)</u>

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4 EMPLOYEES

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	5,708,705	4,478,846
Social security costs	403,760	332,996
Other pension costs	92,900	65,263
	<u>6,205,365</u>	<u>4,877,105</u>

The average number of employees during the year was 420 (2001: 353).

	2002 Number	2001 Number
Project staff	414	346
Fund raising and publicity	1	1
Management and administration of the charity	5	6
	<u>420</u>	<u>353</u>

The emoluments of higher-paid employees fell within the following ranges:

	2002 Number	2001 Number
£50,001 to £60,000	<u>1</u>	<u>1</u>

During the year the following amounts were paid to higher paid employees as shown above:

	2002 £	2001 £
Pension contributions to money purchase schemes	<u>3,330</u>	<u>3,246</u>

During the year, the higher paid employee (2001: one higher paid employee) participated in a money purchase pension scheme.

5 PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

No trustee or person with a family or business connection with a trustee received remuneration in the year, directly or indirectly, from either the charity or an institution or company controlled by the charity. No expenses were reimbursed to the trustees during the year.

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

6 CHANGES IN RESOURCES AVAILABLE FOR CHARITY USE

	Unrestricted Funds £	Restricted Funds £	Total 2002 £	Total 2001 £
Net movement in funds for the year	174,605	23,625	198,230	189,579
Net increase in tangible fixed assets:				
For direct charitable purposes	(11,805)	(44,000)	(52,805)	(70,652)
Net movement in funds available for future activities	<u>162,800</u>	<u>(20,375)</u>	<u>145,425</u>	<u>118,927</u>

7 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold improvements £	Motor vehicles £	Fixtures fittings and equipment £	Total £
Cost or valuation					
At 1 April 2001	170,000	146,989	205,510	222,995	745,494
Additions	-	-	22,700	115,805	138,505
Disposals	-	-	(20,375)	-	(20,375)
At 31 March 2002	<u>170,000</u>	<u>146,989</u>	<u>207,835</u>	<u>338,800</u>	<u>863,624</u>
Depreciation					
At 1 April 2001	4,800	76,030	155,289	98,973	335,092
Provided in the year	3,400	10,353	28,707	43,240	85,700
Eliminated on disposals	-	-	(20,375)	-	(20,375)
At 31 March 2002	<u>8,200</u>	<u>86,383</u>	<u>163,621</u>	<u>142,213</u>	<u>400,417</u>
Net book amount at 31 March 2002	<u>161,800</u>	<u>60,606</u>	<u>44,214</u>	<u>196,587</u>	<u>463,207</u>
Net book amount at 31 March 2001	<u>165,200</u>	<u>70,959</u>	<u>50,221</u>	<u>124,022</u>	<u>410,402</u>

All tangible fixed assets were used for charitable purposes.

The figures stated above for cost or valuation include a valuation as follows:

	Freehold land and buildings	
	2002	2001
	£	£
At cost	3,404	3,404
At valuation	166,596	166,596
	<u>170,000</u>	<u>170,000</u>

The freehold land and buildings were valued on 10 February 1999 by Messrs Thompson & Moulton, Chartered Surveyors, Liverpool. The basis of the valuation used was open market value. In accordance with FRS 15 the trustees have adopted the revalued amount of freehold land and buildings as the surrogate cost and will not be formally revaluing the charity's freehold land and buildings on a regular basis in the future.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

8 FIXED ASSET INVESTMENTS

At 31 March 2002 the charity held more than 20% or more of the allocated share capital of MCVS Educational Services Limited, a company incorporated in England and Wales. At 31 March 2002 the aggregate capital and reserves was £1,000 (2001: £1,000) and the profit for the financial year was £Nil. (2001: £Nil). The accounting reference date of the subsidiary company is 31 July.

Group accounts have not been prepared as the group is medium-sized as defined by S248 of the Companies Act 1985.

9 STOCK

	2002 £	2001 £
Materials	<u>31,113</u>	<u>19,527</u>

10 DEBTORS

	2002 £	2001 £
Accrued income	706,243	801,881
Operating debtors	1,253,970	498,257
Amounts due from subsidiary company	13,000	39,837
Other debtors	10,739	17,285
Prepayments	81,860	70,894
	<u>2,065,812</u>	<u>1,428,154</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank overdraft	148,156	-
Operating creditors	239,016	216,254
Social security and other taxes	228,635	199,497
Accruals	417,351	382,750
Deferred income	420,816	402,322
	<u>1,453,974</u>	<u>1,200,823</u>

The bank overdraft is secured.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

12 RESTRICTED FUNDS

	Total £
At 1 April 2001	49,239
Additions	44,000
Depreciation	(20,375)
At 31 March 2002	<u>72,864</u>

The restricted fund represents the company's donated asset reserve. All assets in the restricted fund are used for charitable purposes within projects as specified by the donor.

13 UNRESTRICTED FUNDS

	Main fund £	Contingency fund £	Total £
At 1 April 2001	410,016	500,000	910,016
Incoming resources	8,253,192	100,000	8,353,192
Expenditure	(8,178,587)	-	(8,178,587)
At 31 March 2002	<u>484,621</u>	<u>600,000</u>	<u>1,084,621</u>

The contingency fund has been set up to protect the charity in the event of unforeseen variations in its income streams.

14 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total £
Tangible fixed assets	390,343	72,864	463,207
Investment	1,000	-	1,000
Current assets	2,147,252	-	2,147,252
Current liabilities	(1,453,974)	-	(1,453,974)
	<u>1,084,621</u>	<u>72,864</u>	<u>1,157,485</u>

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

15 RECONCILIATION OF CHANGES IN RESOURCES TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2002 £	2001 £
Net incoming resources	198,230	189,579
Depreciation	85,700	82,272
Surplus on sale of tangible fixed assets	(450)	(3,616)
(Decrease)/increase in stock	(11,587)	11,022
Increase in debtors	(637,658)	(240,993)
Increase in creditors	104,995	200,859
Donation of tangible fixed assets (after depreciation)	-	(39,170)
Net interest (paid)/received	1,875	(6,781)
Net cash (outflow)/inflow from operating activities	<u>(258,894)</u>	<u>193,172</u>

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
(Decrease)/increase in cash in the year	(398,824)	89,314
Net funds at 1 April 2001	<u>300,995</u>	<u>211,681</u>
Net funds at 31 March 2002	<u>(97,829)</u>	<u>300,995</u>

17 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2001 £	Cash flows £	At 31 March 2002 £
Cash at bank and in hand	300,995	(250,668)	50,327
Overdraft	-	(148,156)	(148,156)
	<u>300,995</u>	<u>(398,824)</u>	<u>(97,829)</u>

18 CAPITAL COMMITMENTS

	2002 £	2001 £
Contracted for but not provided in these financial statements	<u>35,134</u>	<u>-</u>

19 CONTINGENT LIABILITIES

The amount set aside in the Contingency Fund which forms part of the total Unrestricted Funds, is to meet expected expenditure on possible commitments and contingencies, in accordance with the company's reserves policy.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

20 RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

21 LEASING COMMITMENTS

Operating lease payments amounting to £111,995 (2001: £93,515) are due within one year. The leases to which these amounts relate expire as follows:

	Leasehold properties 2002 £	Leasehold properties 2001 £
In one year or less	29,380	-
Between one and five years	31,865	42,765
In five years or more	50,750	50,750
	<u>111,995</u>	<u>93,515</u>

22 TRANSACTIONS WITH TRUSTEES AND OTHER RELATED PARTIES

M Pearson, Chief Executive of the company and P Devlin, an Assistant Chief Executive of the company, are Directors of the subsidiary company, MCVS Educational Services Limited.

Local Solutions received from MCVS Educational Services Limited an amount of £1,885 (2001: £54,286) to cover the operating costs of that company for the year.

At 31 March 2002 the subsidiary company owed the company £13,000 (2001: £39,837).