

1792921
Charity no 515060



LOCAL SOLUTIONS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2003

LOCAL SOLUTIONS

FINANCIAL STATEMENTS

For the year ended 31 March 2003

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For the year ended 31 March 2003

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 Akbar Ali	- resigned 13.5.2003
	Herbert J Dowell	- resigned 7.11.2002
	J Ross Duggan	
	Thomas Graham	
	Mumin Khan	- appointed 18.3.2003
	A T Robert Macfarlane	- Treasurer
	David A Mathieson	- Chairman
	Shelagh McGrath	
	Geoffrey Russell	
	Anita Samuels	
	Neil Scales	
	Michael Tonge	- appointed 19.9.2002
	Barbara H Wood	- Vice Chairman
	Richard M White	

Secretary: M Pearson

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

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For the year ended 31 March 2003

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 2003.

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.

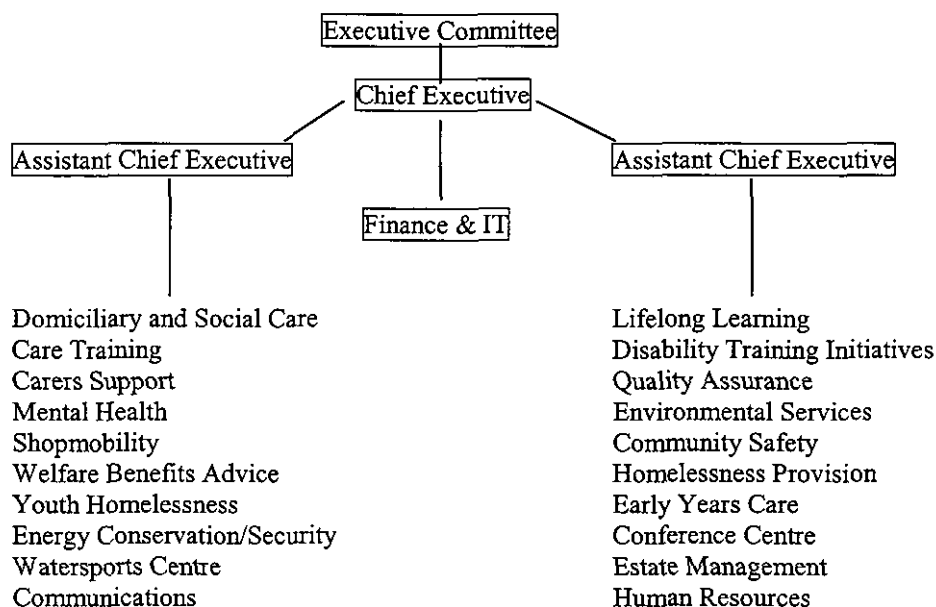
Organisation

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.

The Committee meets between six and eight times a year. Where appropriate sub-committees or working parties are formed to address specific matters. Within the Committee there is a wide range of expertise and experience.

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

The following chart represents the organisation's structure:



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

During the year a comprehensive risk profiling exercise has been undertaken and a risk register prepared. This examines areas including the governance and management of the organisation, operational and financial risks, environmental and external factors and compliance risks. We noted particularly the risks regarding cash flow and employment issues. Existing controls have been examined and consideration is being given to areas when new or improved control should be installed. The document is now being shared more widely within the company.

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REPORT OF THE TRUSTEES

Trustees

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

Review of the year

Once again the year has seen a significant increase in the volume and range of services provided by Local Solutions. We are pleased that the effort we put into ensuring that all our services are of a high quality seems to be bearing fruit. This was evidenced by the high levels achieved in the reports we received from the various reviewing bodies covering a wide range of our activities.

The financial outcome, a deficit of £267k, was disappointing and this is dealt with more fully in the financial section of this report.

Domiciliary and Social Care

There was a very significant increase in this area of our activities with turnover up some 60% compared with the previous year. We continue to give support in the community to vulnerable adults, young children and people with mental health needs and those with learning disabilities. Our aim is to enhance the self worth and confidence of our clients both within their own homes and the community.

In last year's report we referred to our commitment to develop and improve information systems. This has proved to be a significant challenge during the year but the staff involved have applied themselves to the problems and since the year end good progress has been made.

Care Training

Now recognised as a separate unit Care Training provides training to National Vocational Qualification standard in Adult Care. This training is delivered both to external candidates and our own domiciliary care staff. We have established an induction training programme in line with the National Care Standard Commission requirements in which over 200 of our staff took part during the year.

Carers' Support

Caring for a family member or friend who is ill or disabled can be stressful and have a detrimental effect on the health of the person who is the carer. With that in mind we see support and advice for this section of the community as vitally important.

We now have some 2,000 carers on our database whom we provide with a range of information dealing with matters such as welfare benefits and respite care.

A notable development was the establishment of a home from hospital support service. This compliments the Carers Information Points established at the Royal Liverpool and Broad Green hospitals. Both services provide information and support to the carers of hospitalised or recently discharged people.

Mental Health

We continue our involvement with the Patients' Council at Broad Oak in Liverpool. It is through the Council that patients are enabled to raise matters of concern with the hospital.

Another important part of our work is our Mental Health Carers Project in Knowsley which provides support to those carers who are looking after somebody with a severe and enduring mental illness. Direct one-to-one support is provided at times of crisis, with four carers' support groups operating across the borough. This gives carers the opportunity to talk to others who are experiencing the same stresses as themselves due to looking after someone with a mental health problem.

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REPORT OF THE TRUSTEES

Shopmobility

Shopmobility and its associated Travel Companions service are located in the Clayton Square Shopping Centre in Liverpool. These schemes enable people with mobility restrictions to broaden their horizons by providing them with the use of wheelchairs, scooters and volunteer assistance.

We are very grateful for the support we receive from our partners in these schemes, Liverpool City Council, Merseyside Health Action Zone and Merseytravel.

During the year we facilitated some 1,300 Shopmobility trips and 9,000 Travel Companion accompanied journeys.

Welfare Benefits Advice

Our Advice Team dealt with about 6,000 enquiries during the year and were able to obtain approximately £2m in benefits for our clients, many of whom came from disadvantaged areas of Liverpool.

Recently we obtained funding from two charitable foundations which will enable us to employ a Home Visiting Officer so enabling us to service an increasing number of enquiries from housebound clients.

Weekly advice sessions continued in the Liverpool 8 area to meet the needs of individuals from black and minority ethnic communities. Clients received support and advice from our specialist team member who have multi-lingual skills to overcome language barriers. Sessions were held in various community centres and those receiving help came from many cultural backgrounds.

Youth Homelessness

We continue to operate our Merseyside Accommodation Project from our bases in Liverpool, Knowsley (from where we also service St. Helens), Sefton and Wirral.

During the year 180 homeless teenagers were provided with accommodation and much needed advice and support.

A most significant development in the year was the advent of the Supporting People Act which became effective from April 2003. This has had a profound impact on all Supported Lodging Schemes across the United Kingdom. Prior to the new legislation clients could only claim Housing Benefit for the board and lodgings. This meant that support charges had to be incorporated within the rent. This did not reflect the true cost of support and was confusing. The support is now clearly defined and funded through 'Supporting People' which should enable us to improve the service we provide.

Energy Conservation/Security

We have continued our work of the last 18 years tackling fuel poverty through the installation of home energy efficiency measures under the national Warm Front Scheme. Unfortunately the volume of work available to us in this area was significantly reduced from the previous year.

During the year the project formed a strong partnership with Liverpool City Council through the Staying Put Scheme. Funded through the Neighbourhood Renewal Fund, the scheme enables disabled or elderly people to have basic modifications fitted to their house, e.g. hand rails, steps, etc, providing a valuable contribution to their quality of life.

Watersports Centre

The Centre provides affordable watersports activities for thousands of service users including the disabled, the unemployed, children from inner city schools and other disadvantaged groups.

We are pleased to have been awarded two substantial grants which will help to ensure the sustainability of this invaluable community resource for the next two years.

Liverpool's year as European Capital of Culture in 2008 will result in their being many water spectacles on the river and we expect to be involved in a number of events over the years.

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REPORT OF THE TRUSTEES

Communications

Our small but busy Communications Department is responsible for our public relations and fundraising activities.

Lifelong Learning

Lifelong learning is a long established area of our activities. We seek to provide vocational life building courses that improve skills and broaden career prospects. Trainees are guided through an assessment process and afforded a varied range of courses suited to their particular aspirations and needs. In many cases learners have been able to take up further education and employment.

In our report last year we referred to our newly developing Dyslexia Unit. This has enjoyed a successful first year with significant funding from the KPMG Foundation. The unit has played a significant role in helping young people on our programmes who suffer from dyslexia overcome their problems.

We continue to operate a significant Horticulture project which amongst other things operates a scheme funded through the Neighbourhood Renewal Fund and Environmental Task Force to provide training to improve the environment in some of the most disadvantaged areas of Merseyside.

The Sports Development Unit continues to train in land-based sports and outdoor pursuits. This year the foundation and Advanced Modern Apprenticeships have proved popular with young people giving them an insight into sports professions together with practical work experience.

Disability Training Initiatives

These initiatives operate to assist people with disabilities back into the workplace. This is achieved through a range of support and guidance from trained staff to help clients to explore their full employment potential.

We have worked closely with the job broking service, Jobcentre Plus, for a number of years. We have recently secured a new contract for our New Deal for Disabled People programme to deliver training and advice to clients in Cheshire. Our Ability First contract has been extended for a further two years.

We are pleased that we have recently been able to secure funding from the European Social Fund for some of our Disability Training Initiatives.

Quality Assurance

The work of this unit covers all our training activities and is responsible for ensuring the training we provide is of a high quality.

During the year we received a very positive Adult Learning Inspectorate report. The report brings together all aspects of adult learning and work based training within one inspection. The department was assessed on programme delivery, programme content, leadership and management, and quality assurance. The areas of work which were covered within the inspection were the life skills programmes and work-based learning in sport and recreation. The report published at the end of the inspection was a very positive result for the training department praising the work carried out with learners from across Merseyside. Each area inspected received a grade on their performance, which is marked on a scale of 1 to 5, 1 being the highest mark. Sports and Recreation were awarded a grade 2, Life Skills received a grade 3 and Leadership and Management a grade 3. Within the Leadership and Management we were pleased to be awarded grade 2 for Equal Opportunities.

External verification inspections carried out by City and Guilds in the training department resulted in a Grade A being awarded for the service delivery and programme content of our Horticulture, Environmental Conservation, Further Adult Education Teaching Certificate, Core and Early Years programmes. This is very positive for the programmes, as it is a nationally recognised award proving the training department's excellence in these areas.

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REPORT OF THE TRUSTEES

Environmental Services/Community Safety

We are running a number of community safety initiatives that endeavour to build safer communities. Now in its fourth year, the service has helped to reduce the levels of alleys related to crime by a staggering 80%, with over 80,000 residents benefiting from its work to date. The teams of workers install security gates on the alleyways of back-to-back rows of terraced houses. This has played a significant part in addressing alley related crime, including burglaries and vandalism.

In a recent pilot scheme the team co-operated with our Horticultural trainees in a clean-up operation in a particularly deprived area in Sefton, in which a wasteland was cultivated and installed with alleygates to the benefit of the local residents. We look forward to the expansion of this project in the forthcoming year.

Homelessness Provision

The Homeground Hostel on Scotland Road in Liverpool has 29 individual rooms and provides all the amenities required for young people between the ages of 16 and 35. Our residents are strongly encouraged to join the rehabilitation programme on offer which aims to improve their life skills and build their confidence to achieve eventful independent living. The Homeground Resettlement Outreach Service will help to secure suitable flats and will continue to offer support for as long as necessary.

The refurbishment of the rooms referred to in last year's report is now complete with all the rooms decorated and fitted with modern furniture. We are now undertaking work on the floors in the communal areas.

The revised funding arrangements under the Supporting People agenda referred to in the Youth Homelessness section of this report also applies to Homeground. Again we are pleased with the additional recognition given to the support element of the service we provide.

Within the Hostel we house our Mobex (Mobile Expedition) Unit. The Unit provides social and development training through sports and outdoor pursuits with groups from schools, substance misuse and homelessness agencies. In the new year it is hoped we will be able to run further Leadership in the Community courses.

Early Years Care

With a 33% increase in turnover this area of activity is one of significant growth – a growth which we see continuing in the current year.

The work includes both the standard nursery provision and before and after school activities and holiday play schemes.

The established facilities in Mount Vernon Green and at the Liverpool University Children's Centre continue their excellent work. The two new Educare Centres in Knowsley mentioned last year are both becoming well established. We expect further expansion in this area in the coming year through the development of seven new Neighbourhood Nurseries funded through New Opportunities Fund and Sure Start.

We were pleased to receive approval from the City and Guilds training body to become an accredited training centre for the Playwork National Vocational Qualification at levels 2 and 3. This enhances the range of qualifications on offer to our students undertaking Early Years Training who are benefiting from the opportunity to learn new skills to improve their employment prospects.

Conference Centre

The Northern Conference Centre at our Mount Vernon Green headquarters continues to provide excellent conference facilities with both seminar and larger conference rooms available. Our clients, who come from both the statutory and voluntary sectors, express a high level of satisfaction with the services they receive and demonstrate this by their continued loyalty to the venue.

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REPORT OF THE TRUSTEES

Estate Management/Human Resources

Both of these are service units for the organisation.

Estate Management is newly created and as its name implies is responsible for looking after buildings and related services. With over 20 sites now occupied and the necessity to ensure that we comply fully with health and safety and other regulations throughout the company we felt a new central unit was the best way forward. Even in its early days we are pleased with the results we are seeing.

Human Resources continues to render a valuable service to the rest of the organisation and helps to ensure that we have good ongoing relationships with our employees.

Conclusions

We cannot end our review of the year without expressing our heartfelt thanks for the wonderful support we have received from our staff, volunteers and other supporters without whose help our work would not be possible.

As noted in last year's report the operating activities of the subsidiary company, MCVS Educational Services Limited, have ceased.

Looking forward we know we must accept the challenge to rebuild our reserves after the disappointment of the year's result. This we intend to do whilst, in the words of our mission statement 'we seek to improve the quality of life' of our clients.

Financial review

Income and expenditure

From the service provision point of view the year has again been one of significant progress. However, this progress was overshadowed by the hugely disappointing financial deficit of £267k (2001/02: surplus £198k). Our management accounts had alerted us to the problem early in the year so enabling corrective action to be taken largely by mid-year and a small operating surplus was achieved during the second half.

The main causes of the problems were the loss of the Welfare to Work New Deal Voluntary Sector Option – Liverpool contract and a significant reduction in our Energy Conservation work with effect from 31 March 2002. In addition, at the same time, some of our Domiciliary and Social Care work moved to a new contract and there were delays in adjusting to the new working policies of this contract.

Total income increased by 12.5% from £10.03m in 2001/02 to £11.28m in 2002/03. The main source of the increase was Project Income (up by £1.20m) with the demand for Domiciliary and Early Years services continuing to realise substantial growth. Income from Training services fell from £2.79m to £2.18m.

There was a corresponding increase in expenditure (up by £1.72m) 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.

Our management accounts for quarter one of the current financial year show a continuation of the positive outcome experienced in the second half of 2002/03.

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REPORT OF THE TRUSTEES

Balance sheet

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

There was a need recognised last year to address the debtor situation to reduce the overall investment in working capital. With the debtors figure down from last year's total of £2.07m to £1.88m this year, significant progress has been made. This is a very positive outcome in view of the 12.5% increase in income, and represents a reduction in debtor days from 75.2 to 60.8 days.

Reserves policy

As part of a policy of good financial management, the charity holds 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. The Trustees have established a contingency fund out of these reserves after undertaking an assessment of the charity's needs, based upon the likely costs associated with a material reduction in the income stream of the charity. Based on current operating levels the aim is to build up a contingency fund of £800k. As a result of the deficit for the year it has been necessary to transfer £250k back into the main fund, reducing the opening balance of £600k to £350k at the end of the year. The trustees are conscious that this underlines the need to rebuild the organisation's reserves.

Funding

The Trustees remain 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.

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REPORT OF THE TRUSTEES

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".

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, with a further re-assessment planned for late 2003. 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



Trustee

Date : 28 August 2003

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 2003 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.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, or for the opinions we have formed.

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 2003 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

Date *28 August 2003*

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.

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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

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2003

	Not	Unrestricted Funds £	Restricted Funds £	Total 2003 £	Total 2002 £
Income					
Incoming resources	1				
Donations and gifts		121,720	258,378	380,098	394,107
Less: Deferred income		(13,750)	(77,243)	(90,993)	(159,161)
Project income		10,359,082	696,857	11,055,939	9,214,681
Less: Deferred income		(399,392)	(7,000)	(406,392)	(156,741)
European Social Fund		-	429,392	429,392	769,152
Less: Deferred income		-	(92,423)	(92,423)	(38,914)
Investment income		1,152	-	1,152	2,983
Total incoming resources		<u>10,068,812</u>	<u>1,207,961</u>	<u>11,276,773</u>	<u>10,026,107</u>
Expenditure					
Resources expended	2				
Direct charitable expenditure		9,777,870	1,230,119	11,007,989	9,357,909
Fund raising and publicity		59,345	-	59,345	39,628
Support costs		311,948	-	311,948	270,601
Management and administration		164,578	-	164,578	159,739
Total resources expended		<u>10,313,741</u>	<u>1,230,119</u>	<u>11,543,860</u>	<u>9,827,877</u>
Net incoming resources for the year		(244,929)	(22,158)	(267,087)	198,230
Total funds brought forward at 1 April 2002		1,084,621	72,864	1,157,485	959,255
Total funds carried forward at 31 March 2003	13	<u>839,692</u>	<u>50,706</u>	<u>890,398</u>	<u>1,157,485</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 2003

	Note	2003 £	2002 £
Total income	1	11,276,773	10,026,107
Total expenditure	2	<u>(11,543,860)</u>	<u>(9,827,877)</u>
Net (deficit)/income for the year before transfer to contingency fund		(267,087)	198,230
Transfer from/(to) contingency fund	13	250,000	(100,000)
Net (deficit)/ income for the year		<u>(17,087)</u>	<u>98,230</u>

Total income is from charitable activities and comprises £10,068,812 for unrestricted funds and £1,207,961 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 (deficit)/income before investment asset disposals for the year of £(267,087) (2002: £198,230) comprises £(244,929) (2002: £174,605) net (deficit)/income of unrestricted funds and £(22,158) (2002: £23,625) net (deficit)/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 16 which, together with the notes on pages 20 to 27, provides full information on the movements during the year on all the funds of the charity.

All of the principal activities of the charity are continuing.

There were no other recognised gains or losses other than the result for the year.

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

LOCAL SOLUTIONS

BALANCE SHEET AT 31 MARCH 2003

	Note	£	2003 £	£	2002 £
Fixed assets					
Tangible assets	7		470,025		463,207
Investments	8		<u>1,000</u>		<u>1,000</u>
			471,025		464,207
Current assets					
Stock	9	22,731		31,113	
Debtors	10	1,878,783		2,065,812	
Cash at bank and in hand		<u>50,465</u>		<u>50,327</u>	
		1,951,979		2,147,252	
Creditors: amounts falling due within one year	11	<u>1,532,606</u>		<u>1,453,974</u>	
Net current assets			419,373		693,278
Net assets			<u>890,398</u>		<u>1,157,485</u>
Funds					
Restricted	12		50,706		72,864
Unrestricted	13		<u>839,692</u>		<u>1,084,621</u>
			<u>890,398</u>		<u>1,157,485</u>

The financial statements were approved by the Board of Trustees on 28 August 2003, and signed on their behalf by:



Trustee



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 2003

	Note	2003 £	2002 £
Net cash inflow/(outflow) from operating Activities	15	217,636	(258,894)
Returns of investments and servicing of finance			
Interest received		1,152	2,983
Interest paid		<u>(23,753)</u>	<u>(4,858)</u>
Net cash inflow/(outflow) from returns on Investments and servicing of finance		(22,601)	(1,875)
Capital expenditure			
Purchase of tangible fixed assets		(133,325)	(138,505)
Sale proceeds of tangible fixed assets		<u>9,100</u>	<u>450</u>
Net cash outflow from capital expenditure		(124,225)	(138,055)
Increase/(decrease) in cash	16	<u>70,810</u>	<u>(398,824)</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 2003

ANALYSIS OF INCOMING RESOURCES

	2003 £	2002 £
Donations deferred at 1 April 2002	159,161	170,830
Donations receivable in the year	220,937	223,277
Credit for the year	(289,105)	(234,946)
Donations deferred at 31 March 2003	<u>90,993</u>	<u>159,161</u>

	£	£
Project income deferred at 1 April 2002	195,655	178,656
Project income receivable in the year	11,289,676	9,805,177
Credit for the year	(10,986,516)	(9,788,178)
Project income deferred at 31 March 2003	<u>498,815</u>	<u>195,655</u>

	£	£
Analysis of income		
Project income for charitable services provided	10,649,547	9,057,940
European Social Fund	336,969	730,238
Total project income	<u>10,986,516</u>	<u>9,788,178</u>
Donations	289,105	234,946
Investment income	1,152	2,983
	<u>11,276,773</u>	<u>10,026,107</u>

Project income is analysed by projects as follows:

	£	£
Training	2,077,292	2,688,290
Domiciliary care	4,779,655	2,913,807
Nursery facilities	883,301	664,067
Welfare and other advice	695,945	703,057
Home security and energy conservation	639,745	1,141,001
Supporting young homeless	1,715,925	1,267,664
Other services	194,653	410,292
	<u>10,986,516</u>	<u>9,788,178</u>

Investment income comprises income from:

	£	£
Bank deposits	<u>1,152</u>	<u>2,983</u>

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

ANALYSIS OF RESOURCES EXPENDED

	Staff costs £	Depreciation £	Other £	Total 2003 £	Total 2002 £
Charitable expenditure					
Provision of services	7,928,766	122,252	2,956,971	11,007,989	9,357,909
Support costs	246,813	-	65,135	311,948	270,601
Management and administration	88,054	-	76,524	164,578	159,739
	<u>8,263,633</u>	<u>122,252</u>	<u>3,098,630</u>	<u>11,484,515</u>	<u>9,788,249</u>
Cost of generating funds					
Fundraising and publicity	37,112	-	22,233	59,345	39,628
Total	<u>8,300,745</u>	<u>122,252</u>	<u>3,120,863</u>	<u>11,543,860</u>	<u>9,827,877</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:

	2003 £	2002 £
Auditors remuneration:		
Audit services	13,500	14,000
Other audit services re. ESF and Government projects	9,810	-
Non-audit services	12,425	4,770
Depreciation and amortisation:		
Tangible fixed assets, owned	122,252	85,700
Operating leases		
Hire of plant and equipment	39,384	36,313
Pension costs	<u>106,596</u>	<u>92,900</u>

NET INTEREST PAYABLE

	2003 £	2002 £
On bank overdraft	23,753	4,858
Other interest receivable and similar income	<u>(1,152)</u>	<u>(2,983)</u>
	<u>22,601</u>	<u>1,875</u>

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

EMPLOYEES

Staff costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	7,634,703	5,708,705
Social security costs	559,446	403,760
Other pension costs	106,596	92,900
	<u>8,300,745</u>	<u>6,205,365</u>

The average number of employees during the year was 552 (2002: 420).

	2003 Number	2002 Number
Project staff	537	407
Fund raising and publicity	2	1
Management and administration of the charity	2	2
Support staff	11	10
	<u>552</u>	<u>420</u>

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

	2003 Number	2002 Number
£50,001 to £60,000	<u>1</u>	<u>1</u>

During the year the following amounts were paid in respect of money purchase scheme:

	2003 £	2002 £
Pension contributions to money purchase scheme	<u>3,425</u>	<u>3,330</u>

During the year, the higher paid employee (2002: one higher paid employee) participated in a money purchase pension scheme.

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.

The company has incurred a cost of £1,797 (2002: £80) in providing indemnity insurance to the trustees.

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

CHANGES IN RESOURCES AVAILABLE FOR CHARITY USE

	Unrestricted Funds £	Restricted Funds £	Total 2003 £	Total 2002 £
Net movement in funds for the year	(244,929)	(22,158)	(267,087)	198,230
Net increase in tangible fixed assets:				
For direct charitable purposes	(28,976)	22,158	(6,818)	(52,805)
Net movement in funds available for future activities	<u>(273,905)</u>	<u>-</u>	<u>(273,905)</u>	<u>145,425</u>

TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold improvements £	Motor vehicles £	Fixtures fittings and equipment £	Total £
Cost or valuation					
At 1 April 2002	170,000	146,989	207,835	338,800	863,624
Additions	-	-	6,500	126,825	133,325
Disposals	-	-	(78,503)	(6,800)	(85,303)
At 31 March 2003	<u>170,000</u>	<u>146,989</u>	<u>135,832</u>	<u>458,825</u>	<u>911,646</u>
Depreciation					
At 1 April 2002	8,200	86,383	163,621	142,213	400,417
Provided in the year	3,396	10,356	18,833	89,667	122,252
Eliminated on disposals	-	-	(77,542)	(3,506)	(81,048)
At 31 March 2003	<u>11,596</u>	<u>96,739</u>	<u>104,912</u>	<u>228,374</u>	<u>441,621</u>
Net book amount at 31 March 2003	<u>158,404</u>	<u>50,250</u>	<u>30,920</u>	<u>230,451</u>	<u>470,025</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>

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 2003 £	2002 £
At cost	3,404	3,404
At valuation	<u>166,596</u>	<u>166,596</u>
	<u>170,000</u>	<u>170,000</u>

The freehold land and buildings were valued on 10 February 1999 by Messrs Thomson & Moulton, Chartered Surveyors, Liverpool. The basis of the valuation used was open market value.

The Trustees have adopted this valuation as surrogate cost for the purpose of compliance with FRS15.

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

FIXED ASSET INVESTMENTS

At 31 March 2003 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 2003 the aggregate capital and reserves was £1,000 (2002: £1,000) and the profit for the financial year was £Nil. (2002: £Nil). The accounting reference date of the subsidiary company is 31 July. Subsequent to the year end action has been taken to remove the company from the Companies Register.

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

STOCK

	2003 £	2002 £
Materials	<u>22,731</u>	<u>31,113</u>

DEBTORS

	2003 £	2002 £
Accrued income	586,843	706,243
Operating debtors	1,217,535	1,253,970
Amount due from subsidiary company	4,386	13,000
Other debtors	510	10,739
Prepayments	69,509	81,860
	<u>1,878,783</u>	<u>2,065,812</u>

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank overdraft	77,483	148,156
Operating creditors	240,002	239,016
Social security and other taxes	248,091	228,635
Accruals	377,222	417,351
Deferred income	589,808	420,816
	<u>1,532,606</u>	<u>1,453,974</u>

The bank overdraft is secured.

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

12 RESTRICTED FUNDS

	Total £
At 1 April 2002	72,864
Depreciation	(22,158)
At 31 March 2003	<u>50,706</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 2002	484,621	600,000	1,084,621
Incoming resources	10,068,812	-	10,068,812
Expenditure	(10,063,741)	(250,000)	(10,313,741)
At 31 March 2003	<u>489,692</u>	<u>350,000</u>	<u>839,692</u>

The contingency fund has been set up to provide working capital and to protect the charity from unforeseen variations in its income streams.

14 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total £
Tangible fixed assets	419,319	50,706	470,025
Investment	1,000	-	1,000
Current assets	1,951,979	-	1,951,979
Current liabilities	(1,532,606)	-	(1,532,606)
	<u>839,692</u>	<u>50,706</u>	<u>890,398</u>

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

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

	2003 £	2002 £
Net (outgoing)/incoming resources	(267,087)	198,230
Depreciation	122,252	85,700
Surplus on sale of tangible fixed assets	(4,845)	(450)
Decrease/(increase) in stock	8,382	(11,587)
Decrease/(increase) in debtors	187,029	(637,658)
Increase in creditors	149,304	104,996
Net interest paid/received	22,601	1,875
Net cash inflow/(outflow) from operating activities	<u>217,636</u>	<u>(258,894)</u>

6 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £	2002 £
Increase/(decrease) in cash in the year	70,810	(398,824)
Net funds at 1 April 2002	<u>(97,829)</u>	300,995
Net funds at 31 March 2003	<u>(27,019)</u>	<u>(97,829)</u>

7 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2002 £	Cash flows £	At 31 March 2003 £
Cash at bank and in hand	50,327	137	50,464
Overdraft	<u>(148,156)</u>	<u>70,673</u>	<u>(77,483)</u>
	<u>(97,829)</u>	<u>70,810</u>	<u>(27,019)</u>

8 CAPITAL COMMITMENTS

	2003 £	2002 £
Contracted for but not provided in these financial statements	<u>-</u>	<u>35,134</u>

9 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.

LOCAL SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

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.

LEASING COMMITMENTS

Operating lease payments amounting to £142,381(2002: £111,995) are due within one year. The leases to which these amounts relate expire as follows:

	Leasehold properties 2003 £	Leasehold properties 2002 £
In one year or less	27,782	29,380
Between one and five years	63,849	31,865
In five years or more	50,750	50,750
	<u>142,381</u>	<u>111,995</u>

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 £Nil (2002: £1,885) to cover the operating costs of that company for the year.

At 31 March 2003 the subsidiary company owed the company £4,386 (2002: £13,000).