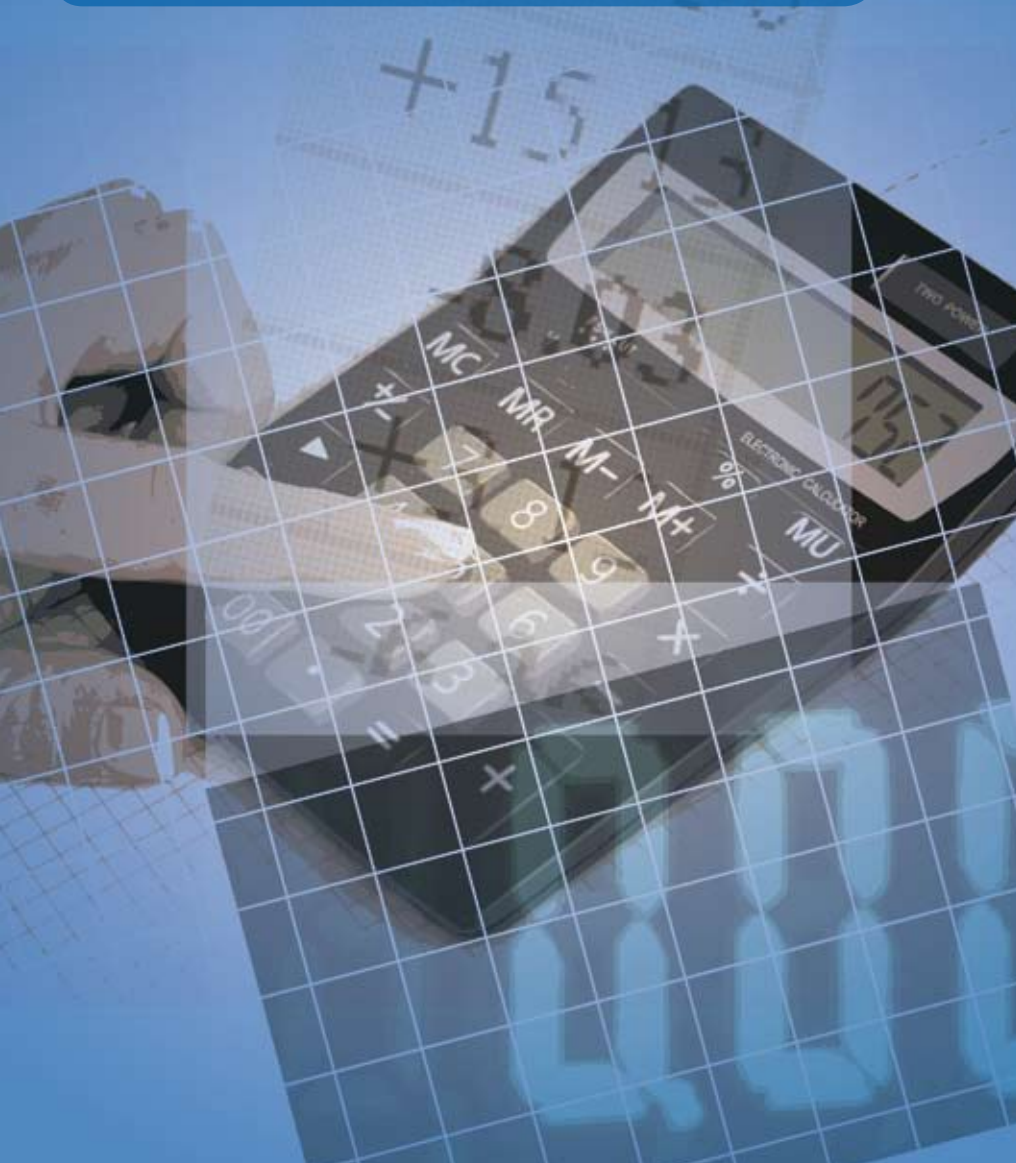


Salford City Council Summary of accounts

2007 - 2008



Making it all add up

IN Salford

Welcome to Salford City Council's summary of accounts

If you want to know how the council is funded and how your money is spent, this leaflet will answer some of your questions. It is a summary of our full, official Statement of Accounts.

The full version of our Statement of Accounts is independently audited by the Audit Commission. It's prepared in accordance with proper accounting practice and therefore is a very technical document that can be confusing to non-accountants. It also goes into a lot more detail than most people need.

We believe it's important for us to give understandable financial information about the council to Salford residents, so this leaflet summarises our finances in a format that's much more readable than the full version. This leaflet contains summary versions of each of the five 'core' statements to be found within the full version, and the two main 'supplementary' statements. They are:

1. Income and expenditure account.
2. Statement of movement on the general fund balance.
3. Statement of total recognised gains and losses.
4. Balance sheet.
5. Cash flow statement.
6. Housing revenue account (a supplementary statement).
7. Collection fund (a supplementary statement).

You'll find the above information in the blue-shaded boxes in this document. We've also included explanations, comments on our performance and answers to some common questions about finance.

Thank you for your interest in the council's financial position. I look forward to hearing your comments.



John Spink
City Treasurer

Questions answered in this booklet

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How much does it cost to run Salford City Council?

The **income and expenditure account** shows the cost of running council services for the year, and shows how that cost has been financed from general government grants and income from local taxpayers.

1. Income and expenditure account

Service	Gross expenditure £millions	Service income £millions	Net expenditure £millions
Education	244	(196)	48
Housing	192	(201)	(9)
Social services	108	(52)	56
Culture, environment and planning	119	(59)	60
Corporate	47	(27)	20
Roads and transport	39	(11)	28
Net cost of services	749	(546)	203
Loan interest			33
Other			1
Net operating expenditure			237
Income sources			
Council tax			(82)
Business rates			(99)
General government grants			(18)
Net shortfall			38

Wondering what those brackets mean? The accounting rule is for brackets and figures in red to denote negative figures.

Generally, in our accounts positives include expenditure, assets, shortfalls and losses. Negatives include income, liabilities, surpluses and gains.

Where does the money come from?

The £546 million service income in the **income and expenditure account** comprises government grants that have to be spent on specific activities (about 60%) and rent, fees and charges etc (about 40%).

The council's general income of £199 million (see income sources in table 1) comprises:

- general government grants (managed by the government)
- re-distributed business rates (managed by the government)
- council tax (managed by the council).

As you can see, most of the council's financing is controlled by the government. We'd like to see more control given to councils to allow us to make local decisions on the best way to spend to meet local needs.

Does the council have an annual shortfall?

It looks that way from the income and expenditure account, but this does not represent the actual money the council has. There are some accounting rules which are specific to local government because of how we are funded, which means that special adjustments have to be made. If we were using standard accountancy practice, the council would have a £38 million shortfall, but once the rules have been applied in the **statement of movement on the general fund balance**, the council has a small, £2 million shortfall for the year. This shows our true financial position from your point of view as a taxpayer.

2. Statement of movement on the general fund balance

	Net expenditure £millions
Net deficit on the income & expenditure account	38
Notional accounting entries removed	(59)
Actual costs added	23
Reduction in general fund balance	2
Added to general reserves brought forward	(13)
General reserves carried forward	(11)

The small shortfall after making these adjustments has been transferred from our general reserves as planned.

The general reserve is money that has not been allocated to anything specific, but has been set aside for the future, to provide a cushion against uneven and unexpected expenditure.

As well as the gain or loss in the income and expenditure account, we make 'book' gains or losses on certain balance sheet assets and liabilities, although we will not bear the burden (or get the benefit) of these until some time in the future.

You can think of 'book' gains or losses as being like the value of your house: the house prices in your area may rise or fall, but you do not benefit from this revaluation until you sell your house.

The **statement of total recognised gains and losses** brings them all together to show the change in the council's net worth for the year.

3. Statement of total recognised gains and losses

	(Gain)/loss £millions
Net deficit on the income & expenditure account	38
Surplus on revaluation of fixed assets	(51)
Gain on valuation of the pension fund	(51)
Adjustment for early repayment of debt	30
Other	(1)
Total recognised gains for the year	(33)



What is the council's current financial position?

The **balance sheet** shows what the council owns and is owed (its assets), what it owes (its liabilities), and its net worth (equal to the difference between its assets and liabilities).

4. Balance sheet

31 March 2007 £millions		31 March 2008 £millions
	Assets	
1,347	Buildings and land owned by the council	1,400
139	Money owed to the council	98
58	Investments	87
	Liabilities	
(530)	Borrowing	(568)
(243)	Other monies owed by the council	(193)
(125)	Grants and other monies set aside to meet future expenditure	(145)
646	Total assets less liabilities	679
	Financed by	
755	Non-useable reserves	744
26	Earmarked reserves	22
13	General reserve	11
(148)	Pension reserve	(98)
646	Net worth	679

The council has a duty to maintain a prudent level of general reserve to act as a contingency against unforeseen liabilities. We have calculated that a prudent amount would be £8 million which is more than matched by the value in the balance sheet.

Earmarked reserves are amounts of money set aside for a specific future purpose.

The pension reserve is equivalent to the council's share of the Local Government Pension Scheme. It's negative, meaning that at the moment the fund is in deficit.

It's not unusual for the pension reserve to have a shortfall. Future employee and employer contributions into the fund will, along with a hoped-for better return on investments, ultimately meet this shortfall.

You can see that the movement in net worth in the balance sheet matches the **total recognised gains** for the year in table 3.

How much cash passes through the council's hands?

The income and expenditure account shows expenditure relating to the current year, but some transactions that take place relate to other years. This can be because of timing differences between invoicing and payment at the end of the financial year, and also because capital transactions and borrowing are only reflected in the income and expenditure account as they are financed.

Capital is money spent buying, building or improving fixed assets like council houses, school buildings and roads, or money received from their sale. Revenue is money spent on, or received through, the council's day-to-day activities.

You can think of capital expenditure as being like buying a house or a car. Revenue expenditure is like your shopping, your bills, and paying off your loans or mortgage; revenue income is like your salary or wages.

The **cash flow statement** shows the entirety of cash movements in the year.

5. Cash flow statement

	Cash outflow	Cash inflow	Net cash flow
	£millions	£millions	£millions
Revenue activities	696	(716)	(20)
Capital activities	109	(74)	35
New borrowing and investments	611	(630)	(19)
Net change in cash balance	1,416	(1,420)	(4)

How do housing rents fit in?

Salford City Council has a stock of council homes used to provide affordable homes to meet the needs of local people. The number of houses owned by the council has reduced by 171 during the year due to sales and demolitions.

Council homes	
Houses	12,934
Flats	11,075
Bungalows	1,362
Total (March 2008)	25,371

It is a legal requirement that a separate record is maintained of all income and expenditure on council housing, as it has to be self-funding (so as not to impact on council tax). We record this in the **housing revenue account**.

6. Housing revenue account

	£millions	£millions
Gross rents and service charges	(76)	
Government subsidy	(9)	
Total income		(85)
Repairs and maintenance	23	
Supervision and management	30	
Depreciation	17	
Total expenditure		70
Net income		(15)
Loan interest and other charges		13
Net surplus		(2)

The housing revenue account is included within housing in the **income and expenditure account**.

You may know about some exciting developments in housing. Salix Homes, a separate company, now manage council houses in central Salford and, following a successful ballot, City West Housing Trust has now taken over management of council houses in the rest of the city.

How much tax does the council collect?

We collect council tax on behalf of the council, the police and the fire service, and business rates on behalf of the government.

Council Tax	2006/07	2007/08
Council tax at standard band D	£1,370.81	£1,414.36
Total amount of council tax charged (including police and fire)	£91million	£94million
Proportion collected up to 31 March	88%	90%
Eventual collection target	98%	98%

The proportion of council tax collected for each year continues to increase after the year end as we carry on collecting outstanding debts. Ultimately, we aim to collect 98% of the council tax we charge.

We maintain a separate **collection fund**, showing how council tax collections are distributed.

7. Collection fund

	£millions	£millions
Received from:		
Council tax payers	(73)	
Council tax benefits	(21)	
Business rate payers	(71)	
	<hr/>	(165)
Distributed to:		
Salford City Council	82	
Greater Manchester Police	8	
Greater Manchester Fire and Civil Defence	3	
Business rate pool	71	
Uncollectable	1	
	<hr/>	165
Surplus for the year		<hr/> 0

What are you getting for your council tax?

We provide a huge range of services including: schools, health and social care, housing, parks, street cleaning, emptying bins and maintaining roads. We make efficiency savings on these services year after year.

The examples in the box on the next page are just a sample of costs under four of our pledges. They are not intended to give a complete picture of service costs, just a taste. If you are interested in more detail, please let us know.

Improving health in Salford

The average cost per person of supporting adults and older people in residential nursing care and providing intensive home care was £542 per week in 2007/08.

Investing in young people in Salford

The average cost per looked-after child in foster care or in a children's home was £884 per week in 2007/08.

Enhancing life in Salford

The annual cost of waste collection was only £46.33, or 87p per week, per household in 2007/08.

Encouraging learning, leisure and creativity in Salford

The average cost per pupil in Key Stage 4 was £53 per week in 2007/08.

We've made seven pledges that underpin everything we do, all with the intention of meeting the council's mission statement: "To create the best possible quality of life for the people of Salford". If you want to find out more, please contact us.

How well does the council manage finances?

In the finance division, we're proud of what we do and what we achieve. We continue to improve performance and provide a high quality service at a low cost to the council. Some of the highlights in 2007/08 are set out below.

- For the third year running, the Audit Commission awarded Salford City Council a score of three out of four in the Comprehensive Performance Assessment for our use of resources. This includes our financial management, financial reporting, financial standing, internal control and value for money. Few councils nationally score higher than three out of four.
- We delivered £616,000 of efficiency savings.
- Every one of our teams was measured to be among the best-performing and lowest cost in Greater Manchester.
- We achieved Investors in People status.
- The Institute of Credit Management awarded us their annual performance improvement award.
- Credit Today awarded us their "best payment culture" award.

Summary

Salford City Council has remained in a healthy financial position throughout 2007/08. There are great challenges ahead, with changes in the way we provide some of our services, like housing, and a fundamental efficiency review across the council. Our aim is that we continue to make the best use of the resources available to help the council meet its mission to "create the best possible quality of life for the people of Salford" in 2008/09 and beyond.



How useful do you find this leaflet?

We welcome your views on this leaflet. Did you find it helpful? Did it give you the financial information you expect? We would be grateful if you could spend a little time to complete the following questionnaire and return it (no stamp needed) to:

Salford City Council
Budget Consultation
Freepost NWW1358
Swinton
M27 7BD

Please tick the boxes as follows:

1 = strongly disagree, 2 = disagree, 3 = agree, 4 = strongly agree

- | | 1 | 2 | 3 | 4 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. I think that this is a useful document. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The document is easy to understand. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. I now know more about the council's spending. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. I now know more about where the council's money comes from. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. What further information would you like to see in this document, or what would you like to be taken out? Please use the space below to add any comments that you wish to make. | | | | |

Salford City Council

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هاتف رقم 0161 793 3536

এই পুস্তিকাটি বোঝার জন্য যদি আপনার সাহায্যের প্রয়োজন হয় তাহলে সেলফোর্টে কাউন্সিলের ইকুয়ালিটি টিমের সঙ্গে যোগাযোগ করুন টেলিফোন নম্বর 0161 793 3536

如果您有關於本宣傳頁的任何問題，請聯繫 Salford 理事會的 Equalities 團隊，電話號碼為 0161 793 3536

જો આ લીફલેટ સમજાવા મોટ તમને મદદની જરૂરત હોય, કૃપા કરી ઇકવાલિટીજ ટીમ સહોર્ડ કાઉન્સિલનો ટેલિફોન નમ્બર 0161 793 3536 પર સંપર્ક કરો.

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This document can be provided in large print, audio, electronic and braille formats, please call the Corporate Accountancy team at Salford City Council on 0161 793 3536.