

Summary of accounts 2006 - 2007



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. These 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

Key

- Blue tables are summary versions of the main statements of account, that is: the five 'core' statements and the two most important supplementary statements
- Important figures and totals will usually be on the dark blue areas
- Yellow boxes contain clarifications, asides or particular points of interest
- Orange boxes contain other tables, including council tax bands and some examples of unit costs

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	191	(169)	22
Housing	166	(174)	(8)
Social services	143	(61)	82
Culture, environment and planning	89	(41)	48
Corporate	44	(27)	17
Roads and transport	38	(7)	31
Net cost of services	671	(479)	192
Loan interest			33
Other			12
Net operating expenditure			237
Income sources			
Council tax			(77)
Business rates			(94)
General government grants			(21)
Net shortfall			45

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.

You might not expect it but sometimes a negative is good and a positive is bad in our accounts!

Where does the money come from?

The £479 million service income in the income and expenditure account comprises of specific government grants that have to be spent on specific activities (approximately 64%) and rent, fees and charges etc (approximately 36%). The council's general income of £192 million (see income sources) comprises general government grants and re-distributed business rates controlled by the government (together approximately 60%) and council tax managed by the council (approximately 40%).

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 doesn't 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 £45 million shortfall, but once the rules have been applied in the **'statement of movement on the general fund balance'**, the council has a £1 million surplus. 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 expenditure £millions
Net deficit on the income & expenditure account		45
Notional accounting entries removed		(53)
Actual costs added		7
Increase in general fund balance		(1)
Added to general reserves brought forward		(12)
General reserves carried forward		(13)

So, although there is a shortfall on the income and expenditure account, after making these adjustments, we actually made a surplus on revenue that we were able to transfer to our general reserves.

The general reserve is money that hasn't been allocated to anything specific, but has been set aside for the future, in particular to provide a cushion against 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 won't bear the burden (or get the benefit) of these until some time in the future.

You can think of 'book' gains as being like the value of your house: the house prices in your area may rise, 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	45
Surplus on revaluation of fixed assets	(135)
Gain on valuation of the pension fund	(52)
Other	(1)
Total recognised gains for the year	(143)

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.

4. Balance sheet

31 March 2006 £millions		31 March 2007 £millions
	Assets	
1,189	Buildings and land owned by the council	1,338
114	Money owed to the council	129
72	Investments	59
	Liabilities	
(508)	Borrowing	(520)
(280)	Other monies owed by the council	(238)
(92)	Grants and other monies set aside to meet future expenditure	(130)
495	Total assets less liabilities	638
	Financed by	
641	Non-useable reserves	747
35	Earmarked reserves	26
12	General reserve	13
(193)	Pension reserve	(148)
495	Net worth	638

The council has a duty under legislation to maintain a prudent level of general reserves to act as a contingency against unforeseen liabilities. We've calculated that a prudent amount would be £7million, 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 normal 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.

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 expenditure is money spent buying, building or improving fixed assets like council houses, school buildings and roads, or money received from their sale. Revenue expenditure 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	668	(691)	(23)
Capital activities	118	(70)	48
New borrowing and investments	112	(135)	(23)
Net change in cash balance	898	(896)	2

How do housing rents fit in?

Salford City Council has a stock of council houses used to provide affordable homes to meet the needs of local people. The number of houses owned by the council has reduced by 548 during the year due to sales and demolitions.

Council houses

Houses	13,067
Flats	11,111
Bungalows	1,364
Total (March 2007)	25,542

It's 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	(75)	
Government subsidy	(11)	
Total income		(86)
Repairs and maintenance	25	
Supervision and management	29	
Depreciation	17	
Total expenditure		71
Net cost		(15)
Loan interest and other charges		15
Net shortfall		0

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 will take over managing council houses in the rest of the city in 2008/09.

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	2005/06
Council tax at standard band D	£1,370.81	£1,328.54
Total amount of council tax charged (including police and fire)	£91million	£87million
Proportion collected up to 31 March	88%	87%
Eventual collection target	98%	98%

The proportion of council tax collected for each year continues to increase after the year end as we continue to collect outstanding debts. Ultimately, we aim to collect 98% of the council tax we charge. We are currently looking at ways to improve our collection performance.

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

7. Collection fund

	£millions	£millions
Received from:		
Council tax payers	(70)	
Council tax benefits	(21)	
Business rate payers	(73)	
	<hr/>	(164)
Distributed to:		
Salford City Council	77	
Greater Manchester Police	7	
Greater Manchester Fire and Civil Defence	3	
Business rate pool	73	
Uncollectable	3	
	<hr/>	163
Surplus for the year		(1)

The surplus means we can charge £1million less council tax in 2007/08.

What am I getting for my 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, however there are some services where it is very difficult to make savings. E.g. Services for vulnerable groups.

The examples in the box are just a sample of costs under the titles of four of our pledges. They're not intended to give a complete picture of service costs, just a taste. If you're interested in more detail, 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 £23,202 in 2006/07.

Investing in young people in Salford

The average cost per looked-after child in foster care or in a children's home was £39,365 in 2006/07.

Enhancing life in Salford

The cost of waste collection was £31.74 per household in 2006/07.

Encouraging learning, leisure and creativity in Salford

The average cost per pupil in Key Stage 4 was estimated to be £2,673 in 2006/07.

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, contact us.

How well do we manage our finances?

We're proud of our achievements in 2006/07. We continued to improve performance and make efficiencies and we were recognised by several external bodies for this.

- We won the Local Government Chronicle Finance Award for Innovation 2006, having also won their Best Exchequer Services Award in 2005.

We were also short-listed for four other awards:

- Local Government Chronicle Finance Award for Best Exchequer Services.
- Accountancy Age Public Sector Finance Team of the Year.
- Local Government Chronicle 2007 Finance Team of the Year.
- Institute of Credit Management Award for Performance Improvement.

For the second 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 scored higher than three out of four.

The Audit Commission highlighted some of our procedures as best practice for other councils to adopt, and the Local Government Association recognised us as a case study of innovative 'invest to save' ideas. Comparisons with other councils regularly show our finance services to be of high quality and low cost.

Summary

Salford City Council has remained in a healthy financial position throughout 2006/07. Our challenge is now to make the best use of the resources available 'to create the best possible quality of life for the people of Salford' in 2007/08 and beyond.

Further information

We welcome your views on this leaflet. Did you find it helpful? Did it give you the financial information you expect? If you have any questions, or would like to see the full version of the council's 2006/07 Statement of Accounts, please get in touch using the contact details on the back of this booklet.

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إذا احتجت للمساعدة في فهم هذه النشرة , برجاء الاتصال بفريق المساواة في مجلس سالفورد ,
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 સમજવા માટે તમને મદદની જરૂરત હોય, કૃપા કરી ઇકુવાલિટીજ ટીમ સહોડ ડાઉસિવનો 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 Equalities Team at Salford City Council on 0161 793 3536.