

Summary operating financial review

The following statements describe some of the key points from the council's stewardship of public funds.

Financial performance (general fund)

2004/05 expenditure was contained within revised budgets, indeed it was £1.4m less than early estimates. In accordance with a medium-term strategy to build up a healthy general reserve to provide for unforeseen events, an additional £0.9m has been set aside. General reserves now stand at the target level of £7.9 million at 31 March 2005. In addition, the council maintains healthy provisions for known future commitments, such as insurance claims and bad debts.

Financial performance (housing revenue account)

£1.9 million was deliberately set aside last year to provide for additional expenditure in 2004/05 on carried forward repairs commitments. This careful planning has allowed £1.9 million of housing reserves to be used to meet the 2004/05 deficit and still remain at the planned, healthy level of £3.9 million at 31 March 2005.

Capital expenditure

Capital expenditure represents money spent by the council for the purposes of purchasing, upgrading or improving assets such as buildings and roads. The distinction from revenue expenditure is that the council essentially receives the benefit from capital expenditure over a longer period of time; it is therefore appropriate to spread the costs over that estimated period of time. The council spent £90.215 million during the year to finance various capital expenditure programmes. A summary of the main elements of capital expenditure is shown below.

Capital expenditure summary	2004/05 £000s
Council dwellings	21,172
Other land and buildings	9,850
Vehicles, plant and equipment	4,190
Infrastructure	6,697
Community assets	427
Non-operational land and property	20,879
Deferred charges	27,000
Total capital expenditure	90,215

Finance director's statement

The council's full Statement of Accounts is prepared in accordance with proper accounting practice and audited by the Audit Commission. The audit finished in October 2005 and the auditor was able to conclude that the full Statement of Accounts did indeed provide a true and fair view of the council's financial position.

For the purposes of this summary many simplifications have been made in order to provide clearer and more meaningful information for most readers. We hope it helps you understand more about the council's finances, but more specialist users may need to refer to the full Statement.

My team and I would welcome your comments on this summary. Did you find it helpful? Does it provide you with the financial information that you expect to see? If you have any observations or questions, or would like to arrange to see the full version of the council's 2004/05 Statement of Accounts, please get in touch with my team at the contact point given below.

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Contact point

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For translation assistance, or to obtain a large print version, please contact the equalities team on 793 3536.

Salford City Council

Summary of Accounts 2004/05

Salford City Council is committed to openness and transparency in all its dealings with customers. This document summarises the council's spending during 2004/05 and illustrates its financial position at 31 March 2005 in a simplified format that is more readable than the full, official Statement of Accounts.

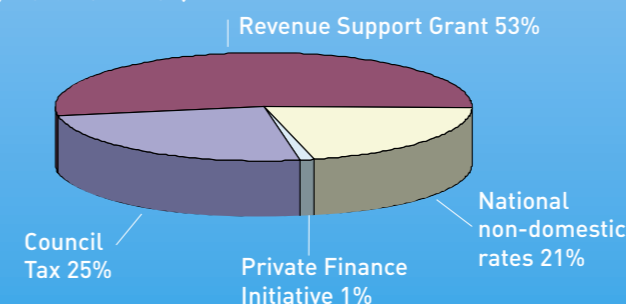
The cost of council services

The revenue account presents the cost of running council services between April 2004 and March 2005. It also shows where the money came from to finance those costs as well as how money that has not been used at the year-end contributes to general fund reserve balances.

Revenue account for the year ended 31 March 2005	Gross expenditure £000s	Gross income £000s	Net expenditure £000s
Central services	34,232	(24,523)	9,709
Court & probation services	786	(68)	718
Cultural & related services	19,030	(3,129)	15,901
Environmental services	23,904	(6,671)	17,233
Planning & development services	30,632	(21,411)	9,221
Education	170,748	(39,384)	131,364
Transportation & roads	34,910	(2,680)	32,230
Housing services	180,955	(165,993)	14,962
Social services	132,448	(59,398)	73,050
Net cost of services	627,645	(323,257)	304,388
Less: loan interest, appropriations and other internal accounting			(23,186)
Amount to be met from government grants and local taxation			281,202
Financed by:			
Revenue Support Grant			(149,783)
Private Finance Initiative Grant			(1,863)
Distribution from non-domestic rates pool			(60,389)
Council Tax			(70,108)
Total financing income			(282,143)
Net general fund surplus for the year			941
General fund at end of March 2004			6,959
General fund at end of March 2005			7,900

Income

(£282.143 million)



Salford City Council had a total income in 2004/05 of £282.143 million, a surplus of £0.941 million over expenditure.

As the pie chart shows, the majority of income comes from the government via revenue support grant and redistributed non-domestic rates.

Council Tax income finances approximately one quarter of total net expenditure.

Financial position

The balance sheet shows what the council owns and is owed (assets), what it owes (liabilities) and what its capital position is on the last day of the financial year, 31 March 2005.

Balance sheet at 31 March 2005	31 March 2005
	£000
Buildings and land owned by the council	1,088,317
Stocks	926
Investments	70,866
Cash	3,733
Money owed to the council	66,558
Money owed by the council:	
Borrowing	(504,348)
Provisions	(13,839)
Other	(236,017)
	476,196
Financed by:	
Non-distributable reserves	573,225
Ear-marked reserves	65,071
General reserve	7,900
Pension fund deficit	(170,000)
	476,196

The council has a duty under legislation to maintain a prudent level of general reserves. We have calculated that a prudent amount would be £7.5 million, which is satisfied by the value in the balance sheet of £7.9 million.

Cash flow 2004/05	£000s
Cash in bank at 1 April 2004	3,832
Cash received during the year	732,149
Cash paid out during the year	(732,248)
Cash in bank at 31 March 2005	3,733

The cost of housing services

The council manages 26,788 council houses of the following types and numbers:

Houses	14,024
Flats	11,392
Bungalows	1,372

Total (March 2005) 26,788

The number of houses reduced by 826 during the year due to sales and demolitions. Only 2.4% of total rent was lost through property vacancies in 2004/05, compared with 3.0% in the previous year.

The proportion of rent collected in 2004/05 was 96.4%, compared with 93.6% in the previous year.

It is a legal requirement that all income and expenditure on council houses is kept separate from the general fund revenue account, so it is held in the housing revenue account (HRA): see below.

Housing revenue account (HRA)	
	2004/05
Income	£ 000s
Gross rents	69,740
Service & facility charges	4,709
HRA subsidy receivable	8,406
	82,855
Expenditure	
Repair and maintenance	25,000
Supervision and management	22,423
Capital financing costs	43,263
Fixed asset depreciation	17,842
Other costs	3,211
	111,739
Net cost of services	28,884
Appropriations & other internal accounting	26,937
Deficit for year	1,947

What do council services cost?

Some examples:

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 2004/05

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 2004/05

Enhancing life in Salford

- The cost of waste collection per household was £32.31 in 2004/05

Education in Salford

- The average cost per pupil in Key Stage 4 was estimated to be £2,673 in 2004/05

How did the Finance Service perform in 2004/05?

Debtors

- We raised over 20,000 invoices to collect money owed to the council.
- The level of outstanding debt over 60 days old reduced by 23.7% during the year, exceeding the 15% reduction target.

Purchasing and payments

- We paid over 156,000 supplier invoices.
- We improved prompt payment of undisputed commercial invoices, with 94.57% paid within 30 days compared with performance in 2003/04 of 88.7%. To show the strides we have made here, the figure was 78.3% in 2001/02.

Council Tax	2004/05	2003/04
Population of Salford	216,532	216,178
Band D council tax	£1,285.26	£1,236.96
Band D equivalent dwellings for council tax	62,024	61,999
Total assumed collection	98.0%	98.0%
Total receipts of council tax by 31 March 2004	90.6%	91.4%

- The proportion of suppliers paid by BACS increased to 69.4% in 2004/05 compared with 65.0% in 2003/04, through the active targeting of suppliers. This saves time and money in administration as well as avoiding the risk of theft or loss associated with cheque transactions.
- We made £475,000 savings compared to the previous year by efficient management of corporate contracts for goods and services.
- 20% of all purchase orders for goods are now made on-line, providing a quicker and more efficient service.

Internal Audit

- We achieved the highest score in a quality benchmarking survey of all of the internal audit teams across the Greater Manchester area.
- By effective tariff management, we successfully limited electricity price increases to 25%, compared to the national average of 45%.

Accountancy

- We delivered effective budget monitoring processes – the difference between the revised budget and actual expenditure for the year was less than 0.1%.
- Accounts committee were able to sign off the accounts on 14 July following the 31 March year end, compared with a 16 August sign-off last year. This represents a time-efficiency improvement of over 30%.
- We improved financial management of capital projects and ensured a minimal slippage of expenditure.

The council is continually trying to improve collection figures. It has introduced a new council tax and benefits computer system which will assist in improving the collection rates of new bills and the recovery of arrears.