

# Summary Statement of Accounts

## 31<sup>st</sup> March 2016

### INTRODUCTION

The purpose of this explanatory paper is to provide Council stakeholders with a guide to the full Statement of Accounts and to give clear answers to the following key questions:

- What did our services cost in the year?
- Where did the money come from?
- What are our assets and liabilities?

It is both a summary and an interpretation of the accounts, highlighting the key issues that have arisen during the financial year. The full set of accounts and this summary are available on the Council's website at: [www.merton.gov.uk/council/finance](http://www.merton.gov.uk/council/finance).

### THE STATEMENT OF ACCOUNTS

The Statement of Accounts, which has been prepared in accordance with the Local Authority Code of Accounting Practice, is the source of information for this paper, which focuses on the following key areas:

**Comprehensive Income and Expenditure Statement** - Shows the net cost of Council services and the income received from fees and charges and specific grants from Central Government.

**Balance Sheet** - Shows the Council's assets and how they have been financed.

**Pension Fund** - Shows member contributions to the fund and the benefits paid from it, together with details of investment activity during the year. It excludes Pension Fund liabilities.

### FINANCIAL HIGHLIGHTS 2015/16

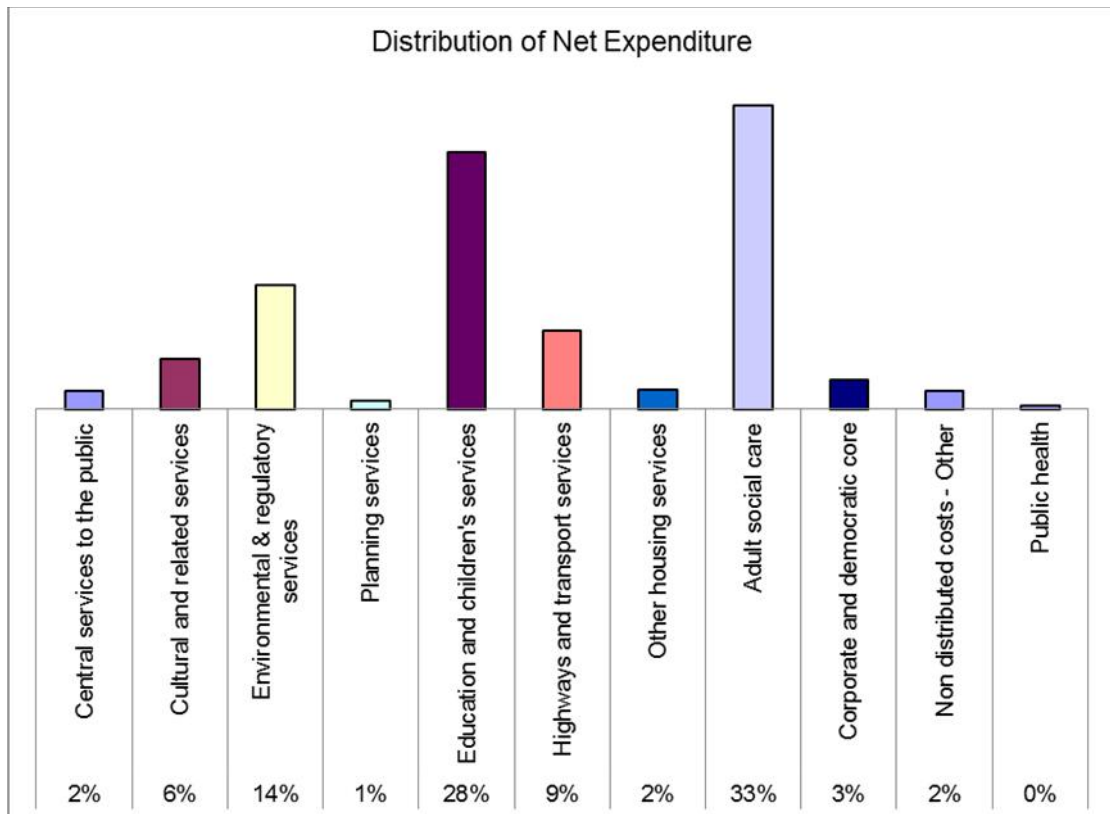
- The Council spent £29m (£37m in 2014/15) on capital schemes.
- Total net assets increased by £63m, comprising a £67m increase in unusable reserves offset by a £4m decrease in usable reserves. The £67m increase in unusable reserves was due to a £36m increase in capital accounting reserves and a £31m reduction in the long-term pension liability.
- Long term borrowings remained at £117m.
- The Council had a net £0.7m over spend against its budget in 2015/16, which has been funded from earmarked reserves.

**REVENUE SPENDING**

Merton's net cost of services was £155.8m, attributable to services as shown below:

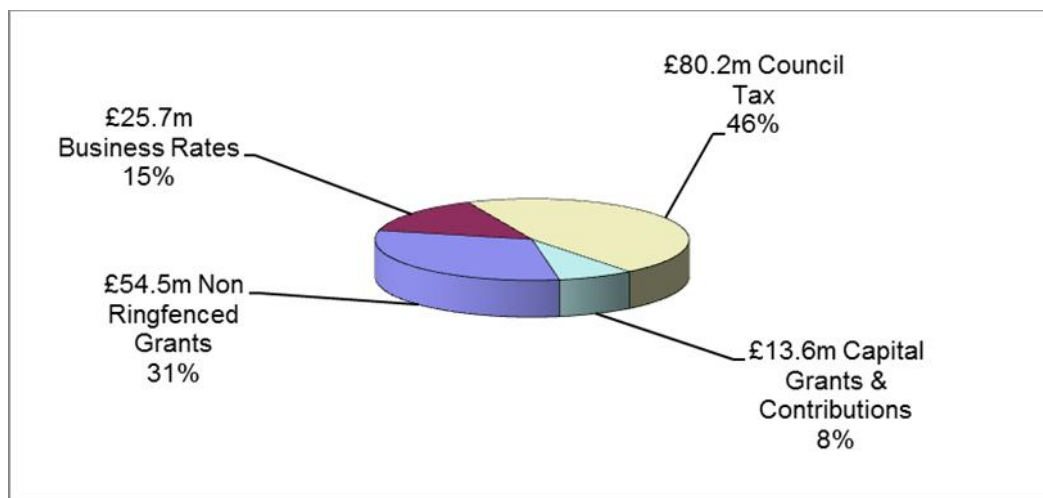
Service Areas	Gross Expenditure	Gross Income	Net Expenditure
	£m	£m	£m
Central services to the public	7.1	(3.9)	3.2
Cultural and related services	11.1	(2.5)	8.6
Environmental & regulatory services	25.7	(4.5)	21.2
Planning services	7.3	(6.0)	1.3
Education and children's services	206.8	(162.2)	44.5
Highways and transport services	28.0	(14.6)	13.4
Other housing services*	99.3	(95.9)	3.4
Adult social care	66.9	(15.2)	51.7
Corporate and democratic core	4.9	0.0	4.9
Non distributed costs - Other	13.4	(10.2)	3.1
Public health	10.9	(10.5)	0.5
<b>Net Cost of Services</b>	<b>481.2</b>	<b>(325.4)</b>	<b>155.8</b>

\* Includes Housing Benefits, Homelessness and Supporting People.



### How was expenditure funded?

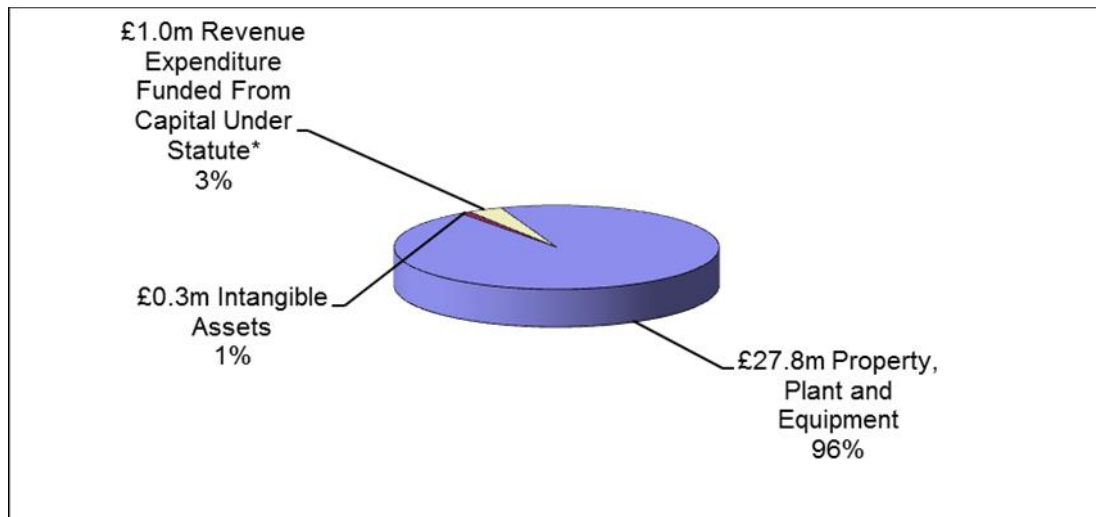
Other than income collected by departments from fees, charges and specific government grants, services are paid for from revenue support grant, which is money from Central Government, contributions from the business rates pool, council tax and special grants for specific purposes. The following chart shows the actual funding of the net cost of services from local taxation and non-specific grant income in 2015/16.



In 2015/16, Merton's Council Tax was the 10<sup>th</sup> lowest Council Tax (Band D) of the twenty outer London boroughs.

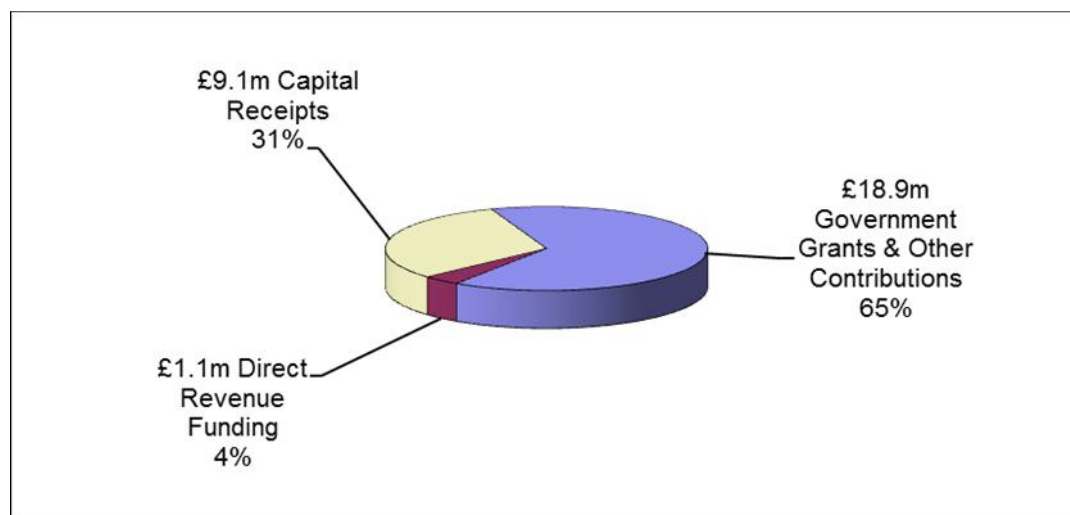
### CAPITAL SPENDING

Capital expenditure relates to spending on fixed assets such as buildings and equipment where the benefits to the authority last for more than one year. The Council spent £29.1m in 2015/16 as shown below.



\*This is revenue expenditure, which can be funded from capital resources under statutory requirements.

Capital spending was financed from a variety of resources as shown below.



Capital expenditure and the budget for the next four years, is shown by department in the following table:

Department	Outturn 2015/16 £000s	Capital Budget			
		2016/17* £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Corporate Services	2,466	2,345	5,196	2,977	2,795
Community and Housing	1,355	11,630	1055	629	280
Children, Schools and Families	14,348	14,139	19,829	12,990	4,955
Environment and Regeneration	10,910	17,834	12,664	15,474	4,277
<b>Total</b>	<b>29,079</b>	<b>45,948</b>	<b>38,744</b>	<b>32,070</b>	<b>12,307</b>

\*Budget includes £6.7m slippage from 2015/16.

## FINANCIAL HEALTH

The Balance Sheet gives a snapshot of the Council's financial position at the year-end (i.e. 31<sup>st</sup> March 2016). It shows what the Council owns (its assets) and what it owes (its liabilities) and the funds which support them.

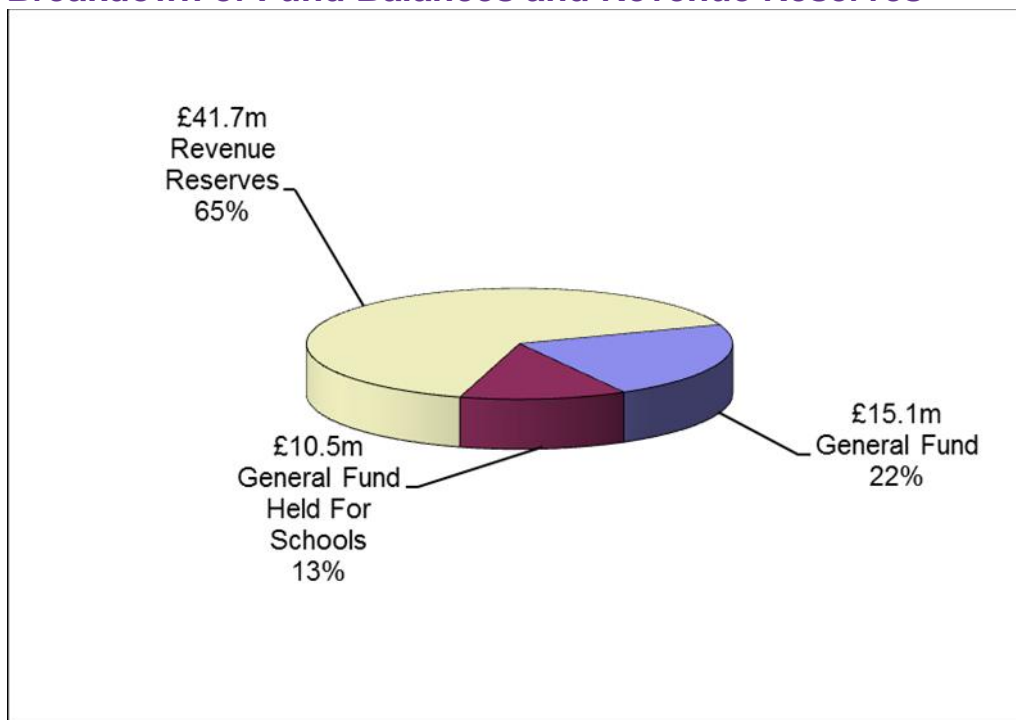
### Summary Balance Sheet

	As at 31 <sup>st</sup> March 2015	As at 31 <sup>st</sup> March 2016
Assets	£m	£m
Fixed and Other Long Term Assets	457	476
Current Assets including investments, cash and debtors	126	142
Current Liabilities including creditors and short term borrowing	(72)	(77)
<b>Total Assets Less Current Liabilities</b>	<b>511</b>	<b>541</b>
Long term borrowings	(117)	(117)
Other liabilities and provisions	(49)	(47)
Pension Fund Liability	(294)	(263)
<b>Total Long Term Liabilities</b>	<b>(460)</b>	<b>(427)</b>
<b>Total Net Assets</b>	<b>51</b>	<b>114</b>
<b>Represented by:</b>		
Reserves and balances which can be spent	(105)	(101)
Reserves and balances which cannot be spent	54	(13)
<b>Total Net Worth</b>	<b>(51)</b>	<b>(114)</b>

## RESERVES AND FUND BALANCES

In total, the Council now has usable reserves and fund balances amounting to £101m, £34m capital receipts and grants, and £67m fund balances and revenue reserves which are broken down below.

### Breakdown of Fund Balances and Revenue Reserves



## PENSION FUND

The pension scheme is financed by contributions from employees and the employer, together with income and proceeds from investments administered by the Council. The Council is required to report the assets and liabilities on an IAS19 commitment basis. On this basis, the assets in the scheme increased by £2m during the year to £483m and the estimated pension liability decreased by £29m to £746m, leading to a £31m decrease in the pension deficit, which stands at a notional £263m. Although this is a significant notional liability, the basis on which the deficit of the fund is valued and a deficit recovery plan is maintained is determined by a separate triennial actuarial valuation. Under the latest actuarial valuation, the Council has a 12 year plan to eliminate the deficit.

### **CABINET REPORTING**

The revenue outturn in the statement of accounts has been prepared in accordance with the CIPFA Service Reporting Code of Practice which sets out a standard form for the reporting of services to enable this authority to compare the gross and net cost of its services with all other local authorities. A reconciliation of the Cabinet reporting, which is used for management purposes, to the CIPFA Service Reporting Code of Practice is provided within the 2015/16 Statement of Accounts as disclosure note 2.

**Disclaimer:** - All of the figures in this summary have been compiled having due regard to proper accounting practice. In order to provide simplified and meaningful summary information, some figures have been combined.