

Summary Statement of Accounts

31st March 2014

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 also available on the Council's website at: 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 2013/14

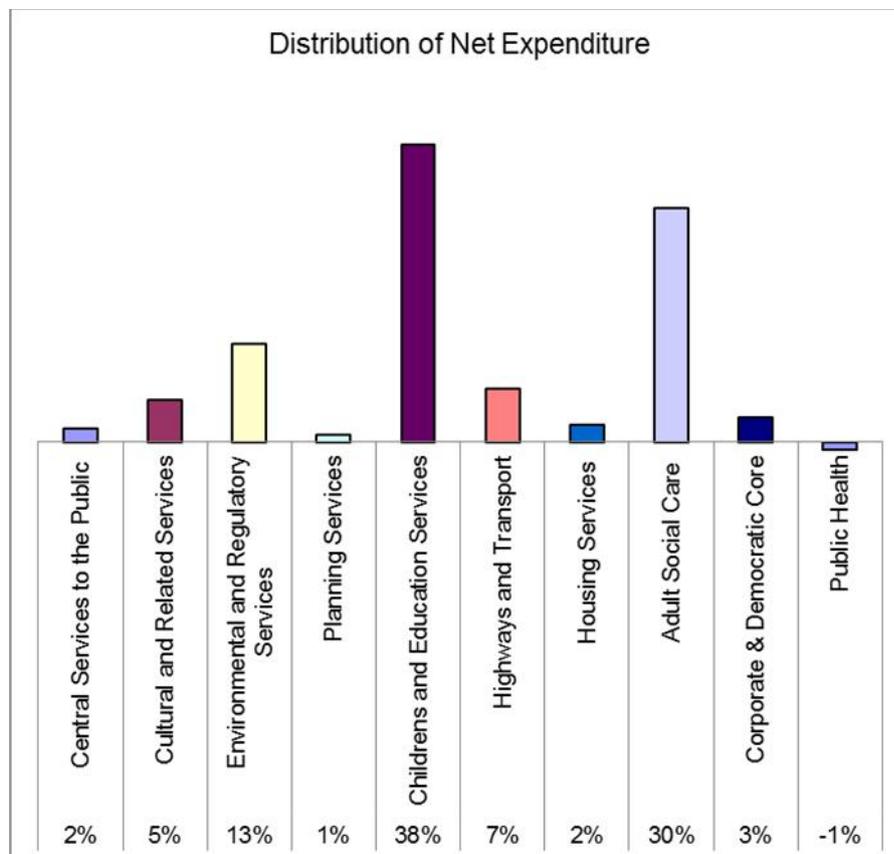
- The Council spent £32m on capital schemes, a reduction of 22% from 2012/13.
- Total net assets decreased by £20m, with usable reserves increasing by £9m.
- Long Term borrowings remained at £117m.
- The Council had a net nil under/over spend against its budget in 2013/14 prior to any transfers to the General Fund Balance.

REVENUE SPENDING

Merton's net cost of services was £178m, attributable to services as shown below.

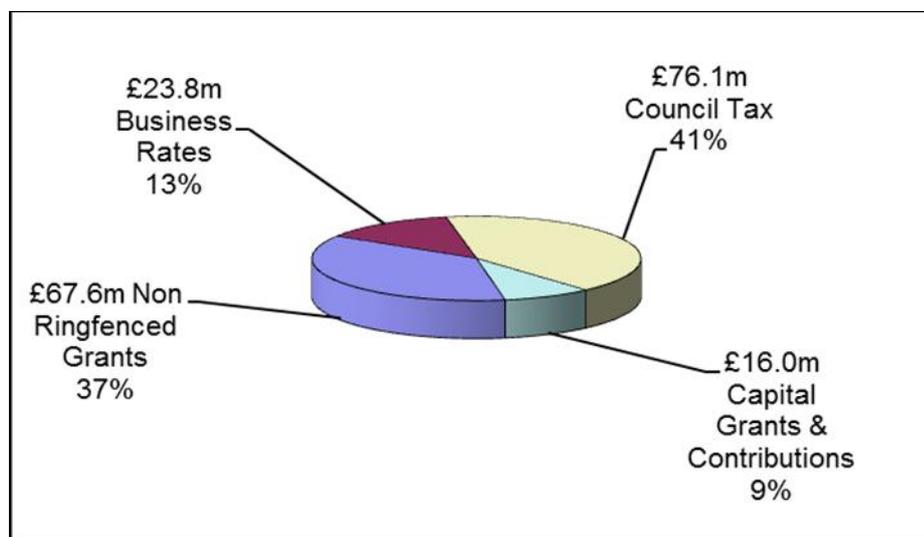
Service Areas	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Central Services to the Public	6.8	(3.6)	3.2
Cultural and Related Services	11.3	(1.9)	9.4
Environmental & Regulatory Services	26.3	(4.1)	22.3
Planning Services	7.3	(5.7)	1.6
Education and Children's Services	219.6	(152.1)	67.4
Highways and Transport	26.6	(14.6)	12.0
Housing Services (Note 1)	98.7	(94.7)	4.0
Adult Social Care	70.1	(16.9)	53.2
Corporate & Democratic Core	5.5	(0.1)	5.4
Public Health	8.2	(9.9)	(1.7)
Non Distributed Costs	7.9	(6.5)	1.3
Net Cost of Services	488.4	(310.2)	178.2

Note 1 - Includes Housing Benefits, Homelessness and Supporting People.



How was expenditure funded?

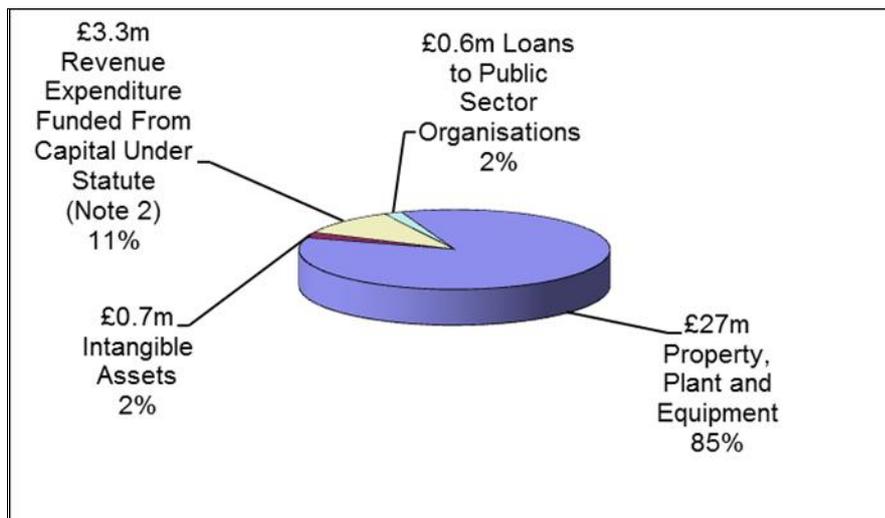
Other than income collected by departments from fees, charges and specific government grants, services are paid for from revenue support grant, which is money from Central Government, contributions from the business rates pool and Council Tax and special grants for specific purposes. The following chart shows the actual funding for 2013/14.



In 2013/14, Merton's Council Tax remains the 9th lowest Council Tax (Band D) of the twenty outer London boroughs.

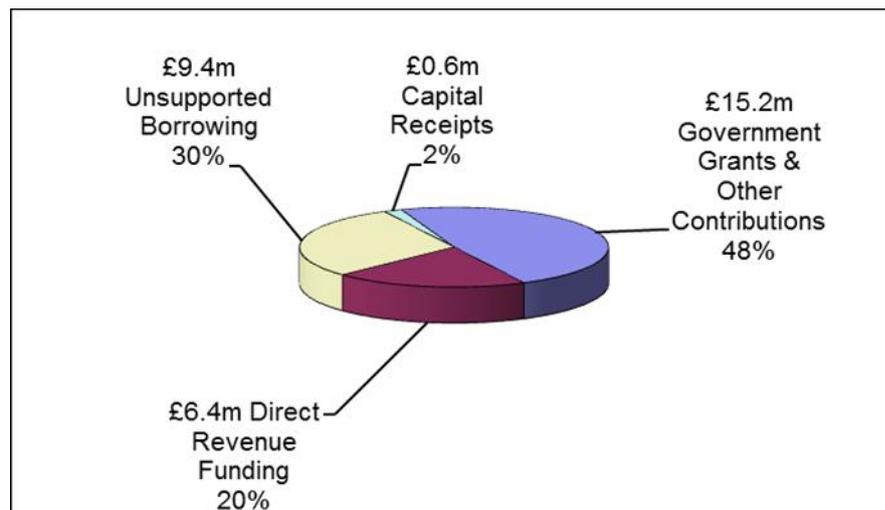
CAPITAL SPENDING

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 £32m in 2013/14 as shown below.



Note 2 - This is expenditure which is classified as revenue expenditure but which can be funded from capital resources under statutory requirements.

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



FINANCIAL HEALTH

The Council's Balance Sheet gives a snapshot of the Council's financial position at the year-end (i.e. 31st March 2014). It shows what the Council owns (its assets) and what it owes (its liabilities) and the funds which support them.

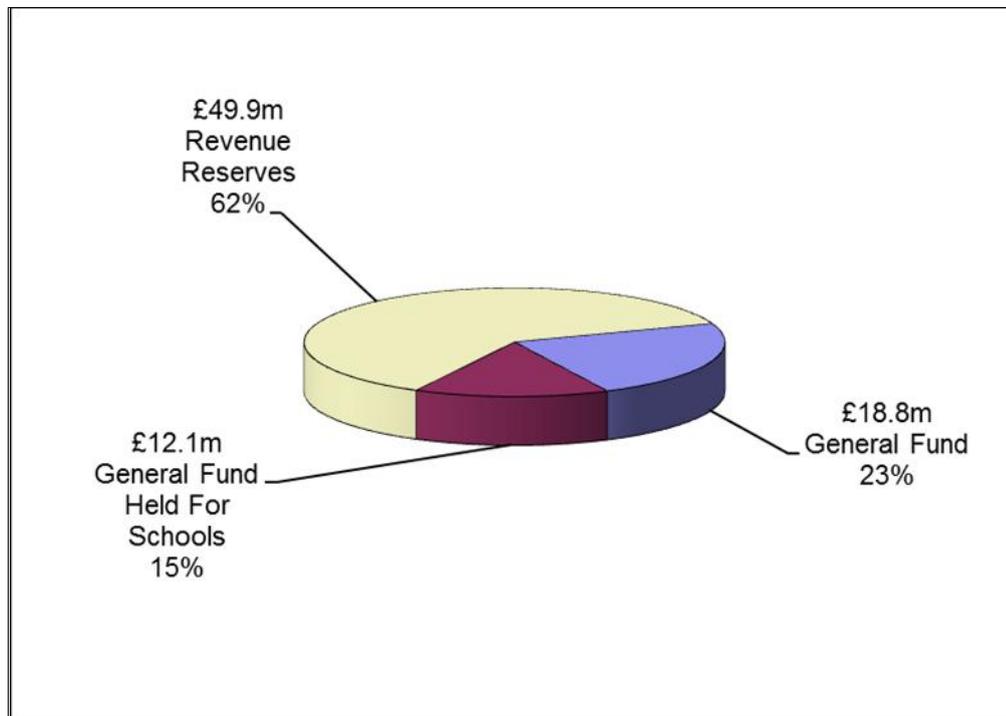
Summary Balance Sheet

Assets	As at 31 st March 2013 £m	As at 31 st March 2014 £m
Fixed and Other Long Term Assets	457	463
Current Assets including investments, cash and debtors	119	126
Current Liabilities including creditors and short term borrowing	(60)	(64)
Total Assets Less Current Liabilities	516	525
Long term borrowings	(117)	(117)
Other liabilities and provisions	(50)	(50)
Pension Fund Liability	(195)	(224)
Total Long Term Liabilities	(362)	(391)
Total Net Assets	154	134
Represented by:		
Reserves and balances which can be spent	(106)	(115)
Reserves and balances which cannot be spent	(48)	(19)
Total Net Worth	(154)	(134)

RESERVES AND FUND BALANCES

In total, the Council now has usable reserves and fund balances amounting to £115m, £34m capital receipts and grants, and £81m 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 a commitment basis (IAS19). On this basis the assets in the scheme increased by £12m during the year to £430m and the estimated pension liability increased by £41m to £654m, leading to a £29m increase in the pension deficit, which stands at a nominal £224m. Although this is a significant notional liability, it is not the basis on which the real deficit on the fund is valued and against which a deficit recovery plan has to be prepared. The fund was revalued on the real basis at the end of March 2013 and had a deficit of £53m. The Council has a 12 year plan to eliminate the deficit with a substantial one off payment being made in 2014/15 and reported as part of the budget process.

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 below.

2013/14	Cabinet (Draft Accounts) £000	Budgetary control presentation £000	Services in corporate in Sercop £000	IFRS Adjustments £000	Statement of Accounts £000
Services	153,582	3,251	(300)	21,690	178,223
Corporate	11,287	9,389	300	(487)	20,489
Cost of services	164,869	12,640	0	21,203	198,712
Corporate Funding	(164,869)	(12,640)		(6,111)	(183,620)
(Surplus)/deficit on provision of services	0	0	0	15,092	15,092
Unrealised Gains and Losses	0	0	0	4,540	4,540
(Surplus)/deficit	-	-	-	19,632	19,632

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.