

# Summary Statement of Accounts

31<sup>st</sup> March 2011

## 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](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.

**Housing Revenue Account** - Reflects the statutory obligation to account separately for the provision of Local Authority housing.

**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 2010/11

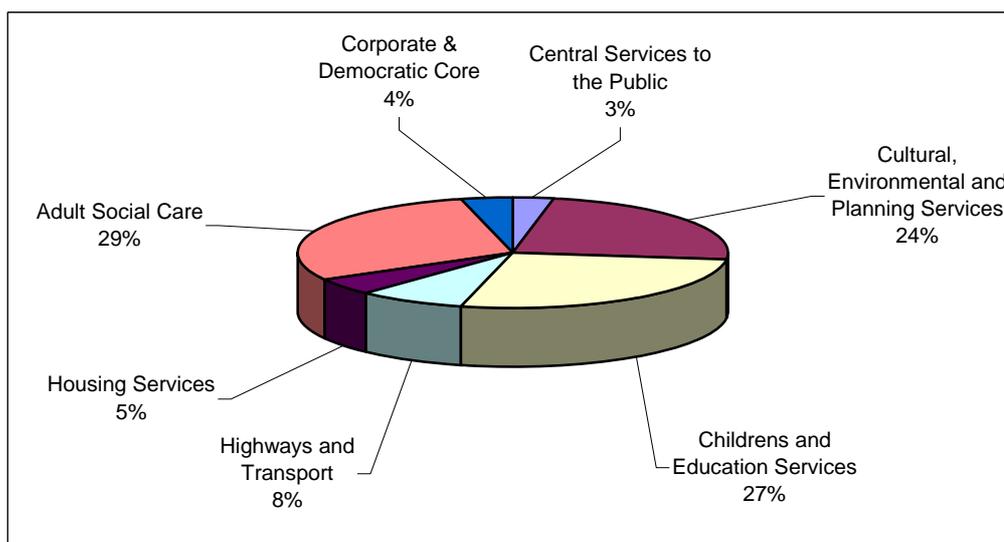
- The Council spent £46.5m on capital schemes a reduction of 17%
- Total net assets increased by £160m, with usable reserves increasing by £9.8m
- Long Term borrowings were £117m.
- The HRA balance was £4m a reduction of £0.6m.
- The pension fund deficit on an IAS19 basis decreased by £139m

## REVENUE SPENDING

Merton's net cost of services was £112.3m, attributable to services as shown:

| Service Areas                                 | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
|---|---------------------------|----------------------|-------------------------|
| Central Services to the Public                | 21,992                    | (17,881)             | 4,111                   |
| Cultural, Environmental and Planning Services | 45,587                    | (8,960)              | 36,627                  |
| Children's and Education Services             | 192,717                   | (151,857)            | 40,860                  |
| Highways and Transport                        | 23,155                    | (10,224)             | 12,931                  |
| Housing GF Services (Note 1)                  | 86,595                    | (78,962)             | 7,633                   |
| Adult Social Care                             | 68,908                    | (23,688)             | 45,220                  |
| Corporate & Democratic Core                   | 6,651                     | (1)                  | 6,650                   |
| Non Distributed Costs                         | (38,070)                  | (3,696)              | (41,766)                |
| <b>Net Cost of Services</b>                   | <b>407,535</b>            | <b>295,269</b>       | <b>112,266</b>          |

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



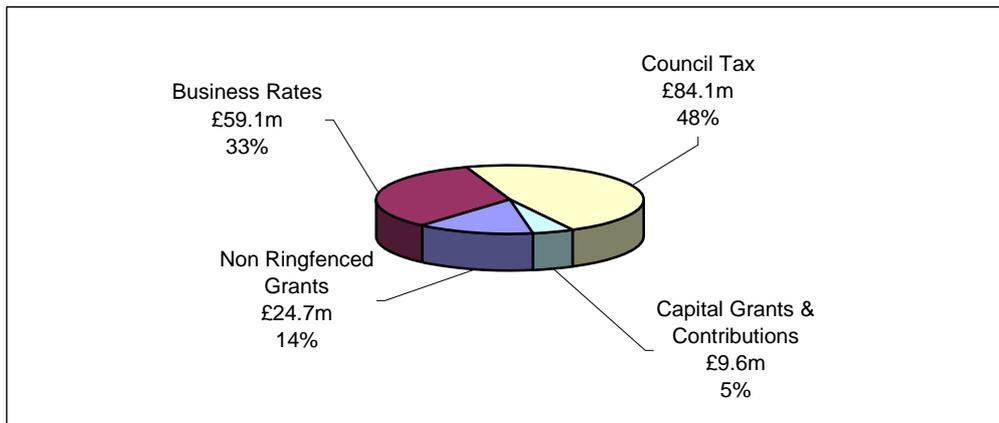
The above chart excludes Non Distributed Costs.

## 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 2010/11:

# LONDON BOROUGH OF MERTON

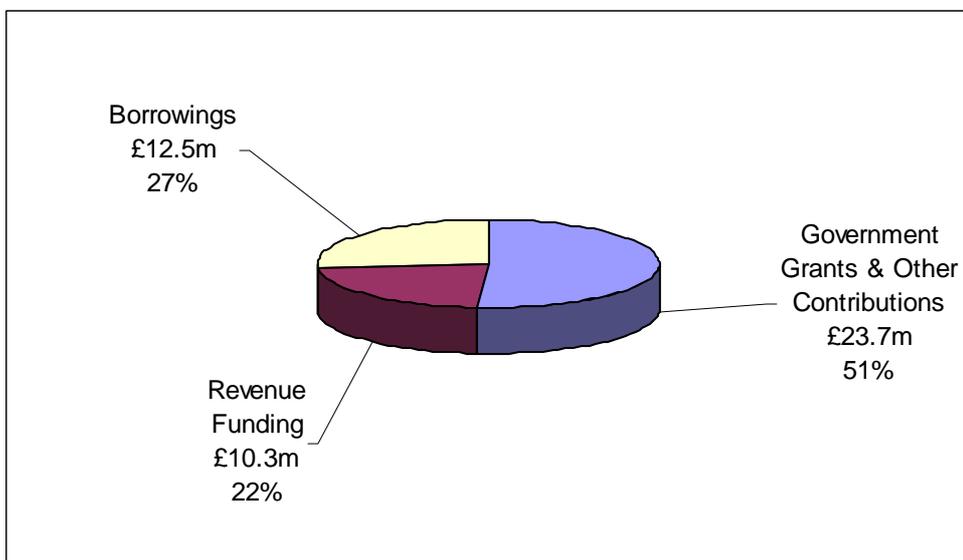
## Summary Accounts 2010/11



In 2010/11, Merton's Council Tax is the 9<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 £46.5m in 2010/11, which was financed from a variety of resources as shown below:



## LONDON BOROUGH OF MERTON

Summary Accounts 2010/11

### FINANCIAL HEALTH

The Council's Balance Sheet gives a snapshot of the Council's financial position at the year-end (i.e. 31<sup>st</sup> March 2011). It shows what the Council owns (its assets) and what it owes (its liabilities) and the funds which support them.

### Summary Balance Sheet at 31<sup>st</sup> March 2011

| Assets  | £m           |
|---|--------------|
| Fixed and Other Long Term Assets  | 478          |
| Current Assets including investments, cash and debtors                          | 118          |
| Current Liabilities including creditors and short term borrowing                | (79)         |
| <b>Total Assets Less Current Liabilities</b>                                    | <b>517</b>   |
|   |              |
| Long term borrowings  | (117)        |
| Other liabilities and provisions  | (58)         |
| Pension Fund Liability  | (103)        |
| <b>Total Long Term Liabilities</b>  | <b>(278)</b> |
|   |              |
| <b>Total Net Assets</b>   | <b>239</b>   |
| <b>Represented by:</b>  |              |
| Reserves and balances which can be spent  | (72)         |
| Reserves and balances which cannot be spent<br>(including schools only reserve) | (167)        |
| <b>Total Net Worth</b>  | <b>(239)</b> |

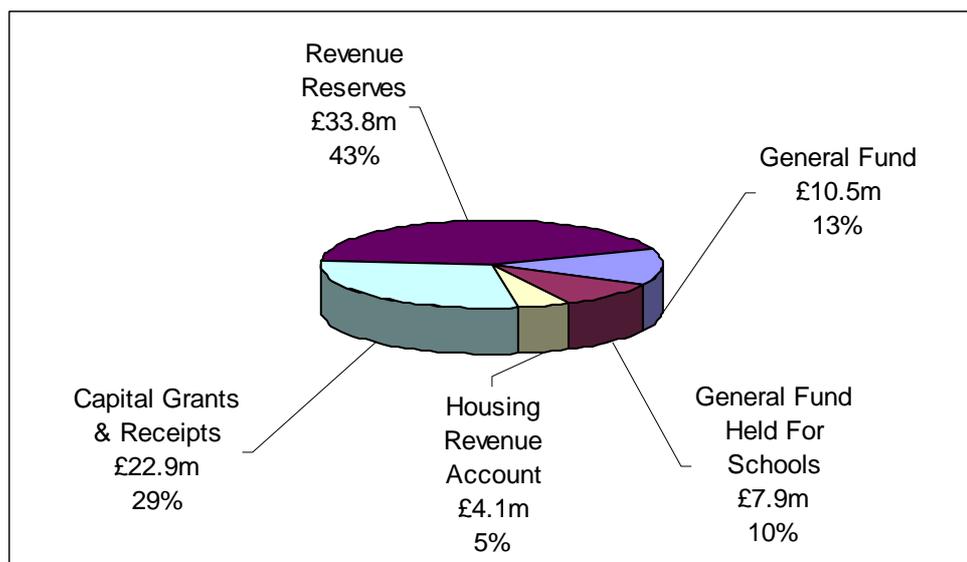
The main changes in the Balance Sheet compared to 2009/10 are as follows: -

| Account category  | £m         |
|---|------------|
| An increase in Long Term assets mainly due to an increase in Property, Plant & Equipment  | 23         |
| An increase in net current liabilities mainly due to an increase in temporary borrowing   | (15)       |
| A reduction in long term liabilities mainly due to a reduction in the net pension fund liability as a result of change from RPI to CPI. | 152        |
| <b>Change in Net Assets</b>   | <b>160</b> |

## RESERVES AND FUND BALANCES

In total, the Council now has usable reserves and fund balances, amounting to nearly £72m, which is broken down overleaf.

### Breakdown of Fund Balances and Revenue Reserves



## HOUSING REVENUE ACCOUNT (HRA)

This account is concerned with transactions involving the management of the Council's housing stock and the key financial highlights are summarised below:

|                                    | 2009/10<br>£m | 2010/11<br>£m |
|------------------------------------|---------------|---------------|
| Rental Income                      | 25.8          | 0.08          |
| HRA Reserve                        | 4.6           | 4.0           |
| Council dwellings and other assets | 0             | 0             |
| Capital expenditure                | 7.5           | 0             |

The Council transferred its housing stock to Merton Priory Homes on 22 March 2010 and now has no homes or garages in the HRA.

## 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, measured at fair value, increased by £35m during the year to £351m. The estimated pension liability decreased by £105m to £454m, leading to a £140m reduction in the pension deficit, which stands at £103m. Although this is a significant liability the Council does have a long term plan to reduce this deficit and does not foresee problems meeting its current and future pension liabilities.

# LONDON BOROUGH OF MERTON

## Summary Accounts 2010/11

**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.

