

Merton Council

General Purposes Committee

26 September 2013

Supplementary agenda

4 Audited Final Accounts 2012/13

1 - 8

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Appendix 2 Adjustments to the Accounts - Addendum

This addendum presents four additional adjustments to the Statement of Accounts, which have been agreed with Ernst & Young subsequent to the accounts being dispatched to General Purposes Committee (GPC). The adjustments have no effect on the Council's Core Financial Statements.

Adjustment 1 – Note 25 Unusable Reserves

The Deferred Capital Receipts Reserve (DCR) on page 59 included a £1.203m prior period adjustment in 2011/12. However, the prior period adjustment should only have been £1.023m, with £0.180m shown as part of the 2011/12 'Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement'. The adjustment is presentational and has no effect on the 2011/12 balance carried forward. The revised table is as follows:

2011/12 Re-stated		2012/13
£000		£000
(4,243)	Balance at 1 April	(5,355)
(1,023)	Prior period adjustment	0
(5,266)	Restated Balance at 1 April	(5,355)
(95)	Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	11
6	Transfer to the Capital Receipts Reserve upon receipt of cash	6
(5,355)	Balance at 31 March	(5,338)

Adjustment 2 – Note 43 PFI Scheme

Following the audit, Bishopsford School was removed from the Council's Balance Sheet, an adjustment of £11.742m. However, Note 43 (page 83) of the accounts dispatched to GPC contained an isolated balance that still included the Bishopsford School asset at 31/03/2013. This has been corrected and now agrees to the Council's Balance Sheet; the revised table is shown below:

Value of PFI Assets held	31 st March 2012	31 st March 2013
	£000	£000
Gross Value	65,012	53,340
Accumulated Depreciation	(1,288)	(2,056)
Net	63,724	51,284

Adjustment 3 – Note 48 Defined Benefit Pension Scheme

Note 48 (page 87) contained the inconsistent table heading ‘Fair value of scheme assets at end of period’. This has been corrected to ‘Defined benefit obligation at end of period’.

Adjustment 4 – Pension Fund Accounts, Note 20 Current Assets and Note 21 Current Liabilities

The table headings for Notes 20 and 21 (page 127) were incorrectly stated as the financial year (i.e. 2011/12). These have been corrected to the year-end date (i.e. 31/03/2012).

Merton Council

Addendum to the audit results report

Our final review of the financial statements presented to the General Purposes Committee identified presentation and disclosure changes. We have reviewed and agreed these. We report these as an addendum to our audit results report.

These have no effect on the core financial statements of either the Council or the Pension Fund.

All references to page numbers are from the Statement of Accounts - Appendix B to the papers for this Committee. The adjustments are:

MERTON COUNCIL

1. Page 48 - Note 16 – Financial instruments – debtors and creditors

For consistency of treatment with the Pension Fund accounts

-additional debtors of £10,542k for 2011/12 and £13,382k for 2012/13 were categorised as financial instruments under 'Loans and Receivables'

-additional creditors of £1,133k for 2011/12 and £1,187k for 2012/13 were categorised as financial instruments under a new category of 'PFI and finance leases'

-additional creditors of £26,280k for 2011/12 and £27,447k for 2012/13 were categorised as financial instruments under 'Other'

These adjustments are also disclosed under Page 53 – Note 19 – 'Financial Instruments in Debtors' and Page 54 - Note 22 'Financial instruments within Creditors'

2. Page 78 – Note 41 – Capital Expenditure And Capital Financing – Prior Period Adjustment

- inclusion of £17,225k increase to the capital financing requirement and minimum revenue provision calculation in years prior to 2011/12 for the PFI partial termination (which is stated in our audit results report)

MERTON PENSION FUND

1. Page 117 - Note 15.4 - Detail Analysis of Investments (excluding derivative contracts)

- additional line showing 'Other Investment Balances' for 2011/12 - £4,104k and 2012/13 - £3,200k

2. Page 119 - Note 16.1 -Financial Instruments

- for consistency of treatment with Council accounts

- additional debtor balances of 2011/12 - £4,033k and 2012/13 - £4,038k were categorised as financial instruments

3. Page 119 - Note 16.1 - Financial Instruments

- for consistency of treatment with Council accounts

- inclusion of creditor balances for 2011/12 - £113k and 2012/13 - £1155k were categorised as financial instruments

4. Page 119 - Note 16.2 - Net Gains And Losses On Financial Instruments

- amendment to show in-year rather than cumulative position

- 'Fair value through profit and loss' - 2012/13 – changed from £108,633k to £47,389k

- 'Total' – 2012/13 – changed from £108,615k to £47,557k

5. Page 127 - Note 21 - Current liabilities

- line omitted for 'Provision For Bulk Transfer' figure at 31/3/2012 - £4,371k now included

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	A	B	C	D	E	F
1						
2		Comprehensive Income and Expenditure Accounts: Net Cost of Services				
3						
4						
5		Employees			£'000	£'000
6		Direct employee expenses				
7		Salaries & Wages			134,995	
8		Employers NICs			10,240	
9		IAS19 Defined Benefit Pension Costs				
10		Employers pension current service costs			14,181	
11		Employers pension past service costs			345	
12		Recognition of gain/loss on settlement of pension liability			-381	
13		Pension contributions defined contribution plans and other external schemes (includes Teachers Pension Scheme)			6,463	
14		Agency staff			11,279	
15		Employee expenses			285	
16		Indirect employee expenses				
17		Other employee expenses			3,171	
18		Employee-related provisions expense				
19		Debits resulting from soft loans to staff				
20		Total Employee Costs				180,578
21		Premises				
22		Business Rates			1,461	
23		Premises related provisions expense				
24		Other Premises Related Expenditure			10,792	
25		Total Premises Costs				12,253
26						
27		Transport				
28		Transport related provisions expense				
29		Other Transport Related Expenditure			7,644	
30		Total Transport				7,644
31						
32		Supplies & Services				
33		Audit Costs			231	
34		PFI Service Charge			3,865	
35		Provisions expense			1,235	
36		Other Purchases of Supplies & Services			58,930	
37		Total Supplies & Services				64,261
38						
39		Third-Party Payments				
40		Independent units within the council				
41		Joint authorities			448	
42		Other local authorities			2,710	
43		Health Authorities (incl. NHS Trusts, Primary Care Trusts etc)				
44		Government departments				
45		Levies (included within service lines)				
46		All other bodies			75,084	
47		Total Third-Party Payments				78,242
48						
49		Transfer Payments				
50		Housing benefit and Council Tax Benefit			102,068	
51		Other transfer payments			13,044	
52		Negative Housing Revenue Accounts Subsidy	CLG			
53		Payment to CLG to buy out HRA subsidy	CLG			
54		Total Transfer Payments				115,112
55						
56		Support Services	Total Recharged Cost from Support Functions		37,382	37,382
57						
58		Depreciation & Impairment Losses				
59		Depreciation			13,830	
60		Amortisation of Intangible Assets			534	
61		Revaluations				
62		Impairment (PP&E)			2,462	
63		Movement in fair value of investment property				
64		Miscellaneous expenditure			104	
65		Total Depreciation and Impairment Losses				16,930
66						
67		Income				
68		Dwelling rents (gross) within the Housing Revenue Account (HRA)				
69		Cost of NNDR Collection Allowance (treated as income)	[no CPID]		-281	
70		Miscellaneous income				
71		Government Grants (received from bodies within WGA boundary)				
72		Income from CLG to settle HRA subsidy	CLG			
73		Housing Revenue Accounts Subsidy	CLG			
74		Supporting People	CLG			
75		PFI Special Grant (component recognised in NCS)	CLG			
76		Council Tax Benefit: subsidy	DWP		-13,846	
77		Rent Allowance: subsidy	DWP		-87,067	
78		HRA Rent Rebates: subsidy	DWP			
79		Non-HRA Rent Rebates: subsidy	DWP			
80		Housing Benefit & Council Tax Benefit Admin Grant	DWP		-1,485	
81		Sure Start Grants	DfE			
82		Dedicated Schools Grant	DfE		-132,697	
83		Schools Standard Grant & Schools Standard Fund	DfE			
84		Greater London Authority Transport Grant	DfT			
85		EU current grants				
86		Other revenue grants & contributions (from Govt)			-29,447	
87		Other Non-Govt revenue grants & contributions			-21,207	
88		Capital Grants and Contributions				
89		Capital grant income (from Govt bodies)				
90		Capital grant income (EU grants)				
91		Capital grants & contribution income (from non-Govt)				
92		Amounts released from receipts in advance (deferred income)	[no CPID]		-306	
93		Customer & client receipts				
94		recharge receipts			-41,981	
95		external receipts (fees & charges for services)			-40,052	
96		Other Operating Income				
97		Total Income				-368,369
98						
99		Landfill Allowance Trading Scheme				
100		LATS Grant Income				
101		LATS BMW/Landfill Usage				
102		Gain/Loss on Sale of LATS				
103		LATS Impairment				
104		Total Landfill Allowance Trading Scheme				0
105						
106		Other items (Group Accounts Only)				
107		Associates and joint ventures				
108		[SCOTLAND ONLY] Police, Fire, SESTRAN & Strathclyde Partnership for Transport				
109		Share of Surplus/Deficit of Assocs & JVs (Recognised within NCS, net of tax)				
110		Total Other items (Group Accounts Only)				0
111						
112		NET COST OF SERVICES				144,033
113						
114						
115						
116		MEMO:				
117		EXP - Curr GRANTS TO LG - HRA SUBSIDY		0		
118		EXP - PROVISIONS EXPENSE - OTHER		1,235		
119		EXP - GOODS/SERVICES - OTHER		62,386		
120		INC - Curr GRANTS FROM CG - HRASUBSIDY		0		
121		INC - RECEIPTS IN ADVANCE		0		
122		INC - SALES OF OTHER GOODS AND SERVICES		-40,052		
123		OTHER I&E - SHARE OF LOSS JV&A		0		
124		EXP - LOCAL GOV HOUSING AND OTHER BEN		115,112		
125		AMOUNTS RELEASED FROM RECEIPTS IN ADVANCE (DEFERRED INCOME)		-2,313		
126						

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	A	B	C	D	E	F
1						
2			CI&E Account: Net Operating Expenditure and Surplus/Deficit for the year			
3						
4						
5						£'000
6						
7			NET COST OF SERVICES			144,033
8						
9			Corporate Income and Expenditure:			
10			Provisions expense (any amount not in NCS)			
11			Trading Operation Results - Income		-13,485	
12			Trading Operation Results - Expense		11,998	
13			Other Corporate Income			
14			Other Corporate Expense			
15						
16			(Following Group Accounts Only)			
17						
18			[SCOTLAND ONLY] Police, Fire, SESTRAN & Strathclyde P'ship for Transport			
19			Share of Surplus/Deficit of assoc & JVs (not recognised within NCS, net of tax):			
20			Taxation Payable of subsidiaries			
21			Minority Interest Share of Profits or Losses of Subsidiaries			
22			Corporate Income and Expenditure:			-1,487
23						
24			Other Operating Expenditure			
25			Levies (not included in service lines)		880	
26			Net Gains/Losses on Disposal of PPE			
27			Net Gains/Losses on Disposal of Intangibles			
28			Net Gains/Losses on Disposal of Assets held for sale		4,571	
29			Local (Parish Council) Precepts			
30			Amounts payable to Housing Capital Receipts Pool			
31			Other Operating Expenditure			5,451
32						
33			Financing and Investment Income and Expenditure			
34			Interest Payable and similar charges			
35			Interest element of on-balance sheet PFI contract		3,454	
36			Finance charges for finance leases (non-PFI)		-650	
37			Impairment losses - debtors			
38			Impairment losses on other financial instrumts in the loan & receivables (less debtor impmt shown separately above) & available-for-sale assets categories			
39			Losses arising on the derecognition of financial instruments		0	
40			Interest paid - within Govt		2,639	
41			Interest paid - Bank Loans & Overdrafts (Non-Govt)		3,822	
42			Interest paid - Other borrowings (Non-Govt)		8	
43			Pensions Interest Cost		25,115	
44			Expected return on pension assets		-20,980	
45			Interest and investment income		-952	
46			Income & exp in relation to investment properties and changes in their fair value			
47			Rental Income from investment properties		-3,471	
48			Direct operating expenses arising from Investment Properties		1,437	
49			Net Gains/Losses on Disposal of Investment Properties			
50			Movement in fair value of investment property		-1,956	
51			Dividends receivable - Associates, Joint Ventures & subsidiaries			
52			Dividends receivable - Other (within Government)			
53			Dividends receivable - Other (non-Government)			
54			Net gains/losses on financial instruments carried at fair value through profit or loss		0	
55			Financial Instruments Fee Income/Expense (from sheet Fin Inst (15))		0	
56			Financing and Investment Income and Expenditure			8,466
57						
58			Taxation and Non Specific Grant Incomes			
59			Income from Council Tax		-86,813	
60			CLG Grants: Revenue Support Grant	CLG	-1,179	
61			CLG Grants: Local Services Support Grant	CLG	-6	
62			Non domestic rates (Distributed Non-Domestic Rate pool)	CLG	-60,842	
63			Police Grant	HO		
64			Greater London Authority General Grant	CLG		
65			PFI Special Grant (not in NCS)	CLG		
66			Other Government Grants (non-capital)		-9,507	
67			Other Grant Income & contributions (from non-Govt bodies)			
68			LA Levy Income			
69			Business Rates Supplement Income			
70			Amounts released from receipts in advance (deferred income)	[no CPID]	-2,007	
71			Capital Grants and Contributions			
72			Capital grant income (from Govt)		-18,093	
73			Capital grant & contribution income (from non-Govt bodies)		-1,900	
74			Taxation and Non Specific Grant Incomes			-180,347
75						
76			SURPLUS(-)/DEFICIT ON THE PROVISION OF SERVICES			-23,884
77						
78			Other Comprehensive income and expenditure (taken from top of Reserves sheet)			-2,942
79						
80			TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			-26,826

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