

Summary Statement of Accounts

31st March 2017

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.

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 2016/17

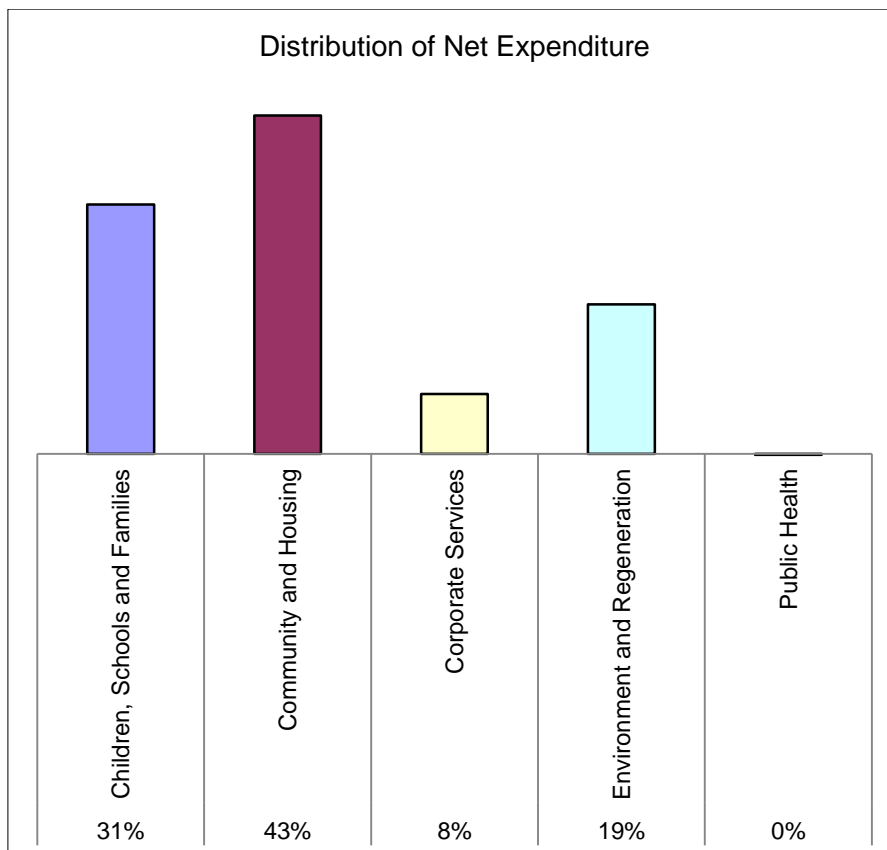
- The Council spent £31m (£29m in 2015/16) on capital schemes.
- Total net assets decreased by £57m, comprising a £47m decrease in unusable reserves and a £10m reduction in usable reserves. The £47m movement in unusable reserves was due to a £105m deterioration in the long-term pension liability, offset by a £58m increase in capital accounting and other reserves.
- Borrowing decreased from £133m at 31/03/16 to £128m at 31/03/17.
- The Council had a net £5.4m over spend against its budget in 2016/17, which has been funded from general fund balances and earmarked reserves.

REVENUE SPENDING

Merton's net cost of services was £162.5m, attributable to services as shown below:

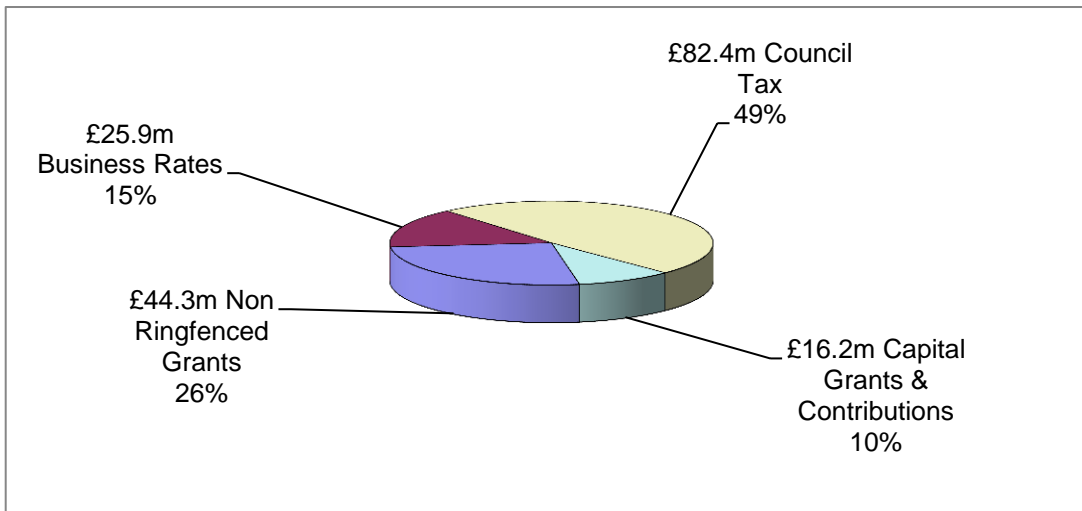
Service Areas	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Children, Schools and Families	211.6	(160.7)	50.9
Community and Housing	87.4	(18.3)	69.1
Corporate Services*	118.2	(106.0)	12.2
Environment and Regeneration	64.2	(33.7)	30.5
Public Health	11.1	(11.4)	(0.2)
Net Cost of Services	492.5	(330.0)	162.5

* Includes Housing Benefits



How was expenditure funded?

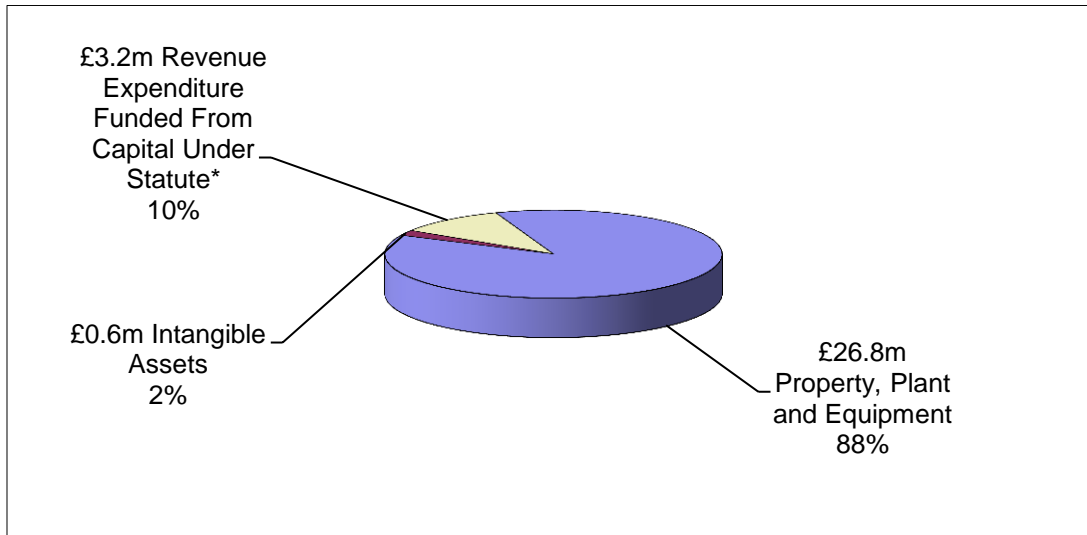
Other than income collected by departments from fees, charges and specific government grants, services are paid for from revenue support grant, which is money from Central Government, contributions from the business rates pool, council tax and special grants for specific purposes. The following chart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



In 2016/17, Merton's Council Tax was the 7th lowest Council Tax (Band D) of the twenty outer London boroughs.

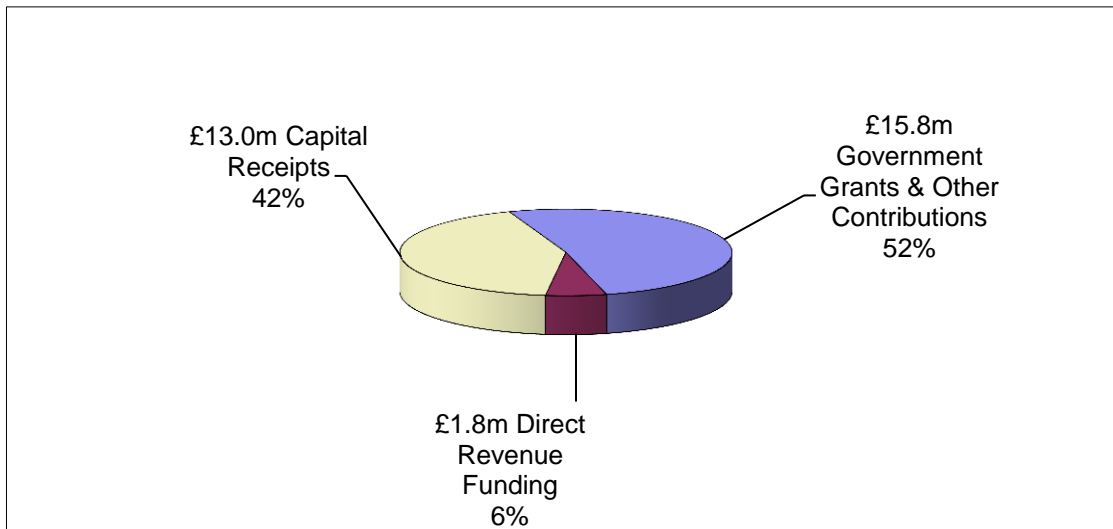
CAPITAL SPENDING

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 £30.6m in 2016/17 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 2016/17 £000s	Capital Budget			
		2017/18* £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Children, Schools & Families	12,506	13,955	12,116	6,236	650
Community and Housing	1,663	1,569	629	280	630
Corporate Services	3,911	25,875	16,813	10,626	2,135
Environment & Regeneration	12,546	19,852	19,295	7,241	5,017
Total	30,626	61,251	48,853	24,383	8,432

*The 2017/18 budget was approved in March 2017 and includes £7.5m slippage from 2016/17, plus capital budgets for the Housing Company, Acquisitions Budget and CIL for Morden Leisure Centre.

FINANCIAL HEALTH

The Balance Sheet gives a snapshot of the Council's financial position at the year-end (i.e. 31st March 2017). It shows what the Council owns (its assets) and what it owes (its liabilities) and the funds which support them.

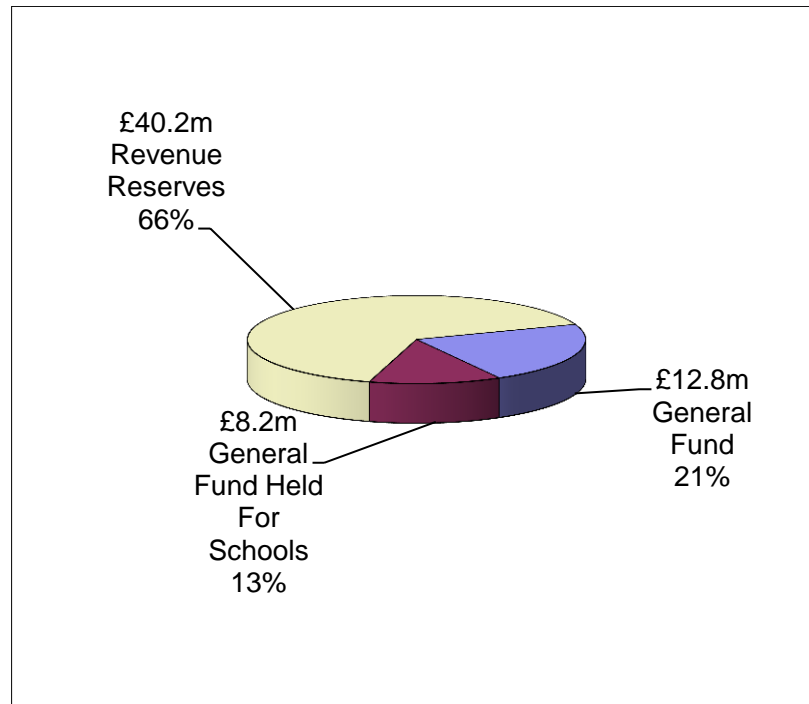
Summary Balance Sheet

Assets	As at 31 st March 2016 £m	As at 31 st March 2017 £m
Fixed and Other Long Term Assets	476	529
Current Assets including investments, cash and debtors	142	134
Current Liabilities including creditors and short term borrowing	(77)	(79)
Total Assets Less Current Liabilities	541	584
Long term borrowings	(117)	(113)
Other liabilities and provisions	(47)	(46)
Pension Fund Liability	(263)	(368)
Total Long Term Liabilities	(427)	(527)
Total Net Assets	114	57
Represented by:		
Reserves and balances which can be spent	(101)	(91)
Reserves and balances which cannot be spent	(13)	34
Total Net Worth	(114)	(57)

RESERVES AND FUND BALANCES

In total, the Council now has usable reserves and fund balances amounting to £91m, £30m capital receipts and grants, and £61m 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 £116m during the year to £599m and the estimated pension liability increased by £221m to £967m, leading to a £105m increase in the pension deficit, which stands at a notional £368m. Although this is a significant notional liability, the basis on which the pension deficit is valued for funding purposes 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 Code of Practice, which is based on IFRS accounting. A reconciliation of the Cabinet reporting, which is used for management purposes, to the CIPFA Code of Practice reporting is provided within the 2016/17 Statement of Accounts as disclosure note 1.

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.