

# Summary Statement of Accounts

## 31<sup>st</sup> March 2022

### 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 are available on the Council's website at:

<https://www.merton.gov.uk/council-and-local-democracy/finance/statement-of-accounts>

### 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 Scheme (Defined Benefit Pension Scheme)** - Shows member contributions to the scheme and the benefits paid from it, together with details of investment activity during the year. It excludes Pension Fund liabilities.

### FINANCIAL HIGHLIGHTS 2021/22

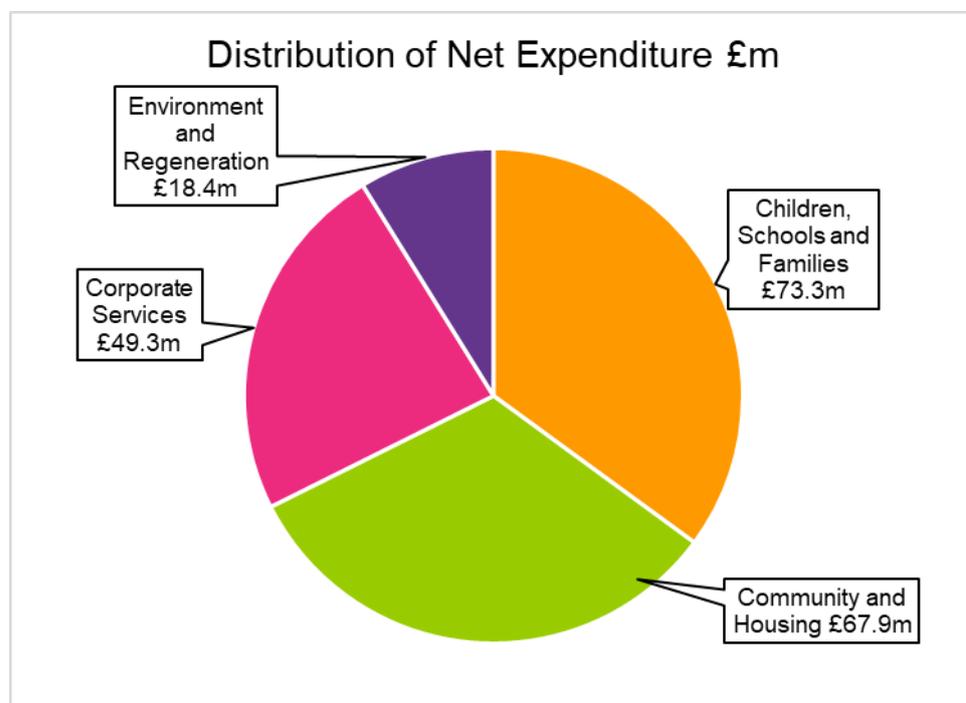
- Total net assets increased by £170m, comprising a £9m increase in usable reserves and a £162m increase in unusable reserves. The £162m increase in unusable reserves was due to a £115m increase in capital reserves, an increase in Collection Fund adjustments, and a reduction in the pensions reserve of £34.5m.
- Borrowing still remains at £109m at 31/03/22.
- The Council had a net underspend of £10.8m against its budget in 2021/22, which has been added to earmarked revenue reserves.

### REVENUE SPENDING

Merton's net cost of services was £208.9m, attributable to services as shown below:

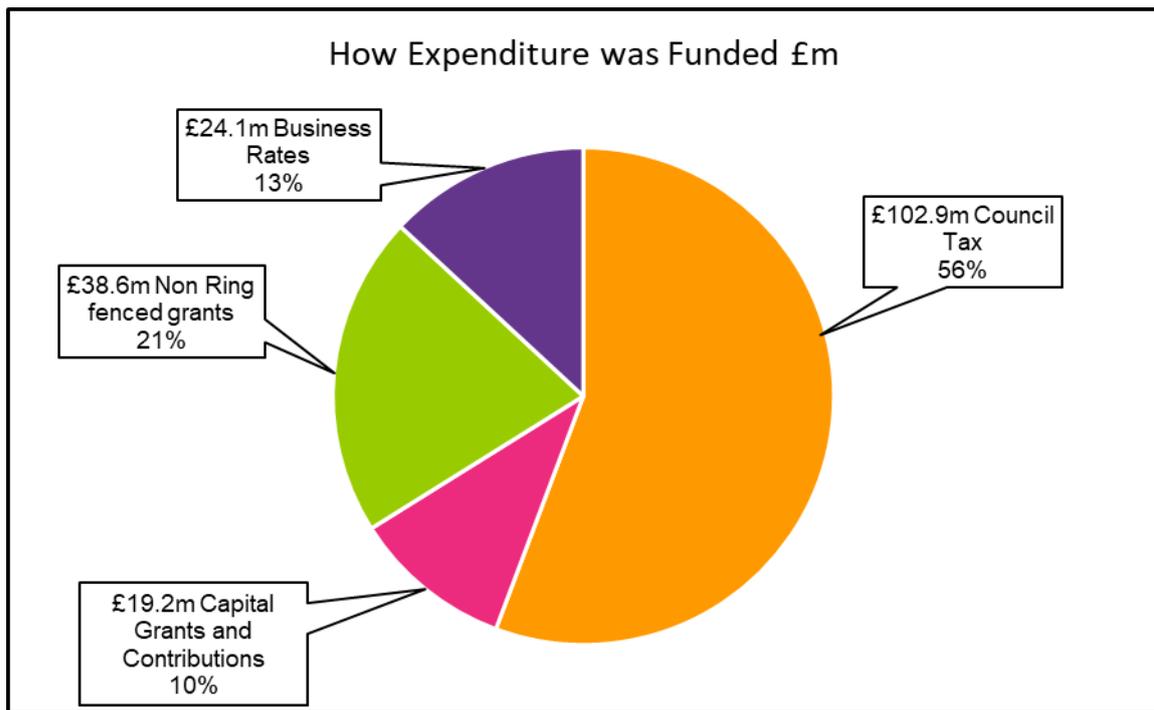
| Service Areas                         | Gross Expenditure<br>£m | Gross Income<br>£m | Net Expenditure<br>£m |
|---------------------------------------|-------------------------|--------------------|-----------------------|
| Children, Schools and Families        | 276.1                   | (202.8)            | 73.3                  |
| Community and Housing + Public Health | 109.3                   | (41.4)             | 67.9                  |
| Corporate Services*                   | 129.6                   | (80.2)             | 49.3                  |
| Environment and Regeneration          | 62.2                    | (43.8)             | 18.4                  |
| <b>Net Cost of Services</b>           | <b>577.1</b>            | <b>(368.2)</b>     | <b>208.9</b>          |

\* Includes Housing Benefits



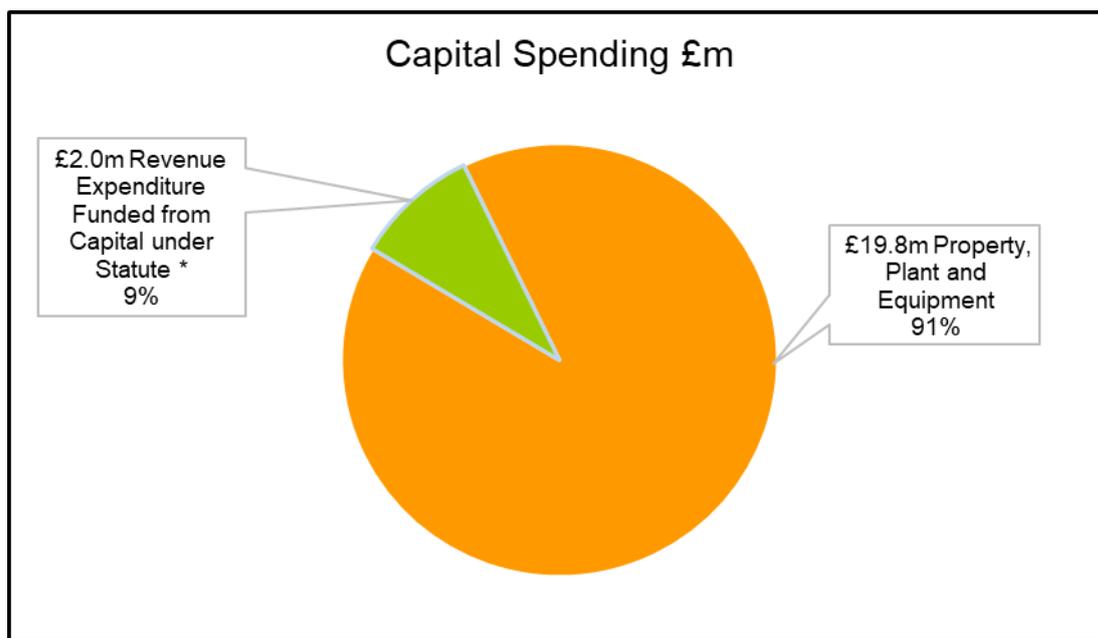
How was expenditure funded?

Other than income collected by departments from fees, charges and specific government grants, services are paid for from 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:



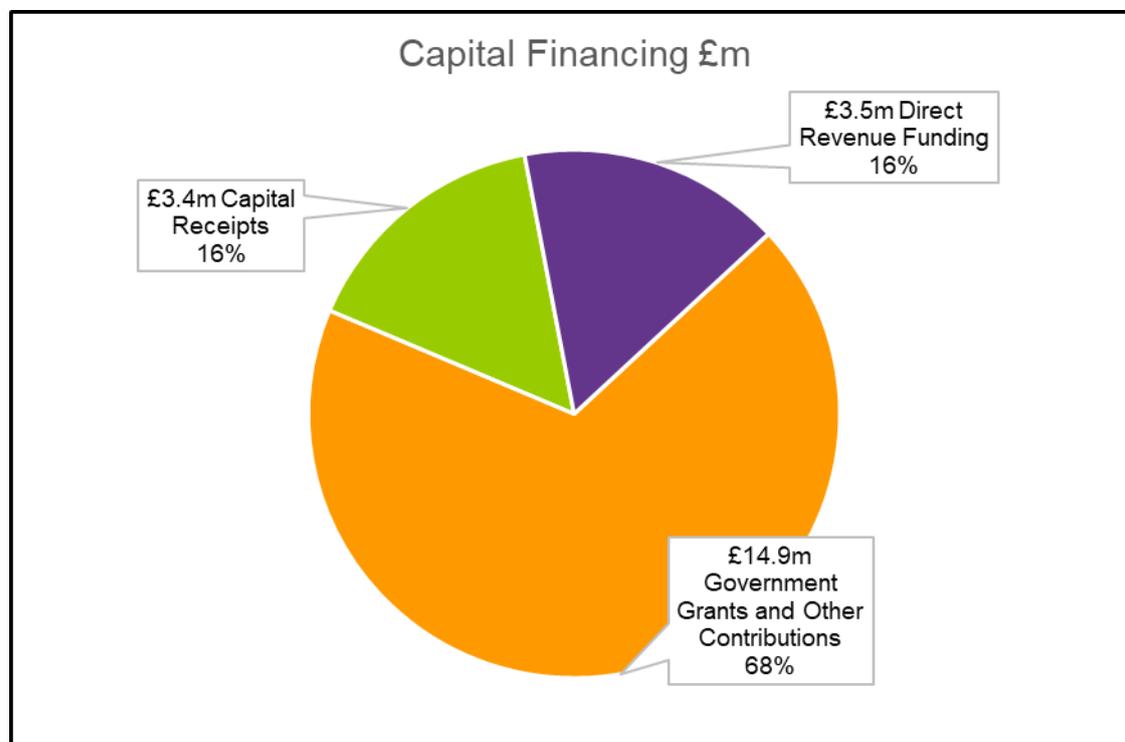
### CAPITAL SPENDING

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 £19.8m in 2021/22 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. The budget is based upon the budget approved in March 2022 plus slippage:

| Department                     | Outturn       | Capital Budget (£000's) |               |               |               |
|--------------------------------|---------------|-------------------------|---------------|---------------|---------------|
|                                | 2021/22       | 2022/23                 | 2023/24       | 2024/25       | 2025/26       |
|                                | £000s         |                         |               |               |               |
| Corporate Services             | 2,260         | 8,522                   | 5,570         | 4,755         | 12,427        |
| Community and Housing          | 1,275         | 2,530                   | 972           | 720           | 1,237         |
| Children, Schools and Families | 6,682         | 6,441                   | 3,400         | 4,300         | 3,479         |
| Environment & Regeneration     | 11,559        | 15,118                  | 8,108         | 6,174         | 22,923        |
| <b>Total</b>                   | <b>21,776</b> | <b>32,611</b>           | <b>18,050</b> | <b>15,949</b> | <b>40,066</b> |

## 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 2022). It shows what the Council owns (its assets) and what it owes (its liabilities) and the funds which support them.

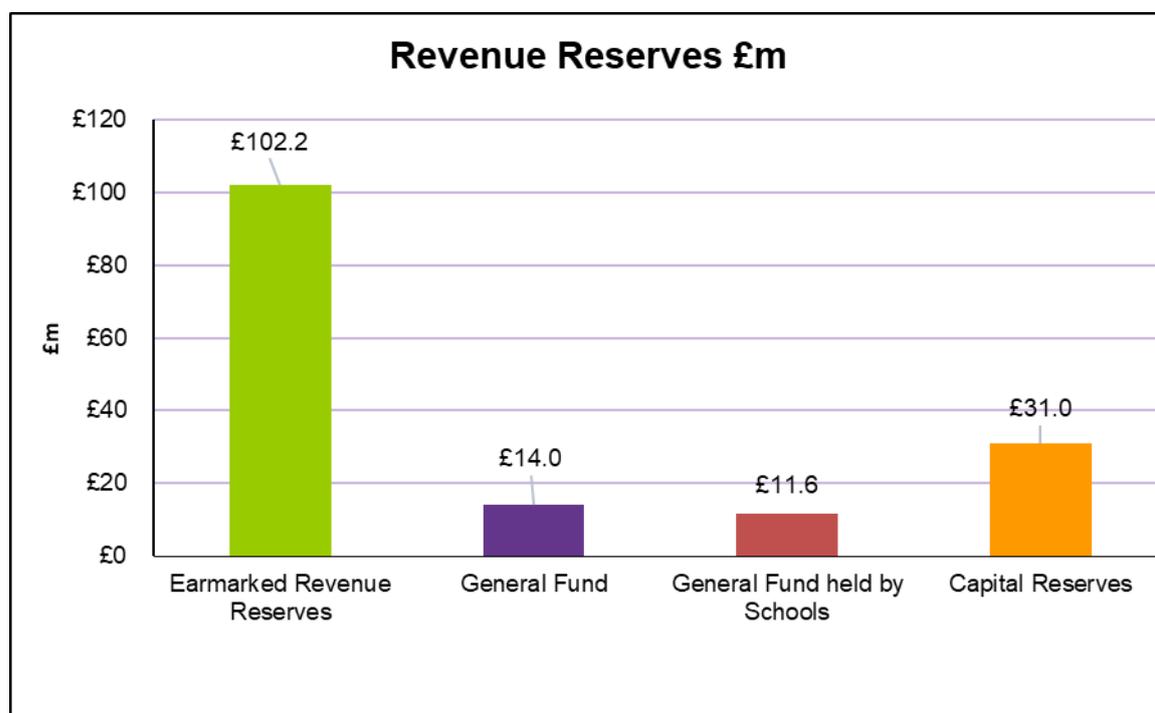
### Summary Balance Sheet

| Summary Balance Sheet  | As at 31 <sup>st</sup><br>March 2021<br>£m | As at 31 <sup>st</sup><br>March 2022<br>£m |
|--|--|--|
| Fixed and Other Long Term Assets                                 | 838  | 945  |
| Current Assets including investments, cash and debtors           | 209  | 221  |
| Current Liabilities including creditors and short term borrowing | (118)                                      | (111)                                      |
| <b>Total Assets Less Current Liabilities</b>                     | <b>929</b>                                 | <b>1,055</b>                               |
|  |  |  |
| Long term borrowings   | (109)                                      | (109)                                      |
| Other liabilities and provisions                                 | (48)                                       | (39)                                       |
| Pension Fund Liability   | (340)                                      | (305)                                      |
| <b>Total Long Term Liabilities</b>                               | <b>(497)</b>                               | <b>(453)</b>                               |
|  |  |  |
| <b>Total Net Assets</b>  | <b>432</b>                                 | <b>602</b>                                 |
| <b>Represented by:</b>   |  |  |
| Reserves and balances which can be spent                         | (150)                                      | (159)                                      |
| Reserves and balances which cannot be spent                      | (282)                                      | (444)                                      |
| <b>Total Net Worth</b>   | <b>(432)</b>                               | <b>(602)</b>                               |

## RESERVES AND FUND BALANCES

In total, the Council now has usable reserves and fund balances amounting to £158.8m, being £31.0m capital receipts and grants, and £127.8m fund balances and revenue reserves which are broken down below.

### Breakdown of Fund Balances and Revenue Reserves



## PENSION SCHEME

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 where the assets and liabilities stand on an IAS19 commitment basis. On this basis, the assets in the scheme increased by £24m during the year to £857m and the estimated pension liability decreased by £11m to £1,162m. This led to an overall £35m decrease in the pension deficit, which stands at a notional £305m. 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.

The annual funding level monitoring (as at 31<sup>st</sup> March 2022) showed a funding level of 104%. The 2022 Triennial valuation process is underway and will be completed in early 2023.

### **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 2021/22 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.