



MERSEYSIDE RECYCLING & WASTE AUTHORITY

**MERSEYSIDE... A PLACE
WHERE NOTHING IS WASTED**

STATEMENT OF ACCOUNTS

2012-13

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CHAIRPERSON'S INTRODUCTION

I am pleased to introduce the Merseyside Recycling and Waste Authority's Statement of Accounts. The Statement of Accounts continues to incorporate the change in the Authority's outward facing name. The change was made to reflect the increasing importance placed by the Authority on recycling and the use of waste as a resource in the future, rather than simply disposing of waste in landfill. The statutory responsibilities of the joint waste disposal authority remain but the emphasis on services has changed.

As the Chairperson of the Authority, together with the Members of the Authority we are responsible for making sure that the Authority makes the best use of its resources. A part of that responsibility is met when the Authority produces its annual Statement of Accounts. The Accounts show people across Merseyside how much our services have cost and how funding for those services has been provided. They help to provide reassurance to Merseyside's citizens of the care we take over the public funds that have been placed at our disposal by the public through the levy.

The 2012-13 financial year has been one of continuing change for the Authority. The Resource Recovery Contract (RRC) procurement which will replace most landfilling activities has continued to progress despite the loss of financial support from the Government, which withdrew the £90M of Waste Infrastructure Credits it had provisionally allocated. At the same time the Authority has continued to manage the Waste Management and Recycling Contract (WMRC). The savings that arose from the contract award have continued and alongside improving contract performance have helped the Authority keep Levy costs for District Councils down. During the year the Authority has negotiated and let interim contracts for disposal of some of its waste with third party suppliers to take advantage of short to medium term savings opportunities before the RRC comes on line. These contracts will keep costs down while helping the Authority to avoid landfilling.

Effective financial management has been key to ensuring the Authority is able to maintain its balances to offset future financial pressures. At a time when local government faces very significant financial and operational challenges it has been important to recognise the continuing need for the Authority to maintain prudent balances. The benefit of this approach will be felt by Districts over the medium term as the balances are used to offset future significant rises in the Levy that would otherwise accrue. At the same time the Authority has continued to review all its costs and has been able to minimise the immediate impact of the Levy on District Councils for another year. The Authority continues to minimise the cost of the Levy to Merseyside's citizens and while providing more environmentally beneficial ways of dealing with residual waste.

The Authority has been and aims to continue to be an efficient and low spending organisation and this will be sustained through a sound financial function.

Chairperson to the Authority
28th June 2013

FOREWORD BY TREASURER TO THE AUTHORITY

The Statement of Accounts is a statutory publication that sets out the financial results of the Recycling and Waste Authority's (the Authority) activities for the year ended 31st March 2013. The accounts have been prepared in accordance with the requirements of the Code of Practice for the 2012-13 accounts and any other Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Authority's accounts for the year 2012-13 are set out on pages 3 to 128 and in addition to this foreword they consist of:

- The Statement of Responsibilities for the Statement of Accounts, which sets out the responsibilities of the Authority and the Director of Finance for the accounts;
- The Annual Governance Statement, which reviews how the Authority conducts its business;
- The **Comprehensive Income and Expenditure Account**, summarises the accounting cost of providing services to the public, as well as income from the Levy and other income and costs and which also incorporates the recognised gains or losses on assets and liabilities;
- The **Balance Sheet**; which shows the value of the Authority's assets and liabilities at the year end and shows how they are matched by reserves which are grouped as Usable and Unusable;
- The **Cash Flow Statement**; which summarises the changes in both cash and cash equivalents of the Authority for the year;
- The **Movement in Reserves Statement**; which shows the movement in the year of the reserves held by the Authority, both the usable reserves (those that may be used to fund expenditure or reduce the Levy) and unusable reserves. Within this statement the Surplus/Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services which is different from the statutory amount required for Levy purposes;

N.B. The four statements highlighted above have equal status and the order in which they are presented is not intended to give precedence to any.

- Notes to the Core Financial Statements; which provide further explanation and information to support the principal financial statements;
- The Group Accounts, which comprise the consolidated accounts of the Authority and its interests in subsidiaries and associate companies; and

- The Statement of Accounting Policies, which explains the basis for the recognition, measurement and disclosure of transactions in the accounts. This statement underpins the basis for the preparation of the financial statements but thereafter is largely a reference point.

Accounting Issues

The Code of Practice for 2012-13 makes no very significant changes to the way some financial figures are presented and reported that were introduced in 2012-13. The local authority Code continues to be in line with the IFRS framework. For 2012-13 the presentation of the CIES has been reviewed and reflects the requirements of CIPFAs Service Code of Practice more fully at the discretionary levels in addition to the mandatory level that had been included in earlier year's accounts.

One of the key features of the IFRS based Code and framework is that in preparing the statement of accounts the concept of materiality is key. If an amount is regarded as immaterial then preparing it may be given less precedence, which will help to ensure the effective use of resources to prepare the accounts. This consideration is helpful in ensuring the other key requirement, to provide comparative figures for every figure in the accounts, is applied proportionately; immaterial comparatives that do not help the reader may be given less precedence.

Financial position of the Authority

The Authority's expenditure falls into two broad areas: Revenue expenditure which is concerned with the provision of Authority services in the year; and Capital expenditure which reflects the Authority's acquisition of and improvements to fixed assets. The Authority also sets aside sums to recognise both expected future expenditure (provisions) and to reflect the need for a reserve in the event of unplanned future expenditure. The next sections summarise the position the authority is in.

Revenue Expenditure

The Authority set a revenue budget for the year 2012-13 in February 2012. The budget was based on the assumptions about costs the Authority faced at the time, these assumptions remained largely accurate. The Authority's actual expenditure compared to the original estimate is set out below and the surplus for the year was £3.720M

	Original Estimate	Actual	Variance
	£000	£000	£000
Waste management contracts	51,623	50,409	1,214
Recycling Credits	5,938	5,396	542
Other expenditure	5,619	3,366	2,253
Establishment	2,278	1,754	524
Contribution to sinking fund	0	0	
	<hr/> 65,458	<hr/> 60,925	<hr/> 4,533
Levy	(65,458)	(65,458)	0
Contribution (to) / from Reserves	0	(4,533)	(4,533)

The net improvement of 4.5M contains a number of significant items.

- There were savings across the board, in particular arising from reductions in the amount spent on Agency payments and capitalising qualifying costs from the office reorganisation.
- The amount spent by the Authority on contract payments including landfill tax was reduced as a result on the interim contract which reduced the costs to the Authority by diverting waste from landfill. This was accompanied by a reduction in the amount spent on landfill allowances.
- The recycling credits were more less expensive than expected, which offset the higher than expected costs in the previous year.
- Establishment costs were kept in check by managing vacancies and by ensuring that savings were made on controllable expenditure.

The following table summarises what the Authority spent its money on and where it came from:

	£000	%
Gross Expenditure		
Employee Costs	1,583	2.4
Waste Disposal Contracts	24,389	37.4
Landfill Tax	25,864	39.7
Recycling credit payments	5,396	8.3
Contribution to Sinking Fund	0	0
Other costs	7,985	12.2
	<hr/> 63,637	<hr/> 100.0
Gross Income		
Levy	(65,458)	
Other income	(4,292)	
	<hr/> (69,750)	
Contribution (to) / from balances	(4,533)	

Funds, balances and reserves

The Authority recognised the likely impact of the spending position on its ability to make contributions to its funds and reserves in February 2013 when the budget for 2012-13 was revised. The outturn is just over £2.13 M lower than expected at revised estimate allowing for additional contributions to the balances to be made.

The General Fund is a fund set aside to provide for unexpected and unplanned events. The fund is at its current levels because of the level of risk and uncertainty the Authority faces in the RRC procurement. This is potentially the largest local government procurement on Merseyside and the risk of unplanned expenses is a significant factor. When the RRC contact is in place it is anticipated that the Fund balance will reduce to normal levels.

The Sinking Fund is a fund that has been established to enable the Authority to recognise and smooth the effect of anticipated significant increases in the costs it faces in the medium term. This fund will be used to keep the level of Levy increases to a reasonable level in future years and to mitigate the effect of unavoidable cost increases that would otherwise fall immediately onto District Councils. When the contract procurement is complete and the RRC costs are clear the plan to utilise the fund to offset costs on the Levy for District Councils will be finalised.

The Earmarked Reserve is a fund set aside to provide for the costs of the Authority's procurement advisers.

The Capital Fund is a fund that has been established to offset the costs of capital schemes and to minimise the long term borrowing costs the Authority will incur in funding such expenditure.

Funds balances and reserves

	General Fund £000	Sinking Fund £000	Earmarked Reserves £000	Capital Fund £000	Capital Receipts £000	Total £000
Opening balance	18,855	28,939	0	2,674	0	50,468
Additions in year	4,533	0	2,855	2,000	1,477	10,865
Deductions in year	(5,006)	0	(2,855)	0	(744)	(8,605)
Closing Balance	18,353	28,939	0	4,674	733	52,729

Capital Spending in 2012-13

Expenditure	
HWRC replacements	387
Closed landfill & Facilities costs	152
Other Costs	205
Total	<u>744</u>
Funded by	
Capital Receipts Reserve	<u>(744)</u>

There were no new significant assets procured during the year, although the HWRC costs reflect the cost of finalising the building of new sites at Kirkby and Huyton which were largely completed in the previous year. The Authority moved from its former office accommodation at North House into an office leased from Mersey Travel at Mann Island in Liverpool part way through the year. Office alterations and furniture have been capitalised as these are expected to last throughout the life of the lease.

Borrowing

The Authority has a portfolio of Public Works Loans Board (PWLB) and Market Loans taken out in previous periods which amount to £20.5M.

The Prudential Code, which was fully revised in 2009 and amended in 2011, enables the Authority to borrow to fund capital projects, providing it stays within the affordability and other prudential limits that it sets. The Authority set the limits for 2012-13 in February 2012 and these are regularly reviewed prior to undertaking capital expenditure, ensuring that the spending remains within the prudential framework. For 2012-13 capital spending has been funded from sums set aside in a Capital fund so no additional prudential borrowing was required. In the future the costs of PWLB borrowing will increase and so any further loans are more likely to be at market rates.

Contractual commitments

In June 2009 the Authority commenced a contract with Veolia for the provision of Waste Management and Recycling facilities across Merseyside. This is a long term contract that will run until 2020. The Authority is committed to making payments in 2013-14 to Veolia under the Waste Management and Recycling contract which are estimated to be £19.8M. The exact amount of the payment depends on the tonnages and the amount of waste that is handled by Veolia. The contract is due to run until 31 May 2020. The Authority also uses long term landfill contracts to dispose of waste, the estimated cost of these contracts in 2013-14 is £6.7M, which attracts landfill tax of £27.0M. These are lower than in previous years due to the short term interim contracts with third party suppliers for landfill diversion of some of the Authority's waste. The landfill contracts will be significantly smaller after 2015-16 when a new disposal contract is proposed to be in place.

CERTIFICATE

I certify that this Statement of Accounts presents a true and fair view of the financial position of Merseyside Recycling and Waste Authority (the statutory Waste Disposal Authority for Merseyside) at 31 March 2013 and its income and expenditure for the year then ended. In doing so I authorise the Statement for issue and confirm that it is this date up to which events after the Balance Sheet date have been considered in preparing the Statement.

Peter Williams
Treasurer to the Authority

Date

STATEMENT OF RESPONSIBILITIES

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

The Director of Finance's responsibilities

The Director of Finance, elsewhere referred to as the Treasurer to the Authority, is responsible for the preparation of the Authority's Statement of Accounts in accordance with statutory proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Code of Practice (the Code).

In preparing this Statement of Accounts the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority Code.

The Director of Finance has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

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Peter Williams
Treasurer to the Authority

Date:

ANNUAL GOVERNANCE STATEMENT 2012/13

Scope of responsibility

Merseyside Waste Disposal Authority (operating as Merseyside Recycling and Waste Authority) (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website at www.merseysidewda.gov.uk or can be obtained from:

Corporate Services Manager
Merseyside Recycling and Waste Authority
7th Floor, No 1 Mann Island
Liverpool
L3 1BP

This statement explains how [the authority] has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an



ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

The governance framework

The following are the key elements of the systems and processes which underpin the Authority's governance arrangements:

- there is an established Performance Management Framework underpinned by a three year Corporate Plan which reflects current corporate strategies, risks and priorities;
- the current Corporate Plan was approved by Members on 23rd November 2012 and has a mission statement, 'to improve people's quality of life by ensuring that waste is sustainably managed to bring about the best combination of environmental, economic and social benefits.' The plan is delivered through the development of Annual Service Plans and supported by contractual service level agreements;
- performance against the Corporate Plan is published on a quarterly basis and reviewed by the Authority's Members;
- there is a Joint Recycling and Waste Management Strategy for Merseyside in place which has been approved by all partner organisations and supports the procurement of major waste contracts, most notably the Resource Recovery Contract;
- there is a Risk Management Strategy in place which provides the Authority with a framework to identify and analyse the risks associated with its activities and ultimately supports the Authority in planning for and delivering its Corporate Plan.
- roles and responsibilities of Members and the Scheme of Delegation are reviewed and approved annually. The Authority's scrutiny function is delivered by the full Authority and communication protocols are in place;
- a Code of Conduct is in place for officers. Members are currently bound by their host authority's Code of Conduct although work is underway for the Authority to consider the adoption of its own voluntary Code;

- a comprehensive set of Procedural Rules which define the Authority's constitution and its internal control mechanisms are in place and are reviewed regularly;
- the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010);
- audit functions are delivered through the full Authority with specific powers delegated to the Audit and Governance Committee;
- internal audit is provided by St Helens Council under a service level agreement and operates to Internal Auditing Standards as laid down by CIPFA;
- procedures and processes are in place to ensure that the Authority conducts its business in compliance with its legal obligations, including specialist advice where necessary;
- there is a Whistleblowing Policy and a Comments and Complaints Procedure to assist in the transparency of the Authority's business;
- training and development for Members and officers is delivered through the Member Training and Development Plan, the Staff Development Scheme and a Corporate Training Programme;
- the Authority has a Communications Strategy to deliver clear channels of communication with stakeholders and consultation processes are undertaken as necessary and this will be reviewed in the coming year to ensure it remains fit for purpose;
- Inter Authority Agreements are being reviewed and where appropriate, put in place to ensure effective partnership and joint working arrangements; and
- Internal Control Statements of Assurance are obtained from the Chief Executive as Chief Officer for Authority, from St Helens MBC which provides key services and from the board of Mersey Waste Holdings Limited in which the Authority has a vested interest.

Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority, namely the Primary Assurance Group, who have responsibility for the development and maintenance of the governance environment, the head of internal

audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Authority measures its arrangements against a Code of Corporate Governance developed and approved by the Authority in accordance with the CIPFA/SOLACE framework. The Code supports the delivery of good governance through the establishment of the following roles:

- the Authority is responsible for the approval of the Code of Corporate Governance and its associated annual review and assessment;
- the Authority is responsible for the approval of the Annual Governance Statement;
- the Authority is responsible for the approval of the Annual Statement of Accounts once they have been approved by the Chief Finance Officer and audited;
- the scrutiny function is provided by the full Authority;
- the Chief Finance Officer is responsible for ensuring the proper financial administration of the Authority, including:
 - the preparation of the statement of accounts;
 - accounting records and control systems; and
 - internal audit
- audit and risk issues are dealt with by the full Authority; and
- the Audit and Governance Committee has delegated powers to deal with governance matters where statutory deadlines require approvals prior to scheduled full Authority meetings.

The Primary Assurance Group has reviewed the Authority's Code of Corporate Governance and conducted an annual assessment to identify and address any weaknesses in the Authority's governance arrangements. An action plan for delivering improvements has been developed and will be implemented during 2013/14 to continue to strengthen and improve the Authority's governance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Primary Assurance Group and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant governance issues

The review process did not highlight any significant issues regarding the Authority’s governance or internal control environment.

Other governance issues

The review process highlighted some areas where there is a need to improve governance and controls. Whilst these are important and action plans are being developed to address them they are not considered significant. Areas for improvement include:

- Code of Conduct for Members – whilst the Authority is not a ‘relevant authority,’ for the purposes of the Localism Act 2011, current arrangements have been reviewed in light of its enactment. Areas of inconsistency between District and MWDA have been identified and therefore the voluntary adoption of a Code of Conduct for Members will be considered by the Authority in 2013.
- Inter Authority Agreements – the Agreement between MWDA and Halton is well progressed and both parties are working towards adoption ahead of the completion of the RRC. The agreement between the Authority and the constituent Merseyside councils is not a requirement of the RRC and further dialogue is proposed after the completion of the RRC to determine the most appropriate way forward.
- Communications Strategy – the Authority will review its Communication Strategy in the coming year to strengthen both internal and external forms of communication to ensure that the Authority’s vision and its intended outcome for the community is understood and implemented.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

.....
Chief Executive

September 2013

.....
Chairperson

September 2013



COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the Levy. The Authority raises local tax in the form of the Levy to cover expenditure in accordance with regulations; this may be different from the accounting cost. The Levy position is shown in the Movement in Reserves.

2011-12 Gross Expenditure £000	2011-12 Gross Income £000	2011-12 Net Expenditure £000		2012-13 Gross Expenditure £000	2012-13 Gross Income £000	2012-13 Net Expenditure £000
Environmental & Regulatory Services						
<i>62,143</i>	<i>(5,300)</i>	<i>56,843</i>	Waste Disposal	<i>64,481</i>	<i>(6,499)</i>	<i>57,982</i>
<i>0</i>	<i>(360)</i>	<i>(360)</i>	Trade Waste	<i>0</i>	<i>(389)</i>	<i>(389)</i>
<i>6,449</i>	<i>0</i>	<i>6,449</i>	Recycling	<i>5,396</i>	<i>0</i>	<i>5,396</i>
<i>273</i>	<i>0</i>	<i>273</i>	Waste Minimisation	<i>315</i>	<i>0</i>	<i>315</i>
<i>2,530</i>	<i>(177)</i>	<i>2,353</i>	Service Management and Support Costs	<i>2,041</i>	<i>(167)</i>	<i>1,874</i>
<i>287</i>	<i>0</i>	<i>287</i>	Corporate & Democratic Core Costs	<i>265</i>	<i>0</i>	<i>265</i>
<i>80</i>	<i>0</i>	<i>80</i>	Non-Distributed Costs	<i>91</i>	<i>0</i>	<i>91</i>
<i>71,762</i>	<i>(5,837)</i>	<i>65,925</i>	COST OF SERVICES	<i>72,590</i>	<i>(7,055)</i>	<i>65,535</i>
<i>0</i>	<i>0</i>	<i>0</i>	Other Operating Expenditure	<i>0</i>	<i>0</i>	<i>0</i>
<i>1,169</i>	<i>(1,224)</i>	<i>(55)</i>	Financing and Investment Income and Expenditure (Note 8)	<i>4,291</i>	<i>(2,467)</i>	<i>1,824</i>
	<i>(67,992)</i>	<i>(67,992)</i>	Levy and non-specific grant income (note 9)		<i>(65,458)</i>	<i>(65,458)</i>
		<i>(2,122)</i>	(SURPLUS) DEFICIT ON PROVISION OF SERVICES			<i>1,899</i>
<i>0</i>	<i>0</i>	<i>0</i>	Surplus or deficit on Revaluations, Impairment of AUC	<i>0</i>	<i>0</i>	<i>(2,956)</i>
<i>0</i>	<i>0</i>	<i>0</i>	Surplus or deficit on the revaluation of	<i>0</i>	<i>0</i>	<i>0</i>

Statement of Accounts

2012-13

2011-12 Gross Expenditure £000	2011-12 Gross Income £000	2011-12 Net Expenditure £000		2012-13 Gross Expenditure £000	2012-13 Gross Income £000	2012-13 Net Expenditure £000
			available for sale financial assets			
743		743	Actuarial gains / (losses) on pension assets / liabilities			826
		743	OTHER COMPREHENSIVE INCOME AND EXPENDITURE			(2,130)
		(1,379)	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(231)

Disclosure note – the analysis within the CIES has been updated to more fully reflect the SERCoP requirements

BALANCE SHEET

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example a capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

Balance at 31 3 2012 £000		Balance at 31 3 13 £000	Notes
		£000	
		£000	
35,360	Property, Plant and Equipment	34,863	10
1,835	Investment Property	0	11
0	Intangible Assets	0	
0	Assets Held For Sale	0	
5,138	Long Term Investments	5,138	13
232	Long Term Debtors	0	15
42,565	Long Term Assets		40,001
0	Short term investments	0	
0	Assets held for sale	0	
0	Inventories	0	
55,432	Short Term Debtors	55,353	15
1	Cash and Cash Equivalents	1	16
55,433	Current Assets		55,354
0	Bank Overdraft	0	
(143)	Short Term Borrowing	0	
(14,043)	Short Term Creditors	(12,671)	17
(943)	Short Term Lease	(942)	
0	Provisions (Short Term)	0	
0	Liabilities in Disposal Groups	0	
(15,129)	Current Liabilities		(13,613)
0	Long Term Creditors	0	
(9,391)	Provisions (Long Term)	(7,857)	18
(20,472)	Long Term Borrowing	(20,473)	31
(22,124)	Other Long Term Liabilities	(22,294)	13

Balance at 31 3 2012 £000		Balance at 31 3 13 £000	Notes
	£000	£000	
0	Donated Assets Account	0	
0	Capital Receipts in Advance	0	
(51,987)	Long Term Liabilities	(50,624)	
30,882	NET ASSETS	31,118	
(50,469)	Usable Reserves	(52,376)	
19,587	Unusable Reserves	21,618	19
(30,882)	TOTAL RESERVES	(31,118)	

Certificate of Treasurer at the Balance Sheet date

I confirm that these accounts present fairly the position of Merseyside Recycling and Waste Authority (the statutory waste disposal Authority for Merseyside) as at 30th September 2013 and are Authorised for Issue as at that date.

Peter Williams
Treasurer to the Authority

Date

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the year. The statement shows how the Authority generates cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of Levy (and any grant income) or from charges for services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2011-12 £000		2012-13 £000
(2,123)	Net (surplus) or deficit on the provision of services	(1,898)
300	Adjustments to net surplus or deficit on the provision of services for no cash movements	2,142
(1,823)	Net cash flows from Operating activities (Note 20)	244
1,680	Investing Activities (Notes 20 & 21)	1,497
143	Financing Activities (Note 22)	(1,741)
0	Net increase or decrease in cash and cash equivalents	0
(1)	Cash and cash equivalents at the beginning of the reporting period	(1)
(1)	Cash and cash equivalents at the end of the reporting period	(1)

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for Levy setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

The statements on the following pages show the 2012-13 statement followed by the 2011-12 comparative period.

Movement in Reserves 2012-13 (Reporting year)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012 (1)	18,855	31,613	0	50,468	(19,587)	30,881
Movement in Reserves during 2012-13						
Surplus or (Deficit) on the provision of services	(1,901)			(1,901)		(1,901)
Other Comprehensive Income and Expenditure					2,138	2,138
Total Comprehensive Income and Expenditure (2)	(1,901)	0	0	(1,901)	2,138	237
Adjustments between accounting basis and funding basis under regulations (Note 5)	3,428		733	4,161	(4,161)	0
Net Increase / Decrease before transfers to Earmarked Reserves	3,428	0	733	4,161	(4,161)	0
Transfers to / from Earmarked Reserves (Note 6)	(2,000)	2,000		0		0
Increase / Decrease in 2012-13 (3)	(473)	2,000	733	2,260	(2,023)	237
Balance at 31 March 2013 carried forward (1+2+3)	18,832	33,613	733	52,728	(21,610)	31,118



Movement in Reserves 2011-12 (Comparative year)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	15,212	30,728		45,940	(10,439)	35,501
Movement in Reserves during 2011-12						
Surplus or (Deficit) on the provision of services	2,122			2,122		2,122
Other Comprehensive Income and Expenditure					(743)	(743)
Total Comprehensive Income and Expenditure	2,122	0	0	2,122	(743)	1,379
Adjustments between accounting basis and funding basis under regulations (Note 5)	2,406			2,406	(8,405)	(5,999)
Net Increase / Decrease before transfers to Earmarked Reserves	2,406	0	0	2,406	(8,405)	(5,999)
Transfers to / from Earmarked Reserves (Note 6)	(885)	885		0		0
Increase / Decrease in 2011-12	1,521	885		2,406	(8,405)	(5,999)
Balance at 31 March 2012 carried forward	18,855	31,613		50,468	(19,587)	30,881



NOTES TO THE CORE FINANCIAL STATEMENTS

The notes to the core financial statements (notes to the accounts) are provided to give additional information about items included in the core statements. The notes expand on some of the information and provide further explanation of a number of matters prescribed by the Code.

1) Changes in Accounting Standards

The IFRS accounting framework requires the Authority to identify and recognise the likely impact of any changes to the framework that come into effect in the next financial year. The changes to the planned framework for 2013-14 are limited but are set out as follows:-

- Amendments to IAS 1 *Presentation of Financial Statements* (other comprehensive income)
- Amendments to IFRS 7 *Financial Instruments: Disclosures* (offsetting financial assets and liabilities)
- Amendments to IAS 12 *Income Taxes* (deferred tax: recovery of underlying assets)
- Amendments to IAS 19 *Employee benefits*
- IFRS 13 *Fair Value Measurement*

There are no significant changes in the accounting framework as it applies to the Waste Disposal Authority for 2012-13 compared with the previous year.

2) Critical judgements in applying accounting policies

In applying the Accounting Policies set out in the financial statements the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on going concern, such as future funding levels and long terms contracts;
- The value of investments;
- Whether other entities with which the Authority has a relationship are subsidiaries, or associates
- Whether contracts need to be accounted for as service concessions or with an embedded lease;
- The potential outcome of legal claims by or against the Authority;



3) Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains a number of estimates figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2013 for which there may be a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the way the asset is used and the amount of repairs and maintenance required	If the asset use changes then the life of the asset may change which would impact on the depreciation charge for the asset. If the asset is not maintained that may have a similar effect.
Provisions	The Authority has made provision for the legal costs that may arise in action being taken against the Authority and Mersey waste Holdings Limited	If the legal costs have been over or under estimated then the Authority will either bring in additional income or will need to take a further charge to the Consolidated Income and Expenditure Account
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the Pension Fund to provide expert advice about the assumptions to be applied	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in an increase in the pension liability of £1.1M.
Accruals of waste contract payments	The final waste data flows and settlement of the year end costs incurred by the Authority is not completed until the end of	If the waste data flow information is significantly different from that expected then the waste contract



	<p>September each year. Estimates are made of both the waste data flows and the final amounts in settlement of the costs payable by the Authority at the year end.</p>	<p>payments, the landfill tax payments and the use of LATs will be affected. However, the impact of this final settlement is not expected to be significant as the Authority uses its own waste data in arriving at the estimates, those figures are the ones that are verified in September and the Authority's experience is that there have not been significant changes in recent years.</p>
<p>Gilmooss Materials Recycling Facility</p>	<p>The WMRC contract payment is not separated for the cost of the finance lease under IFRIC 4 for the Gilmooss MRF</p>	<p>An estimate of the amount payable over the life of the contract for the finance lease element of the Gilmooss MRF has been made. This is based on the value of the asset and the estimated life of the asset in the contract</p>
<p>Leasing Discount Rate</p>	<p>The real discount rate for lease costs is not separated clearly within leases and the Gilmooss MRF lease</p>	<p>The estimated discount rate has been used to arrive at the net present value of future lease payments based on treasury discount rate and RPIX</p>

4) Material items of Income and Expense

The Comprehensive Income and Expenditure Account summarises income and expense for the reporting year. Within that the following material items are brought to the attention of the reader to provide more information about material transactions:

Comprehensive Income and Expenditure account

Description	2012-13
	Statements £000
WMRC contract payments	16,144
Landfill contract payments	6,620
Landfill tax payments	25,763

5) Events after the reporting period

The Statement of Accounts was authorised for issue by the Director of Finance on 28th June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information.

There are no post balance sheet events that would have the effect of altering the Authority's financial performance.

6) Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The General fund balance is the statutory fund into which all the receipts of the authority are required to be paid and from which all liabilities of the authority are to be met except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources the Authority is required to recover) at the end of the financial year.



Earmarked reserves are a subset of the general fund and show those parts of the general fund balance that has been set aside for specific nominated purposes. The balance at the year end shows the resources that have yet to be applied for these purposes at the year end.

The Capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital grants unapplied – the Authority has no such grants remaining in its balances and so this column has been removed from the table to de-clutter the accounts

2012-13 (Reporting year)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Movement in Usable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital adjustment account				
<i>Reversal of items debited or credited to the Comprehensive Income and expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	4,388			4,388
Revaluation Gains				
Amount NCAR on Sale				
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	1,835			1,835
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the financing of capital expenditure	(1,308)			(1,308)
Reduction Gilmoos Lease				

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Movement in Usable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Receipts Reserve				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,477)		1,477	0
Use of the Capital Receipts Reserve to finance new capital expenditure			(744)	(744)
Contribution from the Capital Receipts Reserve towards the administrative cost of non current asset disposals				0
Adjustment involving the Financial instruments Adjustment account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements				
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 24)	266			266
Employer's pensions contributions and direct payments to pensioners payable in the year	(230)			(230)
Adjustment involving the Accumulating Compensating Absences Adjustment				



	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Movement in Usable Reserves
	£000	£000	£000	£000
Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3			3
Total adjustments	3,428	0	733	(2,168)

2011-12 (Comparative year)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Movement in Usable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital adjustment account				
<i>Reversal of items debited or credited to the Comprehensive Income and expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	1,126			1,126
Amortisation of intangible assets	(16)			(16)
Capital grants and contributions	4,928			4,928
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement				0

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Movement in Usable Reserves
	£000	£000	£000	£000
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the financing of capital expenditure	(1,308)			(1,308)
Capital expenditure charged against the General Fund balances	(2,304)			(2,304)
Adjustments involving the Capital Receipts Reserve				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				0
Use of the Capital Receipts Reserve to finance new capital expenditure				0
Contribution from the Capital Receipts Reserve towards the administrative cost of non current asset disposals				0
Adjustment involving the Major Repairs Reserve (N/A as not a housing Authority)				
Adjustment involving the Financial instruments Adjustment account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements				0
Adjustments involving the				



	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Movement in Usable Reserves
	£000	£000	£000	£000
Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 24)	211			211
Employer's pensions contributions and direct payments to pensioners payable in the year	(217)			(217)
Adjustment involving the Accumulating Compensating Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(14)			(14)
Total adjustments	2,406	0	0	2,406

7) Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012-13. The Authority has established the following reserves:

- the landfill allowances reserve – to cover expenditure that the authority may make in acquiring landfill allowances
- an earmarked reserve to provide for the future costs of advisers employed by the Authority in the contract procurement
- to enable the creation of a Sinking Fund that will be used to mitigate the effect of future large increases in the levy as the costs of waste disposal increase significantly both through landfill tax increases and through the planned new contract to dispose of residual waste.
- a capital reserve – to provide a contribution to the financial cost of acquiring a site or sites for the new residual waste contract facilities

	Landfill allowances Reserve £000	Earmarked Reserve £000	Sinking Fund £000	Capital Receipts Reserve £000	Capital reserve £000	Total £000
Balance at 1 April 2011	279	1,736	23,732	0	4,978	30,725
Transfer in	0	139	5,206	0		5,345
Transfer out	(279)	(1,875)		0	(2,304)	(4,458)
Balance at 31 March 2012	0	0	28,938	0	2,674	31,612
Balance at 1 April 2012	0	0	28,938	0	2,674	31,612
Transfer in	0	0	0	1,477	2,000	3,477
Transfer out	0	0	0	(744)	0	(744)
Balance at 31 March 2013	0	0	28,938	733	4,674	34,345



8) Financing and Investment Income and Expenditure

The Consolidated Income and Expenditure Statement includes an item of 'Financing and Investment Income and Expenditure', this note provides additional details of that amount:

2011-12 £000		2012-13 £000
1,081	Interest payable and similar charges	2,855
(6)	Pensions interest cost and expected return on pensions	(36)
(840)	Interest receivable and similar income	(970)
(128)	Income and expenditure in relation to investment properties (to update re NTDP)	223
(162)	Other investment income	(248)
(55)	Total	1,824

9) Levy and non specific grant income

The Consolidated Income and Expenditure Statement includes an item of 'Levy and non specific grant income', this note provides additional details of that amount:

2011-12 £000		2012-13 £000
67,992	Levy income	65,458
67,992	Total	65,458

10) Property, plant and equipment

This note provides further information about the Property, Plant and Equipment included on the Balance sheet.

Movements in 2012-13 (Reporting period)

	Land and buildings	Vehicles, plant, furniture and equipment	Assets under construc- tion	Total property, plant and equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2012	24,956	21,786	8,380	55,122
Additions	684	60		744
Revaluation increases / (decreases) in the Revaluation Reserve	2,597	544	(51)	2,956
Other movements in Cost or Valuation (AUC)	4,533		(4,533)	0
At 31 March 2013	32,770	22,399	3,796	58,965
Accumulated Depreciation and Impairment				
At 1 April 2012	3,462	14,097	2,204	19,763
Depreciation charge	720	546		1,266
Impairment losses / (reversals) recognised in the revaluation reserve	0	0	0	0
Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services	1,481		1,592	3,073



	Land and buildings	Vehicles, plant, furniture and equipment	Assets under construc- tion	Total property, plant and equipment
	£000	£000	£000	£000
Derecognition – Disposals				0
Other movements in depreciation and impairment				0
At 31 March 2013	5,663	14,643	3,796	24,102
NET BOOK VALUE				
At 31 March 2013	27,107	7,756	0	34,863
At 31 March 2012	21,494	7,690	6,176	35,360

Movements in 2011-12 (Comparative period)

	Land and buildings	Vehicles, plant, furniture & equipment	Assets under construc- tion	Total property, plant and equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2011	14,147	15,586	6,135	35,868
Additions	59		2,245	2,304
Revaluation increases / (decreases) in the Revaluation Reserve				0
Derecognition – Disposals				0
Other movements in Cost or Valuation	10,750	6,200		16,950
At 31 March 2012	24,956	21,786	8,380	55,122

	Land and buildings	Vehicles, plant, furniture & equipment	Assets under construc- tion	Total property, plant and equipment
	£000	£000	£000	£000
Accumulated Depreciation and Impairment				
At 1 April 2011	3,154	4,670	2,204	10,028
Depreciation charge	249	818		1,067
Impairment losses / (reversals) recognised in the revaluation reserve		3,682		3,682
Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services	59	4,927		4,986
Derecognition – Disposals				0
At 31 March 2012	3,462	14,097	2,204	19,763
NET BOOK VALUE				
At 31 March 2012	21,494	7,690	6,176	35,360
At 31 March 2011	10,993	10,916	3,931	25,840

Depreciation

For all assets subject to depreciation, depreciation has been charged in accordance with the requirements of FRS15 Tangible Fixed Assets on a straight line basis. The useful life of each asset is assessed as the basis for calculating the annual depreciation charge.

Capital commitments

At 31 March 2013 the Authority had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment for 2013-14. In 2012-13 the commitments extended to the completion of the Hutyon HWRC at £418k.

Effects of changes in estimates

There are no changes in the accounting estimates in relation to Property, Plant and Equipment for 2012-13.

Valuation information

The Authority uses St Helens Council's valuation services, provided by Mr S Littler (MRICS) for most valuation advice.

The Authority has also used Mouchel for additional valuation advice and information, using principally Bernard White (MRICS) and Kevin Kelly.

Properties have been valued on the basis of advice from the Royal Institute of Chartered Surveyors, Statement of Asset Valuation, Practice and Guidance notes.

There has been no general impairment of property values in the year. Where there is expenditure of a capital nature on closed landfill sites then that is impaired in the year as the sites have no value due to the nature of the liability associated with the sites.

All Fixed Assets of the Authority were revalued at 31 March 2013. The basis for revaluation was that recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

11) Investment properties

The following items of income and expense were accounted for in the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The property in question is the former Huyton new technology Plant (NTDP) land and buildings which were not held as operational assets. For 2012-13 the property income has reduced as the lessee no longer occupied the property which was sold.

2011-12 £000		2012-13 £000
384	Rental income from investment property	0
(176)	Direct operating expenses arising from investment property	0
208	Net gain / (loss)	0

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance on income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or to carry out repairs, maintenance or enhancement.

The following table summarises the movement in fair value of the investment properties over the year:

2011-12 £000		2012-13 £000
1,835	Balance at start of the year	1,835
0	Additions	0
0	Disposals	(1,835)
0	Net gains / losses from fair value adjustments	0
0	Transfers	0
0	Other changes	0
1,835	Balance at end of the year	0

12) Intangible assets

The Authority may account for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets may include both purchased licenses and internally generated software.

MRWA does not choose to do this and so there are no such disclosures to be made.

13) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives and embedded derivatives. The requirements for accounting for financial instruments are based on IAS 32, IAS 39 and IAS 29.

13a) Financial assets and liabilities

The following table sets out the categories of financial assets and liabilities held by the Authority at 31 March 2013.

	2011-12		2012-13	
	Current £000	Long Term £000	Current £000	Long Term £000
Assets				
Loans and receivables	54,998	240	55,353	244
Available for sale		5,138		5,138
Liabilities				
Financial liabilities held at amortised cost	(14,479)	(25,067)	(13,266)	(25,380)

Figures for loans and receivables are shown net of any impairment.

Loans and receivables

Loans and receivables are predominantly cash (bank) deposits held by the Authority (or by St Helens council on behalf of the Authority) and debtors of the Authority where there is a contractual obligation for the Authority to receive future economic benefits. These assets are initially valued at fair value and held on the Balance Sheet at amortised cost. The amortised cost is calculated by reference to the Effective Interest Rate (EIR) which is the rate which exactly discounts the forecasted cashflows over their expected life to their carrying amount. For most short term assets (such as trade receivables) the carrying value is deemed to be the invoiced amount.



Amortised cost

This includes all financial liabilities that are not held for trading or which are derivatives. The items in this class include the Authority's PWLB debt, its Lender Option Borrower Option (LOBO) loan and all trade creditors. These liabilities are amortised at cost using the EIR method. In accordance with EIR any premiums, discounts or material transaction costs are included in the calculation to determine the amount to charge the I&E account for interest payable.

13b) Gains and losses recognised in the Comprehensive Income and Expenditure Statement

The table sets out the gains and losses that have been charged to the Comprehensive Income and Expenditure Statement in relation to financial instruments.

	Financial Liabilities £000	2011-12 Available for Sale £000	Total £000	Financial Liabilities £000	2012-13 Available for Sale £000	Total £000
Interest expense	(1,081)	0	(1,081)	(1,510)	0	(1,510)
Losses on de-recognition	0	0	0	0	0	0
Interest payable & similar charges	(1,081)	0	(1,081)	(1,510)	0	(1,510)
Interest income	0	840	840	0	1,105	1,105
Gains on De-recognition	0	0	0	0	0	0
Interest and Investment income	0	840	840	0	1,105	1,105
Net gains/(losses) for the year	(1,081)	840	(241)	(1,510)	1,105	(405)



13c) Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets are represented by loans and receivables carried on the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments. In calculating the fair value of the Authority's financial assets and liabilities the following assumptions have been used:

- The fair value of trade receivables (debtors) and payables (creditors) are assumed to be the invoiced or billed amount;
- For all PWLB loans the interest rate used for the purpose of calculating the fair value is taken to be the rate available for new loans within the relevant banding at 31 March 2013;
- For the Authority's LOBO, the interest rate is the rate quoted and provided by Sector; and
- No early repayment is recognised

The table below outlines the fair value of assets and liabilities at 31 March 2013.

	2011-12			2012-13		
	Carrying amount £000	Fair Value £000	Variance £000	Carrying amount £000	Fair Value £000	Variance £000
Financial liabilities – PWLB loans	18,616	25,210	6,594	18,473	25,380	6,907
Financial liabilities – Market Loans	2,000	1,878	(122)	2,000	1,948	(52)
Total Financial Liabilities	20,616	27,088	6,472	20,473	27,328	6,855
Available for sale assets	5,138	5,138	0	5,138	5,138	0

The fair value of the Authority's financial liabilities is more for its PWLB loans than the carrying amount because the Authority's portfolio of PWLB loans includes a number of fixed rate loans where the interest rates payable are higher than the rates available for similar loans at the Balance sheet date. The commitment to pay interest above the current market rate increases the amount the Authority would have to pay if the lender requested or agreed to the early repayment of the loans.



The PWLB have provided calculations for the fair value of loans at 31 March 2013 based on the new rates introduced for the early repayment of loans. Based on these rates the fair value of loans outstanding at 31 March 2013 is £25.38M a variance of £4.20M from that provided by the Authority's Treasury Management advisers.

13d) Other Long Term Liabilities

31 3 2012 £000		31 3 2013 £000
(3,091)	Pensions Liability	(3,953)
(3,010)	Wirral MBC Transfer Debt	(2,795)
(16,008)	Gilmoos Finance Lease	(15,531)
(15)	Other Finance Leases	(15)
(22,124)	Total Other Long Term Liabilities	(22,294)

14) Long term contracts

The Authority is committed to making payments in 2013-14 to Veolia under the Waste Management and Recycling contract which are estimated to be £19.8M. The exact amount of the payment depends on the tonnages and the amount of waste that is handled by Veolia. The contract is due to run until 31 May 2020. The Authority also uses long term landfill contracts to dispose of waste, the estimated cost of these contracts in 2013-14 is £6.7M, which attracts landfill tax of £27.0M. The landfill contracts will be significantly smaller after 2015-16 when a new disposal contract is proposed to be in place.

15a) Short term debtors

The Authority recognised the following as short term debtors at the year end:

	31 3 2012 £000	31 3 2013 £000
Cash Held by St Helens	53,447	54,103
Other local authorities	1,596	113
Other entities and individuals	389	1,137
Total	55,432	55,353
Less – impairment of debt*	0	0
Net Debtors	55,432	55,353

* formerly known as Provision for Doubtful Debt



15b) Long Term Debtors

The Authority recognised the following as long term debtors at the year end:

	31 3 2012 £000	31 3 2013 £000
Public corporations and trading funds	232	0
Impairment of Debt	0	0
Total	232	0

**Long Term Debtor for 2011-12 is a payment due from Envirolink arising from the New technologies Demonstrator project.*

16) Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 3 2012 £000	31 3 2013 £000
Cash held by the Authority	1	1
Total cash and cash equivalents	1	1

NB the Authority holds minimal cash – the Authority's cash is managed on the Authority's behalf by St Helens Council and is represented in the Authority's accounts as a debtor, a similar creditor is included in the Council's accounts

17) Short term creditors

The Authority recognised the following as the amounts it needed to provide for as year end creditors:

	31 3 2012 £000	31 3 2013 £000
Other local authorities	1,853	729
Public corporations and trading funds	19	0
Other entities and individuals	12,171	11,942
Total	14,043	12,671

18) Provisions

The Authority recognised the following as the amounts it needed to provide for as year end:

	Outstanding legal cases	Other provisions	Total
	£000	£000	£000
Balance at 1 April 2012	8,506	885	9,391
Additional provisions made in 2012-13	0	0	0
Amounts used in 2012-13	(1,534)	0	(1,534)
Unused amounts reversed in 2012-13	0	0	0
Unwinding of discounting in 2012-13	0	0	0
Balance at 31 March 2013	<u>6,972</u>	<u>885</u>	<u>7,857</u>

Outstanding Legal Cases

The Authority has set aside amounts in its accounts in respect of a legal action between the Authority, the company (MWH Ltd) and the landfill operators. The amounts included in the accounts represent the total amounts payable in respect of settling the costs of the arbitration and the final settlement of 'full costs' in favour of the landfill company. The action was a joint action by the Authority and the Company and the company has made a payment to the landfill operator in settlement. The company now has the right to call upon the full amount to be paid from the Authority as this was a joint action and the Authority agreed this basis. The company has not yet called for the payment but retains the right to do so and the payment is likely to be paid during 2013-14.



19) Unusable reserves

The Authority holds a number of reserves in its Balance Sheet that are not available for use. These are reserves that are either set aside by statute or which represent accounting rather than cash backed balances and may not be used to support spending or reduce the Levy.

	31 March 2012 £000	31 March 2013 £000
Revaluation reserve	3,117	6,703
Capital Adjustment Account	(19,595)	(23,717)
Pensions Reserve	(3,091)	(3,953)
Accumulated Absences Account	(18)	(21)
Total Unusable Reserves	(19,587)	(21,618)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, as well as its intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2011-12 £000		2012-13 £000	
6,797	Balance at 1 April		3,117
0	Upward revaluation of assets	2,956	
(3,680)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services		
3,117	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		6,703
0	Difference between fair value depreciation and historic cost depreciation	0	
0	Accumulated gains on assets sold or scrapped		
0	Amount written off to the Capital Adjustment Account		0
3,117	Balance at 31 March		6,703

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historic cost basis). The account is credited with amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains on Property, Plant and Equipment from before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.



2011-12 £000		2012-13 £000
(14,850)	Balance at 1 April	(19,597)
	Reversal of items relating to capital expenditure credited to the Comprehensive Income and Expenditure Statement:	
(1,126)	<ul style="list-style-type: none"> • Charges for depreciation and impairment of non-current assets • Investment Property Value Written off to CAA 	(4,339) (1,835)
(15,976)		(25,771)
0	Adjusting amounts written out of the Revaluation Reserve	0
(15,976)	Net written out amount of the cost of non-current assets consumed in the year	(25,771)
	Capital financing applied in the year	
0	<ul style="list-style-type: none"> • Use of Capital receipts reserve to finance new capital expenditure • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing • Application of grants to capital financing from the Capital Grants Unapplied Account • Statutory provision for the financing of capital investment charged against the General Fund balances 	744 0 0 1,308
(4,929)		0
1,308		1,308
(19,597)		(23,719)
	Movements in the Market Value of Investment properties debited or credited	
(19,597)	Balance at 31 March	(23,719)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2011-12 £000		2012-13 £000
(2,354)	Balance at 1 April	(3,091)
(743)	Actuarial gains and losses on pensions assets and liabilities	(826)
(211)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(266)
217	Employer's pensions contributions and direct payments to pensioners payable in the year	230
(3,091)	Balance at 31 March	(3,953)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

Short term accumulating compensating absences refers to the benefits that employees receive as part of their contract of employment, entitlement to which is built up as they



provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up entitlement to holiday pay as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result the Authority is required to accrue for any annual leave earned but not taken at each year end. Previously no accrual was required.

The Government has issued regulations which mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts earned are transferred to the Accumulated Absences Account until the benefits are used.

2011-12 £000		2012-13 £000
(32)	Balance at 1 April	(18)
32	Settlement or cancellation of accrual made at the end of the preceding year	18
0	Amounts accrued at the end of the current year	0
(18)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(21)
(18)	Balance at 31 March	(21)

20) Cash flow statement – operating activities

The cash flow notes for 2012-13 in respect of operating activities have been expanded to provide for fuller information on the sources and application of the Authority's cash and cash equivalents. This additional information has been provided in line with the revised CIPFA Code of Practice Guidance notes for practitioners which have been expanded this year.

2011-12 £000		2012-13 £000
840	Interest received	1,105
(1,081)	Interest paid	(1,510)
0	Dividend received	0
(241)	TOTAL	(405)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements

2011-12 £000		2012-13 £000
(1,066)	Depreciation	(1,267)
(4,987)	Impairment and downward valuations	(3,072)
942	Amortisation	0
0	Increase/(decrease) in impairment for bad debts	0
(2,447)	Increase/decrease in creditors	1,372
6,957	Increase/decrease in debtors	(311)
0	AUC Write Off	0
(737)	Movement in pension liability	(36)
0	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(1,835)



2011-12 £000		2012-13 £000
1,638	Other non-cash items charged to the net surplus or deficit on the provision of services	2,945
300	TOTAL	2,142

21) Cash flow statement – investing activities

The cash flows for investing activities include the following items:

2011-12 £000		2012-13 £000
2,304	Purchase of property, plant and equipment, investment property and intangible assets	744
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,477)
(383)	Other receipts/ Charges from investing activities	(359)
1,921	Net cash flows from investing activities	(1,092)

22) Cash flow statement – financing activities

The cash flows for financing activities include the following items:

2011-12 £000		2012-13 £000
0	Cash receipts of short and long term borrowing	0
0	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI schemes	0
143	Repayments of short and long term borrowing	(1,264)
0	Other payments for financing activities	(477)
143	Net cash flows from financing activities	(1,741)

23) Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across the Authority's activity. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made for capital expenditure (whereas depreciation, revaluation and impairment losses are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current cost of service of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to services

The income and expenditure of the Authority's principal services recorded in the budget reports for the year is as follows:

Directorate income and expenditure 2012-13 (reporting year)

	Establish- ment* £000	Waste Contracts* £000	Facilities* £000	Strategy £000	Procure- ment £000	Other £000	Total £000
Fees charges and other service income	(445)	(2,801)	(513)	0	(248)	0	(4,007)
Levy	0	0	0	0	0	(65,458)	(65,458)
Total income	(445)	(2,801)	(513)	0	(248)	(65,458)	(69,465)
Employee expenses	1,583	0	0	0	0	0	1,583
Other service expenses	616	54,083	3,985	281	3,103	1,281	63,349
Total Expenditure	2,199	54,083	3,985	281	3,103	4,281	64,932
Net expenditure	1,754	51,282	3,472	281	2,855	(64,177)	(6,951)

* establishment includes communications; waste contracts includes landfill allowances; facilities includes closed landfill and rent, rates depreciation



MERSEYSIDE RECYCLING & WASTE AUTHORITY

Directorate income and expenditure 2011-12 (comparative year)

	Establish- ment* £000	Waste Contracts* £000	Facilities* £000	Strategy £000	Procure- ment £000	Other £000	Total £000
Fees charges and other service income	(177)	(1,277)	(383)	0	(163)	0	(2,000)
Levy	0	0	0	0	0	(67,992)	(67,992)
Total income	(177)	(1,277)	(383)	0	(163)	(67,992)	(69,992)
Employee expenses	1,578	0	0	0	0	0	1,578
Other service expenses	651	49,637	2,175	253	1,714	10,318	64,748
Total Expenditure	2,229	49,637	2,175	253	1,714	10,318	66,326
Net expenditure	2,052	48,360	1,792	253	1,551	(57,674)	(3,666)

* establishment includes communications; waste contracts includes landfill allowances; facilities includes closed landfill and rent, rates depreciation

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of services income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011-12 £000	2012-13 £000
Net expenditure in the Service analysis	3,666	4,533
Net expenditure of services and support services not included in the analysis	0	0
Amounts in the Comprehensive Income and expenditure Statement not reported to management in the analysis	(1,544)	(4,295)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	(7)
Cost of Services in the Comprehensive Income and Expenditure Statement	2,122	231

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012-13 (reporting year)

	Service analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(2,902)	0	0	(2,902)	0	(2,902)
Interest and investment income	(1,105)	0	0	(1,105)	0	(1,105)
Income from Levy	(65,458)	0	0	(65,458)	0	(65,458)
Total income	(69,465)	0	0	(69,465)	0	(69,465)
Employee expenses	1,583	0	0	1,583	0	1,583
Other service expenses	55,175	4,294	7	61,894	0	61,946
Depreciation, amortisation and impairment	4,336	0	0	4,336	0	4,336
Interest payments	1,061	0	0	1,061	0	1,061
Gain or loss on disposal of fixed assets	359	0	0	359	0	359
Total expenditure	62,514	4,294	7	69,233	0	69,233
Surplus or deficit on the provision of services	(4,533)	4,294	7	(231)	0	(231)

2011-12 (comparative year)

	Service analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(2,000)	0	(3,264)	(5,227)	0	(5,227)
Interest and investment income	(840)	0	0	(840)	0	(840)
Income from Levy	(67,992)	0	0	(67,992)	0	(67,992)
Total income	(70,832)	0	(3,264)	(74,096)	0	(74,096)
Employee expenses	1,578	0	0	1,578	0	1,578
Other service expenses	63,381	7,470	1,017	71,868	0	71,868
Depreciation, amortisation and impairment	1,126	0	0	1,126	0	1,126
Interest payments	1,081	0	0	1,081	0	1,081
Gain or loss on disposal of fixed assets	0	0	0	0	0	0
Total expenditure	67,166	7,470	1,017	75,653	0	75,643
Surplus or deficit on the provision of services	(3,666)	7,470	(2,247)	1,557	0	1,557

24) Agency Services

The Authority receives services from St Helens Council including the provision of financial systems, legal services and estates support as well as treasury management and internal audit. In prior years this has not been treated as an Agency Arrangement in the Authority's accounts. The Agency costs for 2012-13 and 2011-12 as the comparative year are shown below:

	2011-12 £000	2012-13 £000
Payments to St Helens Council	139	133
Other agency payments	138	52
	<u>277</u>	<u>185</u>

26) Senior staff emoluments

In recent years local authorities have complied with Greenbury rules on the disclosure of the remuneration of senior staff by showing the number of staff paid by over £50,000 in increasing bands of £5,000.

The Authority is also required to disclose the amount of pay and other remuneration paid to particular officers. The requirement is that those staff paid over £150,000 should be disclosed by name and the posts for which the salary is over £50,000 should also be disclosed, as should those employees in politically restricted posts and those with responsibility for management. This information is set out in the tables that follow:

Senior staff remuneration 2012-13 (reporting year)

Post holder information*	Salary (includes fees & allowances)	Expenses	Benefits in kind	Total remuneration excluding pensions	Employer pension	TOTAL REMUNERATION Including pensions
	£	£	£	£	£	£
Chief Executive	81,174	193	3,099	84,466	14,172	98,638
Director of Strategy	67,544	692	3,099	71,335	11,864	83,199
Director of Operations	65,511	225	3,099	68,835	11,485	80,320
Director of Finance	65,511	152	3,099	68,762	11,479	80,241
Total	279,740	1,262	12,396	293,398	49,000	342,398

Senior staff remuneration 2011-12 (comparative year)

Post holder information*	Salary (includes fees & allowances)	Expenses	Benefits in kind	Total remuneration excluding pensions	Employer pension	TOTAL REMUNERATION Including pensions
	£	£	£	£	£	£
Chief Executive	81,624	887	2,489	85,000	14,079	99,079
Director of Strategy	67,553	2,138	2,489	72,180	11,679	83,859
Director of Operations	65,642	856	2,489	68,987	10,228	79,215
Director of Finance	65,399	723	2,489	68,611	11,325	79,936
Total	280,218	4,604	9,956	294,778	47,311	342,089

In addition to the disclosure above the Authority is also required to make a similar disclosure to that from prior years which meets the Greenbury rules on disclosure.

Remuneration band	2011-12 Number of employees	2012-13 Number of employees
£50,000 - £54,999	0	0
£55,000 - £59,999	0	0
£60,000 - £64,499	0	0
£65,000 - £69,999	3	3
£70,000 - £74,499	0	0
£75,000 - £79,999	0	0
£80,000 - £84,499	1	1
£85,000 - £89,999	0	0



25) External audit costs

The analysis of audit fees paid to the external auditor is shown below:

	2011-12 £000	2012-13 £000
External audit service	69	39
Grant claims and other work	0	0
	69	39

26) Related parties

The Authority is required to disclose material transactions with related parties - bodies or individuals - that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government	Has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates. Details of transactions with Government Departments are set out in Notes relating to the Cash Flow Statement. Central Government also operates the Landfill Allowances Trading Scheme (LATS), and charges the Landfill Tax which both have significant financial repercussions on the Authority.
Members of the Authority	Members of the Authority have direct control over the Authority's financial and operating policies although no Members allowances are payable. Two Members of the Authority are also Directors of MWH Ltd and one is a Member of BML board. They take no part in discussions at the Authority meetings about the bodies that they serve on.
Officers	Two Assistant Directors are also Directors of MWH Ltd. The Procurement Director who works as a consultant to the Authority is also a Director of MWH Ltd. They take no part in discussions at the Authority meetings about the bodies that they serve on.



Pension Fund No disclosures

The following disclosures are made:

	Receipts		Payments	
	2011-12 £000	2012-13 £000	2011-12 £000	2012-13 £000
Local Authorities Levies				
Knowsley	7,871	7,128		
Liverpool	22,669	22,550		
St. Helens	8,489	8,479		
Sefton	12,974	12,614		
Wirral	15,989	14,687		
	67,992	65,458		
Halton Council contribution	1,277	1,315		
Disposal of Commercial Waste				
Knowsley	172	178		
Liverpool	0	0		
St. Helens	0	0		
Sefton	75	105		
Wirral	114	106		

	Receipts		Payments	
	2011-12 £000	2012-13 £000	2011-12 £000	2012-13 £000
Recycling Credit Payments				
Knowsley			394	415
Liverpool			1,202	1,028
St. Helens			1,553	684
Sefton			2,469	2,103
Wirral			1,440	1,166
Residuary Body Debt				
Wirral			462	436
Subsidiaries				
Payments for the Disposal of Waste (inclusive of Landfill Tax)				
- Mersey Waste Holdings Ltd.	0	0	21,401	24,381
Dividends				
- Mersey Waste Holdings Ltd.	0	0		
Gas Rights – The Authority's share out of profits generated by				
- Bidston Methane Ltd.	0	0		

27) Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, (including the value of assets acquired under finance leases and PPP/PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed from future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second half of this note.

For all assets subject to depreciation, depreciation has been charged in accordance with the requirements of FRS15 Tangible Fixed Assets on a straight line basis. The useful life of each asset is assessed as the basis for calculating the annual depreciation charge.

Capital expenditure and capital financing

	2011-12 £000	2012-13 £000
Opening Capital Financing requirement	33,401	32,093
Capital Investment		
Property plant & Equipment	2,304	744
Investment properties	0	0
Intangible assets	0	0
Revenue expenditure funded from capital under statute	0	0
Sources of Finance		
Capital receipts	0	(744)
Government grants and other contributions	0	0
Sums set aside from revenue	(2,304)	0
Direct revenue contributions	0	0
Minimum Revenue Provision (MRP)	(1,308)	(1,308)
Closing Capital Financing Requirement	<u>32,093</u>	<u>30,785</u>

Explanations of movements in year

	2011-12 £000	2012-13 £000
Increase/ (Decrease) in underlying need to borrowing (supported by government financial assistance)	(1,308)	(1,308)
Increase/(decrease) in Capital Financing Requirement	(1,308)	(1,308)

The capital expenditure for 2012-13 was funded from the Capital Fund, an earmarked reserve set aside to enable the Authority to invest in capital without the need for additional external borrowing.

Capital spending in 2012-13

The Authority spent £0.74M on capital expenditure in 2012-13. The largest areas of expenditure were:

	2010-11 £000	2011-12 £000
HWRC capital works	2,061	387
Closed Landfill and Facilities	192	152
Other	51	205
Total	2,304	744

Commitments under capital contracts

The Authority had no outstanding contractual capital commitments at 31 March 2013.

28) Leases

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

Authority as lessee – finance leases

The Authority uses a number of assets and equipment under the terms of finance leases. Where these assets are used they are held in the Authority's balance sheet as property, Plant and Equipment at the following net amounts:

	31 March 2012 £000	31 March 2013 £000
Other Land and Buildings	16,950	16,009
Vehicles, Plant, Furniture and Equipment	3	0
Total	<u>16,953</u>	<u>16,009</u>

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and the finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:



	31 March 2012 £000	31 March 2013 £000
Finance lease liabilities (net present value of minimum lease payments):		
• Current	0	0
• Non-current	20,465	22,947
Finance costs payable in future years	2,764	6,473
Minimum lease payments	<u>23,229</u>	<u>29,420</u>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Not later than one year	122	1,350	72	652
Later than one year and not later than five years	2,423	5,400	2,383	2,322
Later than five years	17,920	16,197	309	3,499
	<u>20,465</u>	<u>22,947</u>	<u>2,764</u>	<u>6,473</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012-13 no contingent rents were payable by the Authority.

Authority as lessee – operating leases

The Authority has acquired 14 assets by entering into operating leases with typical lives of between 2 years and 5 years respectively.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2012 £000	31 March 2013 £000
Not later than one year	67	36
Later than one year and not later than five years	37	4
Later than five years	0	0
	<hr/>	<hr/>
	104	40

The expenditure charged to services in the Comprehensive Income and Expenditure statement in the year relating to these leases was:

	2011-12 £000	2012-13 £000
Minimum lease payments	67	36
Contingent rents	0	0
Sublease payments receivable	0	0
	<hr/>	<hr/>
	67	36

Authority as lessor – operating leases

The Authority leases out property plant and equipment for the following purposes:

- Environment and planning – use of closed landfill sites
- Household Waste Recycling Centres
- Investment properties

The future minimum lease payments receivable under leases in future years are:

	31 March 2012 £000	31 March 2013 £000
Not later than one year	10	10
	10	10

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012-13 no contingent rents were receivable by the Authority.

29) Landfill allowances asset

The Authority has received its allocation of Landfill Allowances from DEFRA for 2012-13. The notional value of allowances in 2012-13 was estimated to be £2.1M. The estimate was based on the purchase prices at the start of the year and the amount the Authority subsequently paid for additional allowances. The Authority also purchased additional allowances of £1.3M at £20 per tonne. The following table reflects the notional cost of the allowances.

	2011-12 £000	2012-13 £000
Balance b/f	279	0
Acquired without charge from DEFRA	4,833	2,070
Purchase in the year	869	1,265
Derecognition of usage	(5,803)	(3,335)
Written down to realisable value	(178)	0
Balance c/f	0	0

The landfill allowances and their valuation are estimated as the final figures are not available until after the year end.



30) Liability for landfill usage

The Authority needs to recognise its use of Landfill Allowances in the landfill disposal of biodegradable municipal waste. The following shows the estimated usage of Landfill allowances which has been set at 437,927 tonnes for 2012-13 (based on the purchase value of landfill allowances). The following table reflects the notional use of notional allowances.

	2011-12 £000	2012-13 £000
Landfill allowances	5,803	3,335

31) Long term borrowing

The Authority borrows funds to finance its expenditure on capital assets. The borrowing is analysed as follows:

Analysis by type	Balance at 31 March 2012			Balance at 31 March 2013		
	Loan £000	Interest £000	Total £000	Loan £000	Interest £000	Total £000
Public works loan board	18,616	217	18,833	18,473	23	18,496
Market loan	2,000	23	2,023	2,000	221	2,221
	20,616	240	20,856	20,473	244	20,717
Analysis by maturity						
1-2 years	0	0	0	3,000	50	3,050
2-5 years	3,786	63	3,849	643	10	653
5-10 years	0	0	0	0	0	0
Over 10 years	16,830	177	17,007	16,830	184	17,014
	20,616	240	20,856	20,473	244	20,717



32) Deferred Liabilities – Merseyside Residual Debt Fund

These are liabilities relating to the Authority's share of debt arising from the former Merseyside Council and which are payable over time.

	31 3 12 £000	31 3 13 £000
Analysis		
Balance b/f	3,225	3,010
Repaid in year	(215)	(215)
Balance c/f	<u>3,010</u>	<u>2,795</u>

33) Impairment losses

The Code requires disclosure by class of assets the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in notes 10, and 12 reconciling the movement over the year of Property, Plant and Equipment and Intangible Asset balances. They are also recognised at note 15a on the impairment of short term debtor balances (previously recognised as provision for bad debt). The chief reasons for impairment in 2012-13 was that some £159,000 which was spent at Closed Landfill Sites as capital expenditure has added nothing to the value of the site and so the value of the goods and works are regarded as impaired.

34) Contingent liabilities

The Authority is not required to set aside a financial resource in respect of contingent liabilities but for completeness must recognise that there is a possible obligation that might arise at a future time, where neither the amount nor the timing is predictable.

Legal liabilities

The contingent liability in respect of legal liabilities has been removed as the likelihood that the Authority will need to pay the full costs of the landfill settlement has changed from possible to probable. This is reflected in note 21 on provisions.

Bidston Methane Limited

The called up value of the Authority's 299,000 ordinary £1 shares in Bidston Methane Ltd is £299 (£0.001 each), the contingent liability therefore is £298,701 (£0.999 each).



35) Net Pensions asset / liability

As part of the terms and conditions of employment of its qualifying officers and other employees the Authority offers entrance into the Local Government Pension Scheme (LGPS) administered by Wirral Metropolitan Borough Council. Although retirement benefits will not actually be payable until employees retire the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The LGPS is a funded scheme, meaning that the Authority and employees pay contributions into a Fund, calculated at a level estimated to balance the pensions liabilities with investment assets. The scheme rules define the benefits (this is a defined benefits scheme) payable quite independently of the contributions payable i.e. the benefits are not directly related to the investments of the scheme.

As part of the adoption by local government of the IFRS based accounting regime the actuary has reviewed the methodology adopted the scheme valuation now complies with IAS19 under the new accounting regime. In reality IAS19 and FRS17 (the UK GAAP pensions standard) are very similar in most respects. There are no major differences in the treatments adopted, where there are any significant differences then these will be highlighted and a commentary will be provided.

Transactions relating to Post-employment benefits

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the Levy is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made via the CIES and the General Fund balance via the MIRS during the year.

	2011-12 £000	2012-13 £000
Comprehensive income and expenditure statement		
Cost of services		
• Current service cost	169	190
• Past service cost	0	0
• Settlements and curtailments	0	0
Financing and Investment Income and expenditure		
• Interest cost	593	571
• Expected return on scheme assets	(551)	(495)
<i>Total post-employment benefit charged to the surplus or deficit on the provision of services</i>	211	266



<i>Other post-employment benefit charged to the comprehensive CIES</i>		
<ul style="list-style-type: none"> Actuarial gains and losses 	743	826
<i>Total post-employment benefit charged to the CIES</i>	954	1,092
Movement in Reserves Statement		
<ul style="list-style-type: none"> Reversal of the net charges made to the surplus or deficit for the Provision of Services for post-employment benefits in accordance with the Code 	(737)	(862)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>		
<ul style="list-style-type: none"> Employers contributions payable to the scheme 	217	230

Assets and liabilities in relation to post-employment benefits

Reconciliation of the present value of the scheme liabilities (defined benefit obligation):

	2011-12 £000	2012-13 £000
Opening balance 1 st April	10,847	11,709
Current service cost	169	190
Interest cost	593	571
Contributions by scheme participants (employers)	74	78
Actuarial gains and losses	394	1,454
Benefits paid	(368)	(420)
Past service costs	0	0
Entity combinations	0	0
Curtailments	0	0

Settlements	0	0
Closing balance 31 st March	11,709	13,582

Reconciliation of fair value of the scheme (plan) assets)

	2011-12 £000	2012-13 £000
Opening balance 1 st April	8,493	8,618
Expected rate of return	551	495
Actuarial gains and losses	(349)	628
Employer contributions	217	230
Contributions by scheme participants	74	78
Benefits paid	(368)	(420)
Entity combinations	0	0
Settlements	0	0
Closing balance 31 st March	8,618	9,629

The expected return on the scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £1,122k (2011-12, £202k)

Scheme History

	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000	2012-13 £000
Present value of liabilities	8,026	10,888	10,847	11,709	13,582
Fair value of assets in the local government pension scheme	(5,515)	(7,298)	(8,493)	(8,618)	(9,629)
Surplus / deficit in the scheme	(2,511)	(3,590)	(2,354)	(3,091)	(3,953)
Total	0	0	0	0	0

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £13,582k has an impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £3,953k. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due) as assessed by the scheme actuary.

The total contributions expected to be made to the local government pension scheme by the Authority in the year to 31 March 2014 is £230k.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc. As part of the 2007 actuarial valuations the actuary has analysed the mortality experience of Local Authority Client Funds over the three year period to 31 March 2007 and changes have been made to life expectancy assumptions. As a result, the 'medium cohort' mortality projections often used for funding and expressing UK pension schemes generally have been used in forecasting liabilities at 31 March 2013. The assets and liabilities have been assessed by Mercer Human Resource Consulting Ltd., an independent firm of actuaries.

In December 2006 the Accounting Standards Board (ASB) made a number of changes to FRS17, now included in IAS19. These changes included a requirement for most assets to be valued at "realisable values" (i.e. bid values), as opposed to the previous requirement of "fair values" (i.e. mid-market values). Asset values were calculated on this basis for 2011-12 and on an ongoing basis for 2012-13.

The main assumptions used by the actuaries in their valuations are as follows:



	31 3 12	31 3 13
Rate of CPI inflation	2.5%	2.4%
Rate of increase in salaries	4.0%	3.9%
Rate of increase in pensions	2.5%	2.4%
Discount rate	4.9%	4.2%
Proportion of scheme employees opting to take a commuted lump sum	50.0%	50.0%
Life expectancy of male future pensioner aged 65 in 20 years time	22.8 years	23.7 years
Life expectancy of female future pensioner aged 65 in 20 years time	25.8 years	26.6 years
Life expectancy of male current pensioner aged 65	21.5 years	21.8 years
Life expectancy of female current pensioner aged 65	24.2 years	24.7 years

The expected rates of return on assets are as follows:

	31 3 12	31 3 13
Rate of return on:		
Equities	7.0%	7.0%
Government bonds	3.1%	2.8%
Other Bonds	4.1%	3.9%
Property investments	6.0%	5.7%
Cash / Liquidity	0.5%	0.5%
Other Assets	7.0%	7.0%
Expenses deduction	0.25%	0.25%

The actuary confirms that asset returns over 2012-13 have been above the level required to keep pace with assumptions adopted at the previous valuation. This has resulted in the actual return on assets being higher than the expected return. The figures included in the Balance Sheet consist of the following categories by value and proportion:

	31 3 2012		31 3 2013	
	£000	%	£000	%
Equities	5,093	59.1	5,835	60.6
Government Bonds	1,353	15.7	1,512	15.7
Other Bonds	345	4.0	347	3.6
Property	801	9.3	799	8.3
Cash / Liquidity	190	2.2	221	2.3
Other assets	836	9.7	915	9.6

From 1 April 2011 public service pensions are up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

Last year (2011-12) this had the effect of reducing the MRWA liabilities in Merseyside Pension Fund by £668k which was recognised as a past service gain in accordance with the guidance set down in UITF abstract 48, since the change is considered to be a change in benefit entitlement. There was no impact on the General Fund. As the transition was made in the last financial year there is no new impact to recognise in 2012-13.

The Code's provisions specify that the discount rate to be used to assess liabilities for retirement benefits is equivalent to that rate of return achievable on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Lower rates result in an increase in liabilities. The rates used may be detailed:-

Year	%
2006-07	5.4
2007-08	6.1
2008-09	7.1
2009-10	5.6
2010-11	5.5
2011-12	4.9
2012-13	4.2

It should be noted that from 2007-2008 the actuary has used what they consider to be a more sophisticated approach, by calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. These weightings are considered to more accurately reflect the duration of pension liabilities of LGPS employers when compared to use of the yields on Sterling AA corporate bonds (over 15 years) index previously used.

History of experience gains and losses

The actuarial gain or loss can be analysed into the following categories measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2013.

		Asset Gain / (Loss)	Liability Gain / (loss)	Change in assumptions	Net Gain / (Loss)
2012-13	£000	628	(1,454)	-	(826)
	%	6.5% of assets	10.7% of liabilities	-	
2011-12	£000	(349)	(394)	-	(743)
	%	4.0% of assets	3.4% of liabilities	-	
2010-11	£000	717	(38)	-	(679)



	%	8.4% of assets	0.4% of liabilities	-	
2009-10	£000	1,496	(2,445)	-	(949)
	%	20.5% of assets	22.5% of liabilities	-	
2008-09	£000	(1,663)	1,917	-	254
	%	30.2% of assets	23.9% of liabilities	-	
2007-08	£000	(659)	(51)	(370)	(1,080)
	%	9.7% of assets	0.5% of liabilities	3.9% of liabilities	

36) Post Balance Sheet Events

The authority has been engaged in a large scale procurement to secure waste disposal services for the long term. The proposed resource recovery contract (RRC) will allow the Authority to meet its Statutory obligations in terms of reduction in landfill, while at the same time delivering reductions in costs over the life of the contract. On 18th April 2013 the Authority appointed Sita as its preferred bidder and is working towards reaching financial close on the proposed contract which will cost over £1BN over the 30 year life of the contract. At the same time Covanta, the other bidder, were not appointed as they did not score as well as Sita in the evaluation.

Since the appointment of the preferred bidder, on 15th May 2013 Covanta has issued legal proceedings against the Authority seeking remedies in terms of a further opportunity for tenders to be resubmitted, requiring the Authority to re-evaluate bids, or damages and costs. The Authority has engaged significant resource and specialist advice throughout the procurement process and believes that it has complied with its obligations and to this end has issued a legal defence of the claim rebutting each of the arguments that have been put forward by Covanta.

On this basis the Authority will continue to seek to reach financial close with Sita so that the RRC can be progressed. Whilst recognising and managing the financial risks with the legal proceedings and the remedies sought by Covanta.



GROUP ACCOUNTS

The purpose of the Group Accounts is to provide a picture of Merseyside Recycling and Waste Authority (the statutory waste disposal Authority for Merseyside) and the group of companies the Authority owns and influences. The Group Accounts show the full extent of the Authority's wider assets and liabilities. While the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate structures.

The Group accounts consolidate the main accounting statements for Merseyside Recycling and Waste Authority, Mersey Waste Holdings Limited and Bidston Methane Limited.

THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011-12 Gross Expenditure £000	2011-12 Gross Income £000	2011-12 Net Expenditure £000		2012-13 Gross Expenditure £000	2012-13 Gross Income £000	2012-13 Net Expenditure £000
72,328	(6,812)	65,516	Environmental and Regulatory Services	73,442	(7,597)	65,845
287	0	287	Corporate & Democratic Core Costs	265	0	265
80	0	80	Non-Distributed Costs	92	0	92
72,695	(6,812)	65,883	COST OF SERVICES	74,041	(7,597)	66,444
0	0	0	Other Operating Expenditure	0	0	0
1,239	(1,259)	(20)	Financing and Investment Income and Expenditure	4,288		4,288
0	(67,992)	(67,992)	Surplus or deficit of discontinued operations	0	(65,458)	(65,458)
73,934	(76,063)	(2,129)	Levy and non-specific grant income	0	(65,458)	(65,458)
			(SURPLUS) DEFICIT ON PROVISION OF SERVICES	78,329	(73,055)	5,034
			Share of the surplus or deficit on the provision of services by associates			
11	0	11	Tax expenses of subsidiaries	0	0	0
			Tax expenses of associates			
73,945	(76,063)	(2,118)	GROUP (SURPLUS)/DEFICIT	78,329	(73,055)	5,034
0	0	0	Surplus or deficit on revaluation / AUC Write off	(2,956)	0	(2,956)
0	0	0	Surplus or deficit on the revaluation of	0	0	0

Statement of Accounts

2012-13

2011-12 Gross Expenditure £000	2011-12 Gross Income £000	2011-12 Net Expenditure £000		2012-13 Gross Expenditure £000	2012-13 Gross Income £000	2012-13 Net Expenditure £000
1,578	(174)	1,404	available for sale financial assets	1,007	0	1,007
		0	Actuarial gains / losses on pension assets / liabilities			
		0	Share of other comprehensive income and expenditure of associates and joint ventures			0
1,578	(174)	1,404	OTHER COMPREHENSIVE INCOME AND EXPENDITURE	(1,949)	0	(1,949)
75,523	(76,237)	(714)	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	76,138	(73,055)	3,083

THE GROUP BALANCE SHEET

Balance at 31 3 2012 £000		£000	Balance at 31 3 2013 £000
35,360	Property, Plant and Equipment	34,863	
1,835	Investment Property	0	
0	Intangible Assets	0	
0	Assets Held For Sale	0	
0	Long Term Investments	0	
0	Investments in associates and joint ventures	0	
232	Long Term Debtors	0	
40	Deferred tax asset	0	
37,467	Long Term Assets		34,863
	Short term investments		
	Assets held for sale		
	Inventories		
56,561	Short Term Debtors	55,446	
10,054	Cash and Cash Equivalents	8,164	
0	Current tax asset	0	
66,615	Current Assets		63,610
0	Bank Overdraft	0	
(3,540)	Short Term Borrowing	(4,959)	
(14,604)	Short Term Creditors	(11,001)	
(942)	Provisions	(942)	
0	Liabilities in Disposal Groups	0	
0	Current tax liability	0	
(19,086)	Current Liabilities		(16,902)
0	Long Term Creditors	0	
(1,675)	Provisions	(37)	
(23,719)	Long Term Borrowing	(20,473)	
(22,124)	Other Long Term Liabilities	(26,427)	
0	Donated Assets Account	0	
0	Capital Receipts in Advance	0	
0	Deferred tax liability	0	
(47,518)	Long Term Liabilities		(46,937)
37,478	NET ASSETS		34,633
57,064	Usable Reserves		56,251
(19,586)	Unusable Reserves		(21,618)
37,478	TOTAL RESERVES		34,633

Prior period adjustment – following the audit of 2012-13 a categorisation error was identified in the usable and unusable reserves for 2011-12 – this has been amended for 2012-13



THE GROUP CASH FLOW STATEMENT

2011-12 £000		2012-13 £000
(714)	Net (surplus) or deficit on the provision of services	3,083
(1,010)	Adjustments to net surplus or deficit on the provision of services for no cash movements	(1,328)
(1,724)	Net cash flows from Operating activities	1,755
1,680	Investing Activities	1,497
143	Financing Activities	(1,741)
99	Net increase or decrease in cash and cash equivalents	1,511
(6,613)	Cash and cash equivalents at the beginning of the reporting period	(6,514)
(6,514)	Cash and cash equivalents at the end of the reporting period	(5,003)

THE GROUP MOVEMENT IN RESERVES STATEMENT

Movement in Reserves 2012-13 (Reporting year)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority share of reserves of Group companies	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	18,855	31,613		50,468	(19,587)	30,881	6,596	37,477
Movement in Reserves during 2011-12								
Surplus or (Deficit) on the provision of services	(1,901)			(1,901)		(1,901)	(5,032)	(6,933)
Other Comprehensive Income and Expenditure					2,130	2,130	1,949	4,079
Total Comprehensive Income and Expenditure	(1,901)			(1,901)	2,130	229	(3,081)	(2,854)
Adjustments between accounting basis and funding basis under regulations	3,428		733	(4,161)	4,161	0	0	0
Net Increase / Decrease before transfers to Earmarked	3,428		733	(4,161)	4,161	0	0	0

Statement of Accounts

2012-13

Reserves								
Transfers to / from Earmarked Reserves	(2,000)	2,000		0	0	0	0	0
Increase / Decrease in 2012-13	(473)	2,000	733	2,260	(2,031)	229	(3,081)	(2,854)
Balance at 31 March 2013 carried forward	18,382	33,613	733	52,728	(21,610)	31,118	3,515	34,633

Movement in Reserves 2011-12 (Comparative year)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority share of reserves of Group companies	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	15,212	30,728		45,940	(10,439)	35,501	5,882	41,383
Movement in Reserves during 2011-12								
Surplus or (Deficit) on the provision of services	2,122			2,122		2,122	714	2,836



Statement of Accounts

2012-13

Other Comprehensive Income and Expenditure				(743)		(743)		(743)
Total Comprehensive Income and Expenditure	2,122		2,122	(743)		1,379	714	2,093
Adjustments between accounting basis and funding basis under regulations	2,406		2,406	(8,405)		(5,999)	0	(5,999)
Net Increase / Decrease before transfers to Earmarked Reserves	4,528		4,528	(9,148)		(4,620)	714	(3,906)
Transfers to / from Earmarked Reserves	(885)	885	0	0		0	0	0
Increase / Decrease in 2011-12	3,643	885	4,528	(9,148)		(4,620)	714	(3,906)
Balance at 31 March 2012 carried forward	18,855	31,613	50,468	(19,587)		30,881	6,596	37,477

Disclosures to the Group accounts

1) Statement of accounting policies

The accounting policies for the group are the same as those for the Waste Disposal Authority single entity financial statements with a number of important exceptions, these are as follows:

- profits or losses on the disposal of assets are shown as a separate line after Net Cost of Services;
- the total of all profits or losses on the disposal of assets are reversed out as an appropriation and are transferred to the appropriate capital reserves;
- capital charges have been removed and replaced with the depreciation charge which is charged to services;
- Government grants amortised in the year are included in the gross income of services; and
- adjustments are made to include any assets or liabilities (and any associated income and expenditure) that are directly controlled by and generate benefits for Merseyside Recycling and Waste Authority.

2) Details of combining entities

2.1) Mersey Waste Holdings Limited (MWHL)

The Authority (MRWA) has a subsidiary, MWHL, which is a wholly owned company originally set up as a Local Authority Waste Disposal Company (LAWDC) under the Environmental protection Act 1990. Since the company was established there have been a number of further subsidiary companies established under the umbrella of MWHL and which form the MWHL group. These are the companies that are consolidated into the MRWA group accounts:

- Mersey Waste Ltd
- Mersey Waste Associates Ltd

The Authority's transactions are all with the holding company. The financial year end for the company and its group is in line with the Authority year end. The company accounts have been consolidated into the Authority group using the acquisition method. The company's main activity is waste disposal. During 2009-10 the MWHL group and its companies was



reviewed and a number of the subsidiary companies were closed as they no longer add value to the group and its activities. The Authority's main transactions with the group are for managing and disposing of municipal household waste.

In June 2009 the Authority transferred a significant part of the waste business to another company, Veolia. This was the Waste Management and Recycling Contract (WMRC), leaving MWHL with the contract for disposal of residual waste until such time as a new contract for disposing of that waste is in place. As a part of the new WMRC arrangement a number of staff were transferred to Veolia under a TUPE transfer, their pension rights are protected by the Authority.

2.2) Bidston Methane Limited

The Authority is involved in a joint venture operation to extract gas from closed landfill sites in order to generate energy. The joint venture operates through a company, Bidston methane Limited, which was established in 1985. The Authority owns 50% of the company, the other 50% was owned by Novera Energy Generation No1 Limited until November 2009 when Novera was the subject of a takeover by Infinis Energy Ltd, a company owned by Terra Firma Ltd. Infinis now own more than 50% of Novera.

The joint venture company has been accounted for by the gross equity method as at 31 March 2013. Bidston Methane Limited prepared its accounts with a year end at 31 March 2013.

3) Notes to the group income and expenditure account

3.1) Pensions

The Authority offers entrance to the Local Government Pension Scheme which is administered in Merseyside by Wirral MBC. The pension scheme is registered with the Occupational Pension Board and is subject to Regulations issued by Government. Mersey Waste Holdings Ltd used the same pension scheme for the major part of its staff, but it also offered in the past the LAWDC Scheme. Both schemes are defined benefit schemes. Under the terms of the TUPE transfer of staff pension rights in the LGPS and the LAWDC Scheme are protected by the Authority.



	MRWA Merseyside scheme £000	MWHL Merseyside scheme £000	MWHL LAWDC Scheme £000
Current service cost*	(190)	0	0
Past service/curtailment/settlement gain	0	0	0
Interest cost on pension liabilities	(571)	(380)	(64)
Expected return on assets	495	298	65
Actual amount charged to I&E account in the period	230	160	41
Actuarial gain/(loss) in the year	(36)	78	42

* this cost should not increase substantially as the age profile shows no significant increase

The Merseyside Pension Fund's annual report is made available from P.O. Box 120, Castle Chambers, 4/6 Cook Street, Liverpool, L69 2NW. The LAWDC scheme is administered by Hartshead Capita, the actuarial valuation being done by Hymans Robertson LLP and the accounts are available for review at their offices at 221 West Street, Glasgow, G22 3ND.

4) Employee remuneration – over £50,000

In line with the revised Greenbury disclosure rules the bands of the disclosure start at £50,000.

	2011-12		2012-13	
	MRWA £000	MWHL £000	MRWA £000	MWHL £000
£50,000 - £59,999	0	0	0	0
£60,000 - £69,999	3	0	3	0
£70,000 - £79,999	0	0	0	0
£80,000 - £89,999	1	0	1	0



Notes to the Group Balance Sheet

Fixed assets

1) Asset values – operational assets

	Land and Buildings				Vehicles, Plant & Equipment				Total 2012-13				2011-12
	WDA	WHL	BML	Total	WDA	WHL	BML	Total	WDA	WHL	BML	Total	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 1 April	21,494	0	0	21,494	7,691	0	0	7,691	29,185	0	0	29,185	21,943
Movement in year													
Additions	684	0	0	684	60	0	0	60	744	0	0	744	17,009
Disposals	0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluations	2,605	0	0	2,605	544	0	0	544	3,149	0	0	3,149	(3,682)
Accounting policy adjustments	4,533	0	0	4,533		0	0	0	4,533	0	0	4,533	0
Impairment	(720)	0	0	(720)	0	0	0	0	(720)	0	0	(720)	(5,018)
Depreciation	(1,482)		0	(1,482)	(547)	0	0	(547)	(2,029)	0	0	(2,029)	(1,067)
Transfers (reclassified)	0			0		0	0	0	0	0	0	0	0
Net book value at 31 March	27,114	0	0	27,114	7,748	0	0	7,748	34,862	0	0	34,862	29,185

2) Information on assets held

MRWA

- 1 – Bidston integrated waste management facility
- 9 – Household waste recycling centres
- 3 – Household waste recycling centres (leased by the Authority)
- 4 – Closed landfill sites (leased)
- 1 – North House office accommodation – part year (leased) – replace with Mann Island office accommodation (leased)

MWHL

- 3 – Waste transfer stations
- 2 – Household waste recycling centres and land at Bidston

BML

- 2 - Generators



MERSEYSIDE RECYCLING & WASTE AUTHORITY

3) Debtors

	31 March 2012				31 March 2013			
	MRWA £000	MWHL £000	BML £000	Total £000	MRWA £000	MWHL £000	BML £000	Total £000
Government departments	0	0	0	0	0	0	0	0
Other local authorities	55,043	0	0	55,043	54,216	0	0	54,216
Employees	0	0	0	0	0	0	0	0
Sundry	389	1,040	89	1,518	1,137	3	90	1,230
Less – impairment of debt	0	0	0	0	0	0	0	0
Totals	55,432	1,040	89	56,561	55,353	3	90	55,446

4) Creditors

	31 March 2012				31 March 2013			
	MRWA £000	MWHL £000	BML £000	Total £000	MRWA £000	MWHL £000	BML £000	Total £000
Government departments	0	0	0	0	0	0	0	0
Other local authorities	1,853	0	0	1,853	729	0	0	729
Employees	19	0	0	19	0	0	0	0
Sundry	12,171	213	348	12,732	9,924	0	348	10,272
Totals	14,043	213	348	14,604	10,653	0	348	11,001

5) Pensions disclosures**5.1) Merseyside pension scheme – Net pensions asset / liability**

As part of the terms and conditions of employment of its qualifying officers and other employees the Authority and Mersey Waste Holdings Limited offer entrance into the Local Government Pension Scheme (LGPS) administered by Wirral Metropolitan Borough Council. Although retirement benefits will not actually be payable until employees retire the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The LGPS is a funded scheme, meaning that the Authority and employees pay contributions into a Fund, calculated at a level estimated to balance the pensions liabilities with investment assets. The scheme rules define the benefits (this is a defined benefits scheme) payable quite independently of the contributions payable i.e. the benefits are not directly related to the investments of the scheme.



In 2012-13 the following payments were made to the Fund comprising pension costs charged in accordance with the former triennial valuation and amounts paid to retired officers:

	£000
MRWA	230
MWHL	160

The following disclosures are required in accordance with FRS 17 "Retirement Benefits" and although attributable to the Authority and Company they do not form part of the Consolidated Accounting Statements.

Assets and liabilities attributable to:	31 March 2012		31 March 2013	
	MWHL	MRWA	MWHL	MRWA
	£m	£M	£M	£M
Present value of funded benefit obligations	8.4	11.5	9.6	13.4
Present value of unfunded benefit obligations	0.1	0.2	0.1	0.2
Total present value of benefit obligations	8.5	11.7	9.7	13.6
Fair value of plan assets	(5.3)	(8.5)	(5.7)	(9.6)
Unrecognised past service cost	0	0	0	0
Net Liability	3.2	3.2	4.0	4.0

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. As part of the 2007 actuarial valuations the actuary analysed the mortality experience of Local Authority Client Funds over the three year period to 31 March 2007 and changes were made to life expectancy assumptions. As a result, the 'medium cohort' mortality projections often used for funding and expressing UK pension schemes generally have been used in forecasting liabilities at 31 March 2013. The assets and liabilities have been assessed by Mercer Human Resource Consulting Ltd., an independent firm of actuaries.



The main assumptions used in the actuarial calculations are:

	31 3 12	31 3 13
Rate of inflation (CPI)	2.5%	2.4%
Rate of increase in salaries	4.0%	3.9%
Rate of increase in pensions	2.5%	2.4%
Rate of discounting scheme liabilities	4.9%	4.2%
Proportion of scheme employees opting to take a commuted lump sum	50.0%	50.0%
Life expectancy of male future pensioner aged 65 in 20 years time	22.8 years	23.7 years
Life expectancy of female future pensioner aged 65 in 20 years time	25.8 years	26.6 years
Life expectancy of male current pensioner aged 65	21.5 years	21.8 years
Life expectancy of female current pensioner aged 65	24.2 years	24.7 years

The expected rates of return on assets are as follows:

	31 3 12	31 3 13
Rate of return on:		
Equities	7.0%	7.0%
Government bonds	3.1%	2.8%
Other Bonds	4.1%	3.9%
Property investments	6.0%	5.7%
Cash / Liquidity	0.5%	0.5%
Other Assets	7.0%	7.0%

Assets in the fund are valued at fair values, principally the market price for investments and consist of the following categories by value and proportion:

	31 3 2012			31 3 2013		
	MWHL £000	MRWA £000	%	MWHL £000	MRWA £000	%
Equities	3,139	5,093	59.1	3,429	5,835	60.6
Government Bonds	834	1,353	15.7	888	1,512	15.7
Other Bonds	212	345	4.0	204	347	3.6
Property	494	801	9.3	470	799	8.3
Cash / Liquidity	117	190	2.2	130	221	2.3
Other assets	515	836	9.7	538	915	9.5



The movement in the net pension liability for the year to 31 March 2013 was as follows:

	MWHL		MRWA	
	£000	£000	£000	£000
Net pension liability at 1 4 2012		(3,193)		(3,091)
Movements in year				
Current service cost	0		(190)	
Employer contributions	160		230	
Interest on Pension liabilities	(380)		(571)	
Return on Plan Assets	298		495	
Actuarial Gain / (Loss) on assets	376		628	
Actuarial Gain /(Loss) on liabilities	(1,308)		(1,454)	
Curtailments	0		0	
Past service costs	0		0	
Net pension liability at 31 March 2013		(4,047)		(3,953)

The actuarial loss can be analysed into the following categories measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2013

	MWHL	MRWA
	£000	£000
Asset gain / (loss)	376	628
Liability gain / (loss)	(1,308)	(1,454)
Change in assumptions gain / (loss)	0	0
Net gain / (loss)	(932)	(826)

The Code's provisions specify that the discount rate to be used to assess liabilities for retirement benefits is equivalent to that rate of return achievable on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The rates used may be detailed as follows:

Year	
2006-07	5.4
2007-08	6.1
2008-09	7.1
2009-10	5.6
2010-11	5.5
2011-12	4.9
2012-13	4.2



It should be noted that from 2009-2010 the actuary has used what they consider to be a more sophisticated approach, by calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. These weightings are considered to more accurately reflect the duration of pension liabilities of LGPS employers when compared to use of the yields on Sterling AA corporate bonds (over 15 years) index previously used.

5.2) LAWDC pension scheme – Net pension asset / liability

The employees of Mersey Waste Holdings Limited originally had the option of entrance to the LAWDC Pension Scheme instead of entrance to the Merseyside Pension Fund. That option is no longer available as entrance is closed to new employees and most employees have transferred under the terms of a TUPE transfer to Veolia.

The LAWDC Scheme is similar in nature to the Merseyside Pension Scheme as a defined benefit scheme. In 2011-2012 MWHL paid into the Scheme the sum of £41k.

The following disclosures are required in accordance with FRS 17 "Retirement Benefits" and although attributable to MWHL, they do not form part of the Consolidated Accounting Statements.

	2011-12 £m	2012-13 £m
Assets and liabilities attributable to MWHL		
Estimated liabilities in the scheme	(1,435)	(1,543)
Estimated assets in the scheme	1,382	1,457
Net assets in the scheme	<u>(53)</u>	<u>(86)</u>

Liabilities have been assessed on an actuarial basis.

Contributions disclosures

The full actuarial valuations of the defined benefit schemes were updated to 31 March 2009 by a qualified Independent Actuary on a FRS 17 basis. The major assumptions at 31 March 2009 used by the Actuary are set out below they have been updated to reflect the year end a 31 March 2013:

	2011-12	2012-13
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment	3.5%	3.5%
Discount rate	4.6%	4.7%
Inflation assumption* (RPI)	3.3%	3.7%
Inflation assumption (CPI)	2.5%	2.9%



The assets in the schemes and the expected rates of return at 31 March were;

	Long term rate of return expected at 31 March 2012 %	Value at 31 march 2012 £000	Long term rate of return expected at 31 March 2013 %	Value at 31 march 2013 £000
Equities	5.8	967	5.5	1,020
Government bonds	3.3	187	3.0	87
Corporate bonds	4.6	187	4.7	350
Property	n/a	0	n/a	0
Cash	0.5	41	0	0
Total market value of assets		1,382		1,457
Present value of scheme liabilities		(1,435)		(1,543)
Surplus/(deficit) in scheme		(53)		(86)
Related deferred tax asset		0		0
Net pension asset/(liability) on an FRS17 basis		(53)		(86)

	31 March 2012 £000	31 March 2013 £000
Movement in deficit during the period		
(Deficit)/surplus in scheme at 1 April	174	(53)
Operating cost	0	0
Other finance cost	(545)	(149)
Actuarial gains & losses	277	75
Contributions paid	41	41
Surplus / (Deficit) in scheme at end of year	(53)	(86)

	31 March 2012 £000	31 March 2013 £000
Analysis of the amount charged to CIES		
Current service cost	0	0

	31 March 2012 £000	31 March 2013 £000
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets	(74)	(65)
Interest on pension scheme assets	65	64
Total other finance (costs) / gains	<u>(9)</u>	<u>(1)</u>

	31 March 2012 £000	31 March 2013 £000
Analysis of amounts recognised in MIRS		
Actuarial return less expected return on pension scheme asset	(82)	43
Experience losses arising on the scheme liabilities	(1)	0
Changes in assumptions underlying the present value of the scheme liabilities	(144)	(118)
Actuarial loss recognised in MIRS	<u>(227)</u>	<u>(75)</u>

	31 March 2012	31 March 2013
History of experience gains and losses		
Difference between the expected and actual return on scheme assets		
Amount £000	(82)	43
Percentage of scheme assets	(5.9%)	3.0%
Total amount recognised in MIRS		
Amount £000	(227)	(75)
Percentage of present value of scheme liabilities	(15.8%)	(4.9%)



Statement of Accounts

2012-13

6) Segment reporting for Group Accounts 2012-13 (reporting year)

	Establish- ment* £000	Waste Contracts* £000	Facilities* £000	Strategy £000	Procure- ment £000	Other £000	MWHL £000	BML £000	Total £000
Fees charges and other service income	(445)	(2,801)	(513)	0	(248)	0	(513)	(70)	(4,590)
Government grants	0	0	0	0	0	(65,458)	0	0	(65,458)
Total income	(445)	(2,801)	(513)	0	(248)	(65,458)	(513)	(70)	(70,048)
Employee expenses	1,583	0	0	0	0	0	36	12	1,631
Other service expenses	616	51,665	3,985	281	3,103	4,349	1,368	101	62,400
	0	0	0	0	0	0	0	0	0
Total Expenditure	2,199	51,665	3,985	281	3,103	4,349	1,404	113	64,031
Net expenditure	1,754	48,864	3,472	281	2,855	(61,109)	891	43	(6,017)

* establishment includes communications; waste contracts includes landfill allowances; facilities includes closed landfill and rent, rates depreciation

Segment reporting for Group Accounts 2011-12 (reporting year)

Statement of Accounts

2012-13

	Establishment* £000	Waste Contracts* £000	Facilities* £000	Strategy £000	Procurement £000	Other £000	MWHL £000	BML £000	Total £000
Fees charges and other service income	(177)	(1,277)	(384)	0	(163)	0	(1,082)	(70)	(3,153)
Government grants	0	0	0	0	0	(67,992)	0	0	(67,992)
Total income	(177)	(1,277)	(384)	0	(163)	(67,992)	(1,082)	(70)	(71,145)
Employee expenses	1,578	0	0	0	0	0	35	12	1,625
Other service expenses	651	54,083	2,175	253	1,714	10,318	1,100	101	64,818
Support service recharge	0	0	0	0	0	0	0	0	0
Total Expenditure	2,229	54,083	2,175	253	1,714	10,318	1,135	113	66,449
Net expenditure	2,052	51,282	1,791	253	1,551	(57,674)	53	43	(3,599)

* establishment includes communications; waste contracts includes landfill allowances; facilities includes closed landfill and rent, rates depreciation

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of segment income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011-12 £000	2012-13 £000
Net expenditure in the Service analysis	(3,571)	(3,599)
Net expenditure of services and support services not include din the analysis	0	0
Net expenditure of subsidiaries not included in the analysis	0	0
Amounts in the Comprehensive Income and expenditure Statement not reported to management in the analysis	(665)	173
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	2,675	345
Cost of Services in the Group Comprehensive Income and Expenditure Statement	(1,561)	(3,081)

Statement of Accounts

2012-13

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012-13 (reporting year)

	Service analysis	Amounts not reported to management for decision making	Net expenditure of subsidiaries not included in the analysis	Amounts not included in I&E	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(3,620)	0	0	0	(3,620)	0	(3,620)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(1,105)	0	0	0	(1,105)	0	(1,105)
Income from Levy	(65,458)	0	0	0	(65,458)	0	(65,458)
Government grants and contributions	0	0	0	0	0	0	0
Total income	(70,183)	0	0	0	(70,183)	0	(70,183)
Employee expenses	1,631	0	0	0	1,631	0	1,631

Statement of Accounts

2012-13

	Service analysis	Amounts not reported to management for decision making	Net expenditure of subsidiaries not included in the analysis	Amounts not included in I&E	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Other service expenses	59,197	345	173	0	59,715	0	59,715
Support service recharges	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	4,336	0	0	0	4,336	0	4,336
Interest payments	1,061	0	0	0	1,061	0	1,061
Gain or loss on disposal of fixed assets	359	0	0	0	359	0	359
Total expenditure	66,584	345	173	0	67,102	0	67,102
Surplus or deficit on the provision of services	(3,599)	345	173	0	(3,081)	0	(3,081)

Statement of Accounts

2012-13

2011-12 (comparative year)

	Service analysis	Amounts not reported to management for decision making	Net expenditure of subsidiaries not included in the analysis	Amounts not included in I&E	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(2,000)	0	(1,152)	(3,925)	(7,077)	0	(7,077)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(840)	0	0	0	(840)	0	(840)
Income from Levy	(67,992)	0	0	0	(67,992)	0	(67,992)
Government grants and contributions	0	0	0	0	0	0	0
Total income	(70,832)	0	(1,152)	(3,925)	(75,909)	0	(75,909)
Employee expenses	1,578	0	47	0	1,625	0	1,625
Other service expenses	63,381	4,928	3,022	0	71,331	0	71,331
Support service recharges	0	0	0	0	0	0	0

Statement of Accounts

2012-13

	Service analysis	Amounts not reported to management for decision making	Net expenditure of subsidiaries not included in the analysis	Amounts not included in I&E	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Depreciation, amortisation and impairment	1,126	0	33	0	1,159	0	1,159
Interest payments	1,081	0	0	0	1,081	0	1,081
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	0
Total expenditure	67,166	4,928	3,102	0	75,196	0	75,196
Surplus or deficit on the provision of services	(3,666)	4,928	1,950	(3,925)	(713)	0	(713)

ACCOUNTING POLICIES

General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2012/13) and guidance notes issued by the Chartered Institute of Public Finance and Accountancy. The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents a 'true and fair view' the financial position and transactions of a local authority and is based on approved accounting standards, except where these conflict with specific statutory accounting requirements. The Code of Practice ensures that the accounts of the local authorities align with other sectors by making local government accounts compliant with international Financial Reporting Standards (IFRSs). The Code of Practice is referred to as the Code.

Status of the Code

The 2012/13 Code continues to consolidate the relevant statutory provisions and accounting standards for the preparation of financial statements. It is thus intended to provide a comprehensive framework. Where the Code is out of step with either statutory provisions or accounting standards the following hierarchy takes precedence:

- **Statutory provisions** – always take precedence, even where contradictory to the Code, although the Code advises authorities to consider whether additional information should be provided to make the financial statements as consistent with the Code as possible.
- **The Code** – is given mandatory effect by the statutory framework in all parts of the United Kingdom; accounting standards in the form of International Financial Reporting Standards (IFRSs), Statements of Standard Accounting Practice (SSAPs) and other Statements of Recommended Practice determine the development of the Code. The Code provides guidance on the application of UK Generally Accepted Accounting Practice (GAAP) to local authorities.
- **UK GAAP** – apart from Urgent Issues Task Force (UITF) Abstracts, all other elements of UK GAAP (FRSs, SSAPs, SORPs) are kept in reserve by the Code, to advise the accounting treatment and disclosure requirements of transactions that are not covered by the Code – where the Code differs from UK GAAP, the Code takes precedence.
- **UITF Abstracts** – to the extent that they are applicable, the Code makes specific provisions for authorities to follow the requirements of Abstracts issued by the UITF from the date from which they are effective for the commercial sector.

Principles

In accordance with the CIPFA Code, the Authority has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding use of disclosures needed to help users to understand those adopted policies and how they have been implemented.

In doing so, the Authority intends that the policies adopted are those most appropriate to its particular circumstances for the purpose of presenting fairly the financial position and transactions of the Authority. Policies are reviewed regularly to ensure they remain appropriate, and are changed when a new policy becomes more appropriate to the Authority's circumstances - a full disclosure of any such changes will always be provided.

The concepts that the Authority has regard to in selecting and applying the most appropriate policies and estimation techniques are:

- the qualitative characteristics of financial information
 - relevance
 - reliability
 - comparability
 - understandability
- materiality
- pervasive accounting concepts
 - accruals
 - going concern
 - primacy of legislative requirements

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied, that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

The following accounting policies and estimation techniques are consistent with the accounting concepts and, where appropriate, the relevant accounting standards.



Accounting policies**General principles**

The Statement of Accounts summarises the Authority's transactions for the 2012-13 financial year and its position at the year end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require those Regulations require to be prepared in accordance with proper accounting practices. Those practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Service Reporting Code of Practice (SERCOP)

The Authority is required to and has prepared its Accounts under the provisions of SERCOP. The income and expenditure account is grouped under the following prescribed headings which are those that apply to the Authority:

- Environmental and Regulatory Services
- Corporate and Democratic Core
- Non-Distributed Costs

Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received, in particular:

- Revenue from sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with that transaction will flow to the Authority.



- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they would be carried as inventories on the balance sheet.
- Expenses in relation to services (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the amount that might not be collected.

This accrual concept is in full accordance with FRS18 *Accounting Policies* - though the one exception which merits comment - electricity and similar periodic payments are charged at the date of the meter reading. This is because the amount of variance between the accruals methodology and this treatment are not considered sufficiently material to make a difference to the reader's understanding of the accounts. This policy has been consistently applied each year and has no material effect on the accounts.

Cash and cash equivalents

Cash is represented by cash in hand. It would normally also be represented by deposits with financial institutions repayable within 24 hours, but as the Authority's deposits are managed by St Helens Council this category is not routinely used. Cash equivalents are highly liquid investments that mature close to the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value. Again this category is not routinely used at the Authority's funds are managed through the SLA with St Helens council.

Charges for non-current assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service (unlikely to be used as the use of intangible assets is rare)



The Authority is not required to increase the levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, calculated on a prudent basis determined by the Authority in accordance with the statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement In Reserves Statement for the difference between the two.

Capital receipts

Capital receipts arising from the sale of fixed assets are credited to Capital Receipts Unapplied as usable. Usable receipts are shown separately in the balance sheet and may be used either to finance new capital investment, to repay grant received in relation to the asset disposed of, to finance the premium sum arising from any rescheduling of debt, or set aside to reduce the Council's underlying need to borrow.

Cash and Cash Equivalents

The Authority does not have its own bank account. In prior periods cash was accounted for as the Authority's asset by separating it from the cash held on its behalf by the service provider, St Helens Council. From 2010-11 it was recognised that this did not reflect the true nature of the Authority's balance sheet at the year end. The reality is that MRWA holds no cash in a bank account, but that all cash is held by St Helens Council. St Helens Council recognises that it has a debt to the Authority in respect of the amount it holds as cash. Therefore from 2010-11 the Authority's Balance sheet no longer shows any cash, instead a debtor is shown, which is equal and opposite to the amount included in St Helens Council's Balance Sheet as a creditor i.e. the amount owed to the Authority. This is a fairer reflection of each Authority's position at the year end. Petty cash is still shown on the authority's balance sheet.

Componentisation of assets

Under the IFRS accounting regime there is a requirement on local authorities to account for capital expenditure on the basis of the separately identifiable components that make up an asset. For example in the past a building may have been accounted for as a single item, going forward there is a requirement for the Authority to consider accounting for the asset's separate components. So, for example in this case the land the building sits on would be accounted for separately from the building, and where identifiable, different components of the building may be accounted for as separate components. Here we might see a lift in a building given a different value and life than the building itself.

The intention of the change is to enable the authority to recognise the costs of holding and utilising assets more completely. In this example the land would have a value, and would not be depreciated; the building would have a separately identifiable value and an estimated life,



the value of the building would be depreciated over its life. There may also be a separately identifiable component, the lift, which has a separate value and which is depreciated over the life of the lift which may be different from the life of the building. This will enable the local authority to identify the true costs of holding and using the asset and its component parts.

CIPFA has recognised that the accounting and valuation requirements of this change would be onerous if applied retrospectively to the assets of a local authority. Therefore the requirement to identify separate components, with separate fair values and separate asset lives and depreciation charges is applied on a prospective basis. In other words as assets are added to the Authority's portfolio the Authority will be required to identify components and their values and lives and to account for them separately, but this does not apply to existing assets. This means the accounting requirements are less onerous than they could have been.

In arriving at assessments of which components to identify the Authority has to establish and then apply a policy on de-minimis thresholds – both in terms of overall assets to assess and the components making up those assets. These de-minimis levels are not the same as those for capital expenditure, but are used to determine whether by applying componentisation there will be a material impact on either the assets or their valuation in the balance sheet, or on the amounts of depreciation charged to the revenue account.

In the case of the capital values on the Authority's balance sheet a de-minimis level for assets to be considered for componentisation was set in 2010-11 at £1m. Below this level the overall impact and the revenue effect on the accounts would be unlikely to be considered material. Similarly the values for individual components to be identified within assets over £1m could, not unreasonably, be half of that amount, i.e. £500k. So if a component of an asset does not have a value of at least £500k then it may not need to be separately identified and componentised.

The effect of setting a relatively high level for the de-minimis levels on componentisation is to ensure that only significant items are accounted for separately. In our earlier example it may mean accounting for land separately from the building, but may mean we do not need to separately account for doors, windows, interior fixtures and fittings for example. The reason for this is that even when these items are accounted for separately the effect on the accounts is unlikely to be material. This also enables the Authority to comply with the revised accounting arrangements without making that compliance an onerous burden.

Debtors and Creditors

The Authority's accounts are maintained on an accruals basis which means that amounts due to or owed by the Authority are included in the accounts whether or not the cash has actually been received or paid in the year.

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life, which can be determined at the time of acquisition or revaluation. For fixed assets, other than non-depreciable land and non-operational assets, the only ground for not charging depreciation is that the charge would be immaterial.

Provision for depreciation is made by allocating the asset value over the period expected to benefit from its use on a straight line basis.

The useful lives of assets are estimated on a realistic basis, reviewed on a regular basis and, where necessary, revised. On average for land and Buildings a life of 25 years has been used and for Vehicles, plant and equipment an average life of 15 years has been used.

Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation.

Employee benefits**Benefits payable during employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at wage and salary rates applicable in the following accounting year, which is the period when the employee takes the benefit. The accrual is charged through the Surplus or Deficit on the Provision of Services, but is then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the officer's normal retirement date or an officer's decision to accept voluntary redundancy. For 2012-13 no such payments were made.

Post-Employment Benefits

Employees of the Authority are eligible to join the Local Government Pensions Scheme. The scheme provides defined benefits to members (retirement lump sums and pensions).



Local Government Pension Scheme (LGPS)

Authority employees are eligible to join the LGPS. In Merseyside the appropriate fund is the Merseyside Pension Fund (MPF) which is administered by Wirral Metropolitan Borough Council. In addition to the information shown below, a separate set of accounts and further information can be obtained from the Merseyside Pension Fund at:

7thFloor,
Castle Chambers,
43 Castle Street,
Liverpool,
L69 2NW,

or via the website

www.merseysidepensionfund.org.uk.

The pension costs recognised in the Authority's accounts for LGPS employees have been supplied by Mercer Human Resource Services Ltd and are in full accordance with IAS19 *Employee Benefits*. This requires the Authority to account for its share of the pension fund assets and liabilities in its Balance Sheet, as well as recognising the full cost of providing for future retirement benefits in its CIES. The assumptions used in determining pension costs are as follows:

- The liabilities of the MPF pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an estimation of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate. In estimating liabilities for retirement benefits at 31 March 2013 for the 2012/13 Statement of Accounts, the actuary assumed a real discount rate of 2.1% (based on actual corporate bond yield of 5.5% less 3.4% inflation assumption).
- The assets of the MPF attributable to the Authority are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unitised securities – current bid price;
 - Property – market value.
- The change in the net pensions liability is analysed into seven components:



MERSEYSIDE RECYCLING & WASTE AUTHORITY

- Current service cost – the increase in liabilities as a result of years of service earned in the year, allocated in the CIES to the revenue accounts of services for which the employees worked. It is based on the most recent actuarial valuation at the beginning of the period, with the actuarial assumptions updated to reflect conditions at that date.
- Past service cost – the increase in liabilities as a result of current year decisions which affect years of service earned in previous years debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income & Expenditure line in the CIES.
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income & Expenditure line in the CIES.
- Gains/losses on settlements and curtailments – relate to specific decisions made by the Authority that are not covered by the actuarial assumptions, for example a reduction in employees because of the transfer or termination of an operation. Gains and losses arising from such decisions are included in the Surplus or Deficit on the Provision of Services in the CIES as part of Non distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited/credited to the Pension Reserve and recognised within “Other Comprehensive Income & Expenditure” in the CIES.
- Contributions paid to the MPF – cash paid as employer’s contributions to the pension fund is not accounted for as an expense in the CIES but is a reconciling item in the Movement in Reserves Statement.

Statutory provisions limit the Authority to raising its Levy to cover the amounts actually payable to the MPF or directly to pensioners in the year and therefore any difference between the amounts calculated under IAS19 and the statutory pension fund contributions are accounted or in the Movement on Reserves Statement via a transfer to and from the Pensions Reserve. In this manner the notional debits and credits for retirement benefits are removed and replaced with debits for the cash actually paid to the pension fund together with any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being able to account for retirement benefits on a cash basis rather than as benefits are earned. The Fund is subject to actuarial valuation every three years with the latest valuation being 31 March 2013.



Pensions Reserve

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular pension schemes or funds in which the Authority participates. However, accounting for employees' pensions is in accordance with generally accepted accounting practice subject to the interpretations set out in the SORP.

Where the payments made for the year in accordance with the Scheme requirements do not match the Authority's recognised operating and finance costs for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. An appropriation to or from the pensions reserve, which equals the net difference is recognised in the Statement of Movement on the General Fund Balance.

Actuarial gains and losses during the year, which impact on the net surplus or deficit of the Fund will also be subject to a corresponding appropriation to/from the Pensions Reserve.

Events after the reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted for such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Financial instruments

Financial Instruments are accounted for in accordance with IFRS7, IAS32 and IAS39. They are initially measured at fair value, which is the value of the instrument if it were to be bought or sold at today's prices.



Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line on the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on repurchase or early settlement, and premiums and discounts have not taken place in this accounting period and so the policy is not extended to cover those events.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market prices and/or do not have fixed or determinable payments

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Shette is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or Financing and Investment Income and Expenditure line in the CIES. The impairment is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.



Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Available for sale assets

The Authority does not generally hold assets in this category.

Foreign currency transactions

The Authority does not generally enter into transactions that involve foreign currencies.

Government grants and contributions

Government grants are recognized when there is a reasonable assurance that

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received

Amounts recognized as due to the Authority will not be credited to the CIES until the conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and non-Specific Grant Income in the CIES.

Where capital grants are credited to the CIES, they are reversed out to the General Fund Balance in the MIRS. Where the grant has been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the CAA. Amounts in the Capital Grants Unapplied Reserve are transferred to the CAA once they have been applied to fund capital expenditure

Group accounts

The Statements have been prepared with due regard to the group accounting requirements contained in the Code, which require all Local Authorities to consider all their interests and to prepare a full set of Group Financial Statements where they have material interests in subsidiaries, associates or joint ventures. The Accounts are not primary statements but they promote transparency which enables them to be capable of comparison with other entities which have different corporate structures.



Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) may be capitalised when it is expected that future economic benefits will flow from the intangible asset to the Authority. Currently the Authority does not apply this approach.

Interest receivable

The Authority shares the same bank account as St. Helens M.B.C. and it is necessary therefore to calculate the amount of interest payable to or from the Authority, dependent upon its bank balances throughout the year.

A cash flow exercise is undertaken to identify the monthly balance and interest is calculated based on the average rate earned on all investments calculated according to proper practice.

In the 2012-2013 account the position reflected interest paid to the Authority.

Inventories

The Authority does not hold stocks of goods and so does not hold an inventory in its balance sheet.

Investments

The Authority has investments in Mersey Waste Holdings Ltd. and Bidston Methane Ltd. The value of those investments is the cost of the shares acquired in those Companies.

Investment properties

Investment properties are those that are used solely to earn rentals and/or for capital gain. Where a property is used for any purpose of the Authority it is not an investment property.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the CIES. The same treatment is applied to gains and losses on disposal. In the case of the Investment Property held by the Authority the value of the assets is considered to be the equivalent to the rental agreed with the tenant over the remaining notional length of the tenancy.

Rentals received in relation to investment properties are credited to the CIES and result in a gain for the General Fund Balance. However, revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General fund Balance in the MIRS and posted to the CAA and the Capital Receipts Reserve.



Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the PPE from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification where the costs are separable.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfillment of the arrangement is dependent upon the use of specific assets.

The Authority as Lessee

Finance leases

Property, plant and Equipment held under finance leases is recognized in the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception (or by the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority where there are any are added to the carrying value of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments, where identifiable are apportioned between the charge for the acquisition of the interest in the property, plant or equipment – which is used to write down the lease liability and the finance charge (debited to CIES).

PPE recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period)

The authority is not required to raise the levy to cover depreciation of revaluation and impairment losses arising from leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the CAA in the MIRS for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from the use of leased PPE. Charges are made on a straight line basis over the life of the lease even if this does not match the pattern of the payments (for example a rent free period at the commencement of the lease).



The Authority as lessor

The Authority has no arrangements which fall into this category.

Prior period adjustments

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a PPA.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Property, Plant and Equipment – PPE

Assets that have physical substance and are held for use in the production of supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.



The authority currently does not acquire assets other than through purchase either by exchange or via donation and so there is no need for a policy in this regard.

Assets are carried in the balance sheet using the following bases:

- Assets under construction – depreciated historical cost
- All other assets – fair value, at existing use value (EUV).

Where there is no market based fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low value (or both), depreciated historic cost is used as a proxy for fair value.

It should be noted that the environmental condition of closed landfill sites makes them unmarketable and a nominal value of £1 is attributed to them.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that the carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are recognized, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains for that asset)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the service line in CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all PPE by the systematic application of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite life e.g. freehold land and assets that are not yet available for use i.e. assets under construction.

Depreciation is calculated on a straight line basis over the useful life of the assets.

Where an item of PPE has major components where the costs have been identified separately and where those costs are significant in relation to the total cost of the item, the components are depreciated separately.



Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on the assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the CAA.

Disposals and Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this value and the fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell the loss is posted to Other Operating Expenditure in the CIES. Gains in fair value are only recognised up to the value of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to non-current assets and valued at the lower of the carrying amount before they were classified as held for sale; adjusted for depreciation, amortization or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are abandoned or scrapped are not reclassified as Assets held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in CIES as well. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the CAA.

Where amounts are received in respect of disposals they are categorised as capital receipts which are credited to the Capital Receipts Reserve. These amounts can only be used for new capital investment or to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund in the MIRS.

The written off value of disposals is not a charge against the Levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the CAA from the General Fund balance via the MIRS.

Provisions

Provisions are made when an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.



Provisions are charges as an expense to the appropriate service line within CIES in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Landfill allowances trading scheme (LATS)

The Waste and Emissions Trading Act 2003 places a duty on Waste Disposal Authorities in the United Kingdom to reduce the amount of biodegradable municipal waste disposed to landfill. It provides the legal framework for the Landfill Allowance Trading Scheme which applies to Waste Disposal Authorities in England which commenced on 1 April 2005.

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost or net realizable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of a the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts



Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

Redemption of debt

Capital expenditure is largely financed by borrowing. Provision for the redemption of debt is made in accordance with the minimum revenue provision (MRP) requirements as contained in the Local Authorities (Capital Finance and Accounting) Regulations 2003.

Reserves

The Authority sets aside specific amounts as reserve for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit in the CIES. The reserve is then appropriated back to the General Fund in the NIRS so there is no net charge against the Levy in that year for the expenditure.

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employment benefits and do not represent usable resources for the Authority. Unusable reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes

The purposes and usage of both usable and unusable reserves are detailed in notes accompanying the accounts.

Value added tax

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

Work in progress and stocks

Work in progress is valued at the lower of cost or net realisable value. Stocks are valued on the basis of current replacement cost.

GLOSSARY OF FINANCIAL TERMS

Accounting policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Accounting policies do not include estimation techniques.

Accruals

An accounting concept that requires income and expenditure to be recognised as it is earned or incurred, not as money is received or paid.

Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (i) Events have not coincided with the actuarial assumptions made for the latest valuation (experience gains and losses); or
- (ii) The actuarial assumptions have changed.

Amortisation

The equivalent of depreciation for intangible fixed assets.

Capital charges

To reflect the value of an asset being used to provide services, a capital charge is made to the revenue accounts.

Capital expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to, rather than merely maintains, the value of an existing fixed asset. Capital expenditure is normally funded by loans, grants, external contributions, capital receipts or through a revenue contribution.

Capital receipts

Income received by the Authority from the sale of its capital assets.



Current service cost (pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (i) termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of business; and
- (ii) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Deferred capital receipts

Amounts derived from the sale of assets, but which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses which form the main part of mortgages under long term debtors.

Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined contribution scheme

A pension or other retirement benefits scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, passage of time, or obsolescence through technological or other changes.



Expected rate of return (on pension assets)

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

Government grants

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Interest costs (pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Net book value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net current replacement cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net realisable value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.



Non-operational assets

Fixed assets held by a Local Authority but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the Authority. They may comprise:-

- (i) Assets held for the primary purpose of investment from which a commercial rental is obtained;
- (ii) Vacant property awaiting either redevelopment or disposal;
- (iii) Land and buildings currently in the course of development but not yet completed and occupied for the proposed service.

Operational assets

Fixed assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility, or for the service or strategic objectives of the Authority.

Past service cost or gain

For a defined benefit scheme, the increase or reduction in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the revision of scheme benefits.

Projected unit method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:-

- (i) the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- (ii) the accrued benefits for members in service on the valuation date.

Public works loans board

A Government body which provides loans to local authorities for financing capital expenditure.

Retirement benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:-



(i) an employer's decision to terminate an employee's employment before the normal retirement date; or

(ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue expenditure

Day-to-day expenditure on items that will generally be consumed within twelve months from the date of purchase (e.g. salaries, service running costs, consumable materials and equipment, or the cost of financing capital assets).

Revenue expenditure funded from capital under statute

Expenditure of a capital nature, where no tangible asset exists (e.g. capital grants to third parties).

Scheme liabilities

The liabilities of a defined benefits scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Stocks

The amount of unused or unconsumed stocks held in exception of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:-

(i) goods or other assets purchased for resale;

(ii) consumable stores; and

(iii) raw materials and components purchased for incorporation into products for sale.

Useful life

The period over which the Authority will derive benefits from the use of a fixed asset.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYSIDE WASTE DISPOSAL AUTHORITY**Opinion on the financial statements**

We have audited the financial statements of Merseyside Waste Disposal Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and the Authority and Group Movement in Reserves Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Merseyside Waste Disposal Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer to the Authority and auditor

As explained more fully in the Statement of Responsibilities, the Treasurer to the Authority is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer to the Authority; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

MERSEYSIDE RECYCLING & WASTE AUTHORITY

In our opinion the financial statements:

- give a true and fair view of the financial position of Merseyside Waste Disposal Authority as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission *in November 2012*, we have considered the results of the following:

- our review of the annual governance statement; and
- our locally determined risk-based work on revenue resource contract procurement.

As a result, we have concluded that there are no matters to report.



Certificate

We certify that we have completed the audit of the financial statements of Merseyside Waste Disposal Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas
Engagement Lead
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building, Liverpool L3 1PS

30th September 2013