



MERSEYSIDE RECYCLING & WASTE AUTHORITY

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

STATEMENT OF ACCOUNTS 2016-17

CONTENTS

	Page(s)
Chairperson's introduction	3
Narrative Statement	4-12
Certificate	13
Statement of responsibilities	14
Annual Governance Statement	15-18
Comprehensive Income and Expenditure Statement	19
Balance Sheet	20-21
Cash-flow statement	22
Movement in Reserves	23-24
Notes to core financial statements	25-71
Accounting Policies	72-82
Group accounts	83-95
Glossary of terms	96-98
Auditors Report to the Authority	99-101

**Introduction to the 2016-17 Statement of accounts by the Chairperson to the Authority,
Councillor Graham Morgan**

Chairperson’s introduction

I am pleased to introduce the Merseyside Recycling and Waste Authority’s Statement of Accounts for 2016-17. The Authority continues to place an important emphasis on the use of waste as a resource and this is reflected in the outward facing name of the Authority and our priorities.

As Members of the Authority my colleagues and I have a duty to ensure the effective use of financial and staffing resources to deliver services to Merseyside residents. The Authority’s turnover of £73.3M is managed by a staff of 30 and we report to the public on the exercise of our responsibilities annually through the 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 the people of Merseyside about the care we take over the public funds that have been placed at our disposal by the public through the Levy.

Once again, for the seventh year, the Levy in 2016-17 did not increase in overall terms. The constituent District Councils continue to face

significant financial pressure and the Authority sought to respond by using its reserves to mitigate the impact of its costs through the levy. This approach has been successful for a number of years but may not be possible in future as the gap between spending and income is becoming unsustainable.

During 2016-17 the Authority has started to move from mainly disposing of waste via landfill sites to disposing of waste through the new Energy from Waste plant managed by Merseyside Energy Recovery Ltd. Commissioning is taking longer than expected but the plant will be fully operational in the summer of 2017; it will provides long term economically and ecologically beneficial solution for Merseyside.

At the same time the Authority has continued to work with Veolia ES who provide a network of Household Waste Recycling Centres, transfer stations for waste and two Materials Recycling Facilities which separate and sort dry recycled waste collected by Districts from households.

The Authority continues to monitor and manage a number of closed landfill sites across Merseyside,

meeting our environmental liabilities and ensuring they do not pollute the local environment.

The Authority promotes the need to use less; re-use and recycle more and to raise waste up the waste hierarchy through its Community Fund and the range of events and Education it is involve in.

Effective financial management has been key to ensuring the Authority is able to utilise balances to offset future financial pressures. The Authority has planned to use and has used its balances to offset cost pressures that would otherwise impact on the Levy for Districts. At the same time the Authority continues to review all of its costs and works to mitigate the impact of the Levy on the District Councils. The Authority aims to be an efficient and low spending organisation which is sustained through a sound financial function.

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Chairperson of the Authority

.....

Date 2017



Narrative Statement

Peter Williams: Treasurer

Background: the Authority and its Functions

Merseyside Recycling and Waste Authority (MRWA, which is the public facing name of the statutory joint waste Authority) came into being on 1st April 1986 on the demise of the former Metropolitan County of Merseyside. The statutory duty and powers over waste disposal were allocated to the new Waste Disposal Authority which was created for the purpose of waste disposal.

The arrangements mean that MRWA is a local authority that meets to take decisions on how it fulfils its responsibilities. MRWA is made up of Councillors (the Members) appointed to the Authority by each of the constituent authorities in Merseyside. The number of Members appointed by each Council is set by statute. The Authority is made up of nine Members appointed by the constituent authorities as follows: Liverpool 3, Sefton 2, Wirral 2, Knowsley 1, St Helens 1. These appointed Members sit as the local authority on a statutory basis.

MRWA has all the legal duties and powers to dispose of Merseyside's waste. The constituent

authorities have no such disposal powers, but are statutory waste collection authorities and have a duty to deliver controlled waste to MRWA for disposal.

The functions, role, duties and powers of MRWA are set out in law and can only be amended by changes in statute. This has taken place in the past, under the terms of the Environmental protection Act 1990 when the role of the Authority was amended.

Under the Environmental Protection Act 1990, MRWA is primarily responsible for:-

- a) making arrangements for the disposal of waste collected by its constituent Waste Collection Authorities (namely Knowsley MBC, Liverpool CC, St Helens MBC, Sefton MBC and Wirral MBC;
- b) providing and making arrangements (with contractors) for the provision and operation of Household Waste Recycling Centres (HWRC) for use by members of the public and the removal of wastes deposited at those sites;

c) making arrangements for the recycling and composting of waste and meeting its statutory performance standards;

d) discretionary payment of 'recycling credits' to third parties; and

e) aftercare of seven former landfill sites in the ownership, or under the control of, MRWA.

The Environmental Protection Act 1990 also gives MRWA certain powers for the purpose of discharging its duties. In relation to controlled waste, this includes a power to 'give directions to the waste collection authorities within its area as to the persons to whom and places at which such waste is to be delivered.'

There are various other duties and powers granted to MRWA including powers to minimise the generation of controlled waste (ie. household, commercial and industrial) under the Waste Minimisation Act 1998; and a duty to apply the Waste Hierarchy under the Waste (England and Wales) Regulations 2011 and as amended in the Waste (England and Wales) (Amendment) Regulations 2012.

MRWA is established by statute and collects its levy by statute, neither of these is a voluntary arrangement and MRWA collects monies from the constituent Merseyside councils to meet all its liabilities. This statutory right to Levy a charge on the District Councils comes from the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, SI 2006/248 and from the Environment Agency (Levies) (England and Wales) Regulations 2011 SI 2011/696. The effect of this is that the Levy is a statutory charge on the District Councils that they have no choice over. As the Councils are also bound by statute, they are required to pay the Levy and have no power or discretion not to pay. Any Council that failed to respond to the demand for the levy would be in breach of its own statutory duties.

MRWA delivers its principal services through a number of waste contracts. The Waste Management and Recycling Contract was let in 2009 and is the primary interface with waste collection authorities and members of the public through a number of facilities including Waste Transfer Stations, MRFs and HWRCs.

The majority of residual waste was landfilled under separate contracts, however, landfilling currently attracts an additional landfill tax charge of £84.40 per tonne (higher in 2017-18). The landfill contracts were to be replaced by a thirty year

Resource Recovery Contract which was let in 2013 and which commenced Commissioning in May 2016, and despite some delays it expected to be fully operational during summer 2017.

MRWA's main aim is to manage waste as a resource which means providing and promoting sustainable waste management through the waste hierarchy where landfill is the least favourable option in environmental and financial terms.

MRWA acts mainly in an intelligent client procurement and contract management role with around 96.5% of the budget expended on contracted, statutory and non-controllable costs. There are currently 30 staff on the Establishment with a significant proportion of support services provided externally through the following service level agreements:

- Payroll and pensions: St Helens MBC
- Accounts Payable: St Helens MBC
- Legal, Estates and Health and Safety: St Helens MBC
- ICT: MerseyTravel

Governance and Membership

MRWA consists of nine elected Members representing the five constituent district councils in Merseyside. The number of Members per district is set by statute and is shown in brackets against each council below alongside the membership during 2016-17:

- Knowsley (1): Councillor Graham Morgan
- Liverpool (3): Councillors Tony Concepcion, Laura Robertson-Collins and Carol Sung
- St Helens(1): Councillor Alan Cunliffe
- Sefton (2): Councillors Kevin Cluskey and Michael O'Brien
- Wirral (2): Councillors Tony Norbury and Steve Williams

Halton Council has delegated part of its functions under Section 9EA of the Local Government Act 2000 and the Local Authorities (Arrangement for the Discharge of Functions) (England) Regulations 2012 to enable its waste to be accepted under MRWA's contracts. A Member from Halton has been appointed to MRWA (Councillor Stef Nelson), however, this Member does not have voting rights.

MRWA has a schedule of five meetings per year, although special meetings may be called from time to time.

Unlike some other joint boards on Merseyside, MRWA does not have legal powers to pay any form of remuneration to its Members.

Although MRWA is not a 'relevant authority' under the Localism Act 2011, a voluntary Code of Conduct for Members was approved in 2013 and is currently in place.

Scrutiny Arrangements

MRWA's Scheme of Delegation provides for three levels of decision-making, namely Key Decisions, Executive Decisions and Administrative Decisions.

MRWA does not have a Scrutiny Panel as all Key Decisions are considered by full Authority. The Scheme of Delegation does provide for the scrutiny of Executive Decisions where two or more Members call in a proposed decision and these scrutiny items are subsequently considered at full Authority meetings.

The Localism Act 2011 Schedule 2 (9FF) provides powers of scrutiny to relevant authorities over partner authority actions, including those actions of MRWA. MRWA has sent officers to attend a number of scrutiny panels over the years and makes an annual offer to each of the Merseyside and Halton councils.

Management of the Authority

The Authority has a Chief Executive who is also the Head of Paid Service, supported by an executive management team.

MRWA is required to appoint statutory officers, namely a Chief Finance Officer (under Section 73 of the Local Government Act 1985; equivalent to the s151 Officer in other Authorities); a Monitoring Officer (Section 5 of the Local Government and Housing Act 1989); and a Clerk (Section 34(8) of the Local Government Act 1985).

These duties are currently undertaken by MRWA staff. The Director of Finance role incorporates the Chief Finance Officer duties. The Assistant Director of Governance and Performance was appointed as Clerk and Monitoring Officer, but since her departure these posts have been filled on an interim basis by the Assistant Director Contracts (monitoring Officer) and the Business Services Manager (Clerk) (now appointed to the post of Assistant Director with a different focus). Delegations exist to deputise in their absence.

The Contents of the Statements of Accounts

The Authority's statement of accounts includes the following main statements and notes:

- The Comprehensive Income and Expenditure Statement (CIES), which shows the gains and losses of the Authority in the year;
- The Balance Sheet, which shows how resources available to the Authority are held in terms of assets and liabilities;
- The Movement in Reserves Statement (MIRS), which shows the changes in the Authority's financial resources over the year; and
- The Cash Flow, which shows how the movement in reserves has been reflected in cash flows.
- The Expenditure and Funding Analysis (a new note to the accounts for 2016-17), which shows how the financial position reported to Members relates to the position for Statutory Financial Reporting following the Accounting Code of Practice and accounting standards.

There are also a series of notes to the accounts which provide further information to support the main statements. Each key financial disclosure also has a comparative figure from the preceding year to enable the reader to consider how the financial performance of the Authority has changed over the reporting period.

Following on from the accounting statements for the main Authority there is a similar set of statements, notes and comparisons that incorporate the Group Accounts for the Authority and its associated companies and interests.

Budget comparison

The Authority's statement of accounts should be reviewed alongside the Outturn Statement. The Outturn Statement shows for the reporting period how the Authority's planned expenditure and income, the budget, was matched by its actual expenditure and income. The outturn statement is accompanied by a series of comments and explanations which provide further details about where expenditure and income has moved away from planned levels and why. A summary of the Outturn Statements and explanations is set out below:

Capital expenditure

The Authority did not spend any significant amount on a capital programme for 2016/17. There was a spend of £14k of ICT expenditure on development of the COGNOS system, this was offset by the return of a provision that had been set aside for payment of year end costs of £36k which in the end did not materialise.

Elsewhere the Authority generated a £55k capital receipt from the sale of the In Vessel Composting unit which had been fully depreciated and was not in use for the Authority's continuing activities.

The Authority's significantly reduced capital programme and the small capital receipt generated from the sale demonstrated that the need for a significant Capital Reserve had diminished. In consequence the remaining capital reserve which had been previously used to fund the capital programme was transferred to the General Fund at the year end. This was possible because the reserve had been created from General Fund reserves in the first place. Should there be a review of capital programme and funding requirements in the future the Authority will need to consider the use of additional Prudential Borrowing at that stage to cover the capital costs.

Revenue expenditure

The final Revenue Outturn shows that the Authority spent some £136k less than planned compared with the revised estimates at the end of 2016-17, which is reflected in an additional £136k contribution to the General Fund. The General Fund contribution to support revenue costs in overall terms was £6.255M rather than the £6.391M that has been planned at revised

estimate. Achieving an outturn that is within £136k of the revised estimate with a turnover of over £73.3M should be regarded as a successful financial outcome for the year.

The overall outcome contains a number of variances from the individual revised estimates and the main differences can be analysed as follows:-

	£000		
	(under)/over spend		
Establishment			
The underspend here reflects savings across the board on the administration of the Authority and its staffing.	(179)	of £62M.	has led to the need for the Authority to make different arrangements for disposal, as reported to Members in the recent Authority meetings. These have included landfill and therefore landfill tax. The savings that were expected from the commissioning arrangements have not accrued as further interim arrangements were required.
<ul style="list-style-type: none"> Savings made include, employees (£61k), premises (£11k), transport (£8k), Supplies and services (£34k), Education (£5k), Agency (£39k) and Support (£36k). A lower overall cost mean the recharge to Halton Council was £15k lower than estimated. 		The key issue in terms of contracts was that the Resource Recovery Contract (RRC) continued to be delayed. For the purposes of the revised estimate exercise an assumption was agreed that the RRC would commence in February, this has not been achieved by the contractor for a number of operational reasons. At the same time the Authority’s longstanding landfill contract arrangements came to an end. In consequence the Authority has had to work hard to find suitable disposal points for Merseyside’s residual waste.	Elsewhere, the anticipated income from dealing with Trade waste has not been achieved, resulting in a £526k negative performance. The trade waste for each Council is lower than had been expected, and for Liverpool where an amount of £325k had been anticipated this is now being reviewed by Liverpool as they believe their arrangements did not amount to Trade Waste. Until this discussion is concluded the Authority has to prudently assume the amount will not be forthcoming.
Contract payments			
The Authority managed its costs on the contacts well and the overspend is just over 1.4% compared with the overall budget	873	While the expectation may have been that in the Commissioning phase, prior to full service, the RRC with MERL would be less expensive than at full service the reality has been that as a consequence of the operational issues the amount of waste going to the MERL contract under the RRC for commissioning has been lower than expected. This	

Closed landfill site management

The Authority has made savings on the cost of the Closed Landfill Sites it manages. There were significant savings in maintenance and the costs of trade effluent, as well as a saving in electricity, as a result on innovations in the way the Authority manages the discharge from the sites. (55)

Rent, rates & depreciation

The revised estimate of the cost of depreciation was lower than the actual costs of depreciation due to changes in asset lives, which largely accounts for the overspend in this area. 164

Recycling credits

There is a saving here which reflects an overall reduction in tonnages recycled by Districts for which credits may be claimed (Liverpool -£30k; Wirral +£30k; Sefton -£88k; Knowsley +£3k; St Helens +£16k) (70)

Helens +£16k)

Communications

On a relatively small budget, relatively large savings across the board. (21)

Strategy & Resources

The savings arise mainly from reductions in spending on: Strategy update -£14k; Community funding -£1k; the re-use scheme -£51k; the Waste Prevention Programme -£93k. Savings on the Waste Ecosmart programme are offset by equal and opposite reductions in the income from the programme. (157)

Service review

The Authority set aside a sum from its General Fund to support the legal and advisor costs that may arise from changes proposed to services as a result of a service review. Due to the implementation of a Strategic Review (also funded (119)

from set aside General Funds) this service review was delayed and so there was an underspend. The amount set aside for the Strategic Review was also underspent at the year end.

Other costs

The contribution in respect of technical capital accounting is lower than estimated, but offsets depreciation and impairment costs included above. (165)

Interest costs

The combination of lower than estimated interest payable (£415k) and lower than anticipated income from interest receivable (£8k) has had a positive effect on the Authority's costs. (407)

Overall underspend for the year (136)

A summary of the Balances at 31 March 2015 with a comment about why the amounts are set aside is shown as follows:

General Reserve 11.639

To cover risks to the Authority in carrying out its functions, and in line with the budget strategy to mitigate the impact of the Levy on constituent District Councils. There is already a commitment to utilising a very significant proportion of this reserve to subsidise the Levy in 2017-18 and it is likely that the remainder will be required in the year that follows. This cannot continue unabated as the fund will run out quickly, leaving a cliff face increase in the Levy over the next budget cycles.

Capital Reserve 0

The Capital Reserve which was originally funded from revenue was transferred at the year-end back to the General Fund, to provide additional support

Capital Receipts Reserve 0.055

This represents the amount received in respect of sale of the IVC; as it was income from a

capital receipt it may only be used to fund capital or to pay off outstanding loan debt.

11.694

Assets

There are no significant new assets or liabilities that impact on the Authority in the year.

The Authority's assets were the subject of a year-end valuation in 2015-16 to ensure that they are carried in the accounts at the most appropriate value under the fair value basis of measurement.

The Authority signed the Resource Recovery Contract for the long term disposal of residual waste at the end of 2013. The contract will include the Authority using a Rail Transfer Loading Station in Knowsley, with waste being transported from there to an Energy from Waste Plant at Redcar for ultimate disposal. The Assets and liabilities associated with this PPP contract will only be due to come onto the Authority's Balance Sheet after the plant has been commissioned and is fully operational, which is expected to be in Summer 2017, i.e. the following financial year.

Pension liabilities

The balance sheet includes a net pension liability of £4.7M. This is an increase of £767k on the pension liability in the prior year's accounts. The change in the liability reflect the changes in the value of the assets held by the pension fund on behalf of the Authority and the numbers of and ages of employees and former employees who are Members of the pension schemes which the Authority has a liability to support. The values of the pension assets and liabilities are assessed periodically (every three years) by the scheme actuaries and contribution rates for employers are adjusted to ensure that the schemes liabilities are funded over time. Employee contribution rates are also reviewed periodically to further ensure liabilities are funded.

Unusual material items

The Authority did not make any material unusual payments in the year

Changes in accounting policy

There has been no significant change in any accounting policy in the year.

Changes in statutory functions

There have been no changes in statutory functions during the year.

Current borrowing

The Authority has a portfolio of loans taken out between 1989 and 2007 to finance capital expenditure over a number of years; the outstanding balance at 31 March 2017 was just over £14M. One of the loans was a Lender Option Borrower Option (LOBO) loan with a commercial bank, but during the year they exercised their option to transfer the loan from being a LOBO to replace it with a normal commercial loan, there was no fee charged and the rate of the loan is in line with other similar life loans. The remainder are loans from the Public Works Loans Board (PWLB). The PWLB loans are scheduled to mature at various dates between 2017 and 2058, while the final maturity on the former LOBO is 2065.

The Authority has not borrowed additional funds to finance capital expenditure since 2007, and has instead relied on utilising a capital reserve set aside from General Funds to support capital developments. The Capital Fund no longer contains balances to fund capital developments in future and should these be required further prudential borrowing is likely to be required.

Provisions, contingencies and write offs

The Authority carries provisions in the accounts.

One of the provisions is in respect of the Closed Landfill sites managed by the Authority. The Authority established the closed landfill provision in 2013/14 to recognise the need to provide for the potential future costs of maintaining Closed Landfill sites across Merseyside for which the Authority is responsible. In 2016-17, the calculation of the amount set aside as a provision has been reviewed and amended to better reflect the potential future costs that the Authority may face in managing its Closed Landfill sites. This has resulted in a reduction to the carried forward provision of £52k (down to £4,261k), reflecting in the main, a gradual reduction to the amounts that will be spent on closed land fill sites year on year as they begin to stabilise and settle requiring less maintenance.

Other provisions include an obligation to Mersey Waste Holdings Ltd, the Authority's wholly owned subsidiary, under a back to back funding arrangement for a payment made by the Company to the Citrus Pension Fund. To date the Company has not sought payment to discharge the obligation.

The Authority has a 50% stake in Bidston Methane Ltd. Currently the company is running at a loss and the Authority's share of the loss is £207K as at 31 March 2016 based on the latest available accounts to 31 March 2016 (which is an increase of £4k),

although the 'loss' is offset by the assets held by the company that are due back to the Authority in the longer term. The Authority has given a commitment to support the company financially; hence it remains valued as a going concern. The Authority therefore recognises that it has a contingent liability for its share of the potential loss.

There are no significant write offs or impairment losses to reflect in the accounts.

At this stage there are no material events, adjusting or non-adjusting, that could have an impact on the financial statements or the way that they should be interpreted.

Local economic circumstances

The statement of accounts for 2016-17 should be considered alongside the budget for 2017-18 and the medium term financial prospects for the Authority.

The current financial environment that local government in England faces is one of continuing austerity. The Authority's constituent District Councils have faced a number of years of very significant spending reductions and that pattern is set to continue and to a degree accelerate as the Government moves from a national model of supporting local government spending to a more

localised model with opportunities for funds raised locally to be retained locally. During this period of financial rebalancing the resources available to constituent District Councils have been reduced significantly. At the same time over a period of seven budget cycles the Authority has reduced or maintained the Levy on the Districts at a neutral level. The maintenance of the Levy at these levels has only been possible in the latter years with cushioning from the General Fund.

Financial pressure on the Authority continues to grow, and despite reductions in staffing and other subsidiary costs the main cost driver is Waste tonnages delivered by the Districts. The transition from landfill to the commissioning phase and then full operation of the new Resource Recovery Contract during 2017-18 and onwards will eventually see an initial growth in costs.

In the budget for 2017-18 the Authority recognised this growth in costs, and was looking to increase the Levy modestly over the next three years. Constituent District Councils requested that this be delayed, and in agreeing to this request the Authority approved a budget with a Levy that was neutral in overall terms once again – recognising that this would mean utilising all financial reserves and eventually leading to larger levy increase proposals in future.

For 2017/18 the prospect of expenditure supported by Levy and a significant contribution from General Fund balances meant that the budget is in balance, the prospect for future years is significantly less certain.

Utilising the remaining General Fund balances is likely to be sufficient to close the gap to the Levy,

keeping the potential increase still relatively reasonable in 2018/19. Thereafter, with little available out of the Authority's reserves to support the Levy there is a prospect of a more significant Levy increase, although the financial benefits of the RRC should be felt, through third party income and electricity income sharing.

As a part of the budget process the Authority agreed with the City Region to undertake a strategic review of waste disposal and collection across Merseyside, this may lead to a review of the assets managed and maintained by the Authority across Merseyside, with a view to reducing costs in the Medium Term. This review was conducted during 2016/17. The outcome of the review will become clear during 2017-18 and the Authority's Members will be asked to consider the Authority's response to any proposals as they are made.

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 2017 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 its 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/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (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.

Peter Williams
Treasurer to the Authority

Date

Annual Governance Statement

Annual Governance Statement 2016/17

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:

The Clerk
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 2016 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 Corporate Plan which sets out the Authority's long-term aims;
- the current Corporate Plan was approved by Members on 20th November 2015 and has a mission statement, "To contribute

to the economic, environmental and social well-being of Merseyside by promoting the best use of resources and ensuring that waste is sustainably managed." The plan is delivered through the development and implementation of an annual Service Delivery Plan which reflects current corporate strategies, risks and priorities;

- performance against the Service Delivery Plan is published on a quarterly basis and circulated to Members and other stakeholders;
 - there is a Joint Recycling and Waste Management Strategy for Merseyside in place which has been approved by all partner organisations and was used to inform the procurement of major waste contracts, most notably the Waste Management and Recycling Contract and 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;
 - Codes of Conduct are in place for officers and for Members, both of which include a Register of Interests;
 - The Authority's Constitution, including a comprehensive set of Procedural Rules which define its internal control mechanisms, is in place and 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. The strategy is currently under review 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 2017/18 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.

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.

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:

- Contribution to the Implementation of the Strategic Review undertaken by the Merseyside Councils and the Combined Authority.
- A review of the Performance Management System to ensure it delivers effective outcomes

Signed:

.....
.....

Chief Executive
April 2017

Signed:

.....
.....

Chair
April 2017



The Comprehensive Income and Expenditure Statement (CIES)

This statement shows the cost of providing services during the year, and the income raised to cover that expenditure, in accordance with generally accepted accounting practice. These are different from the statutory amounts required to be charged to the General Fund Balance for Levy purposes, which is set out in the Movement in Reserves.

2015/16			Notes	2016/17		
<i>Expenditure</i>	<i>Income</i>	<i>Net</i>		<i>Expenditure</i>	<i>Income</i>	<i>Net</i>
£000	£000	£000		£000	£000	£000
76,217	(5,890)	70,327	Environment and regulatory services	76,237	(5,852)	70,385
182		182	Corporate and democratic core	182		182
		0	Non distributed costs			0
76,399	(5,890)	70,509	Surplus/Deficit on Continuing Operations	76,419	(5,852)	70,567
		(3,413)	Financing and Investment Income and Expenditure			1,740
		(65,591)	Levy Income		(65,591)	(65,591)
		1,505	(Surplus) or Deficit on Provision of Services			6,716
		(944)	In year General Fund Adjustment			0
		(4,215)	Surplus or Deficit on Revaluation of non current assets			0
			Impairment losses on non-current assets charged to the Revaluation Reserve & CAA			233
		(70)	Revaluation of closed landfill site provision			(16)
		(513)	Remeasurements of the net defined benefit liability (asset)			551
		(5,742)	Other Comprehensive Income and Expenditure			768
		(4,237)	Total Comprehensive Income and Expenditure			7,484

The Balance Sheet

The balance sheet shows the assets and liabilities of the Authority at the year end. The net assets of the Authority are matched by two categories of reserves. The first is useable reserves which can be deployed for any purpose, subject to the need to maintain a prudent level of working capital. The second category, un-useable reserves set aside in order to meet statutory and accounting requirements.

31st March 2016 £000		Notes	31st March 2017
39,543	Property, Plant & Equipment	11	38,257
5,042	Long Term Investments		5,042
44,585	Long Term Assets (1)		43,299
22	Inventories	15	22
1,465	Short Term Debtors	16	3,426
7,514	Cash and Cash Equivalents		0
9,001	Current Assets (2)		3,448
0	Short Term Borrowing	12	
(12,764)	Short Term Creditors	18	(8,874)
	Cash and Cash Equivalents	17	(5,070)
(281)	Provisions	19	(266)
(9)	Grants receipts in advance	27	
(13,054)	Current Liabilities (3)		(14,210)
(5,144)	Provisions & Cash Equivalents	19	(5,178)
(17,044)	Long Term Borrowing	12	(16,901)
(18,736)	Other Long Term Liabilities	34	(18,326)
(40,924)	Long Term Liabilities (4)		(40,405)
(392)	Net Assets (1+2+3+4)		(7,868)
(18,055)	Usable reserves (5)	MIRS	(11,687)
18,447	Unusable Reserves (6)	20	19,555
392	Total Reserves (5+6)		7,868

Certificate

I confirm that these accounts present fairly the position of Merseyside Recycling and Waste Authority (the statutory waste disposal authority for Merseyside) as at September 2017 and are authorised for issue as at that date.

Peter Williams CPFA

Treasurer to the Authority

Date

The 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 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

2015/16 £000		Notes	2016/17 £000
(1,505)	Net surplus or (deficit) on the provision of services		(6,716)
(2,682)	Adjustment to surplus or deficit on the provision of services for non-cash movements	21	(5,352)
(2,340)	Less items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(1,740)
(4,000)	Less items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(55)
2,153	Net cash flows from operating activities		(10,273)
(1,752)	Net Cash flows from Investing Activities	22	26
(5,070)	Net Cash flows from Financing Activities	23	(2,343)
(4,669)	Net increase or decrease in cash and cash equivalents		(12,589)
926	In Year Adjustment		5
11,257	Cash and cash equivalents at the beginning of the reporting period		7,514
7,514	Cash and cash equivalents at the end of the reporting period		(5,070)

The 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.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
2016/17						
Balance as at 1 April 2016	(15,626)	(2,429)	0	(18,055)	18,447	392
Movement in reserves during the year					12	
Surplus or (deficit) on the provision of services	6,716			6,716		6,716
Other Comprehensive Income and Expenditure	551	(20)		531	217	748
Total Comprehensive Income and Expenditure	7,267	(20)	0	7,247	229	7,464
Adjustments between accounting basis & funding basis under regulations	(824)		(55)	(879)	879	0
Net Increase/Decrease before Transfers to Earmarked Reserves	6,443	(20)	(55)	6,368	1,108	7,476
Transfers to or from earmarked reserves	(2,449)	2,449		0		0
Increase/Decrease in Year	3,994	2,429	(55)	6,368	1,108	7,476
Balance as at 31 March 2017	(11,632)	0	(55)	(11,687)	19,555	7,868

MRWA statement of Accounts 2016-17

2015/16 Comparative Year	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance as at 1 April 2015	(16,036)	(4,181)		(20,217)	24,846	4,629
Movement in reserves during the year						
Surplus or (deficit) on the provision of services	1,505			1,505		1,505
Other Comprehensive Income and Expenditure	(944)			(944)	(4,798)	(5,742)
Total Comprehensive Income and Expenditure	561	0	0	561	(4,798)	(4,237)
Adjustments between accounting basis & funding basis under regulations (Note 5??)	(151)			(151)	151	0
Net Increase/Decrease before Transfers to Earmarked Reserves	410	0	0	410	(4,647)	(4,237)
Transfers to or from earmarked reserves		1,752		1,752	(1,752)	0
Increase/Decrease in Year	410	1,752	0	2,162	(6,399)	(4,237)
Balance as at 31 March 2016	(15,626)	(2,429)	0	(18,055)	18,447	392

NOTES	Page(s)
Note 1 Accounting standards issued not yet adopted	27
Notes 2-3 Critical judgements, key assumptions and accounting estimates	27 – 31
Note 4 Material items of Income and expenditure	32
Note 5 Expenditure and Funding Analysis and Notes	33 – 34
Note 6 Expenditure and Income Analysed by Nature	35
Note 7 Adjustments between accounting and funding basis under regulations	35 – 37
Note 8 Transfers to and from earmarked reserves	38
Note 9 Financing and investment income and expenditure	39
Note 10 Levy income	39
Notes 11 Property, plant and equipment	40 - 42
Notes 12-13 Financial instruments	43 – 48
Note 14 Investments	48

Note 15 Inventories	48
Note 16 Debtors	49
Note 17 Cash	49
Note 18 Creditors	50
Note 19 Provisions	50 – 51
Note 20 Unusable reserves	52 – 54
Notes 21-23 Cash Flow Statement	55 – 56
Note 24 Staff Costs and remuneration	57 – 58
Note 25 External audit	59
Note 26 Grants	59
Note 27 Related party transactions	59 – 61
Note 28 Capital financing	61 – 62
Note 29-30 Leasing and service concession arrangements	62 – 65
Notes 31 Retirement benefits	66 – 70

Note 32-33 Contingent assets and contingent liabilities	70 – 71
Notes 34 Other long term liabilities	71

Note 35 Events after reporting period	71

Notes to the Accounts

NOTE 1

Accounting Standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Authority is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

Currently there have been no such standards issued that are applicable to the Authority and its activities.

NOTE 2

Critical judgements made 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:

- a) Influences on going concern, such as future funding levels and long term contracts. The constituent authorities, in common with the rest of local government, are experiencing significant financial pressures but the Authority is committed to maintaining and improving value for money and to identifying additional sources of funding where possible, to reduce demands on the levy it raises from constituent authorities.
- b) The Authority has determined that it exercises control over two entities:
 - Mersey Waste Holdings Ltd through 100% shareholding; and
 - Bidston Methane Ltd through a joint venture.

The Authority's interests in these two companies are reflected in the Authority's Group Accounts at 83 to 95 of the Statement of Accounts.

- c) The Authority is deemed to control the services and the residual value of assets

created under the Waste Management and Recycling Contract with Veolia. The accounting policies for service concession arrangements (formerly known as PFI schemes and similar contracts) have been applied to these contracts and assets (valued at £16.0m) are recognised as Property Plant and Equipment on the Authority's balance sheet. The cost of the Authority's contract is mitigated by some third party income but this is both variable and insufficiently significant to impact on the balance sheet entries in respect of the service concession.

- d) The Authority has reviewed the accounting classification and treatment of the household waste and recycling centres leased from constituent authorities. The Authority's view is that both the land and building elements of the leases are operating leases and therefore no assets recognised as Property Plant and Equipment on the Authority's balance sheet

- e) The Authority has a 50% stake in Bidston Methane Ltd. Currently the company is running at a loss and the Authority's share of the loss is £170,000 based on the latest available accounts which are as at 31 March 2016. The Authority has given a commitment to continue to support the company financially, hence it remains valued as a going concern. The Authority has recognised a contingent liability at Note 31 for the Authority's share of the potential loss.
- f) The Authority provides for future costs associated with closed landfill sites. The provision reflects the Authority's statutory obligation to manage closed landfill sites. The value of the provision is based on the anticipated expenditure which will be incurred over the statutory monitoring period for each site in accordance with guidance issued by the Environment Agency. The value of the provision has been estimated based on the average management cost over the last six years, extrapolated over the remaining life of each site and then discounted to reflect

the time value of money, using HM Treasury discount rates, to arrive at an estimate of the total provision. This estimate is updated annually.

- g) The Authority entered into a service concession arrangement with Sita SempCorp now Merseyside Energy Recovery Ltd in 2013 for the design, build and operation of an energy from waste facility to be located in Redcar in Cleveland and a rail transfer loading station in Kirkby on Merseyside. The Commissioning phase of the contract was due to end in September 2016 with full operation from October. There were delays in the Commissioning which meant the plant will not be handed over until summer 2017 at which point the accounting requirements of IFRIC 4 and IFRIC 12 will be taken fully into account.

NOTE 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 2017 for which there may be a risk of material adjustment in the forthcoming financial year are shown in the following table:

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 useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
	In compiling the asset register, in the absence of records distinguishing the value of buildings from land for individual assets, the Authority has used the March 2010 asset valuation to estimate the value of land and buildings held prior to 1 April 2009.	If the estimated value of land is understated, the depreciation charges in subsequent years will be overstated and vice versa.
Provisions (Closed landfill sites)	The Authority has made provision for the anticipated expenditure costs of managing the closed landfill sites, This is based on the pattern of expenditure in the previous 6 years, which have then been discounted to net present value using HM Treasury discount rates plus an estimate of inflation at CPI. Future costs may vary and the provision will be revisited at each subsequent balance sheet date.	<p>The provision does not impact on the useable reserves balance. Therefore there is no effect on the Authority's useable reserves if the assumptions made prove incorrect.</p> <p>If the discount rate increases by 0.1% the provision would reduce by £0.057m. Conversely if the discount rate decreases by 0.1%, the provision would increase by the same amount.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Gilmooss Materials Recycling Facility	The WMRC contract payment is not separated from the cost of the finance lease under IFRIC 4 for the Gilmooss MRF	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.
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	<p>The effects on the net pensions liability of changes in individual assumptions are reviewed annually by the Authority. Variations in the key assumptions will have the following impact on the net liability:</p> <ul style="list-style-type: none"> • a 0.1% increase in the discount rate will reduce the net pension liability by £0.293m; • a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £0.298m; • an increase of one year in longevity will increase the net pension liability by £0.354m.
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 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.	If the waste data flow information is significantly different from that expected then the waste contract payments, the landfill tax payments 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.

Item	Uncertainties	Effect if actual results differ from assumptions
Leasing Discount Rate	The real discount rate for lease costs is not separated clearly within leases and the Gilmoor MRF lease	The estimated discount rate has been used to arrive at the net present value of future lease payments based on treasury discount rate and RPI.
Long term contracts	The Authority has entered into a long term service concession contract with Sita Sembcorp UK (SSUK), now renamed Merseyside Energy Recovery Limited (MERL). The contract makes provision for penalty payments in the event that the contract is terminated or significantly altered by either party.	At this stage the probability of the contract not being executed in substantially the same form as it was entered into is considered very remote, therefore no consideration of whether to include a contingent liability in respect of the penalty clauses contained in the contract being applied has been made. This position will be reviewed each year.

NOTE 4**Material items of income and expense**

2015/16 £000	Description	2016/17 £000
(4,000)	Dividend Payment from MWHL	0
21,294	Landfill tax payments	19,041
17,592	Waste Management & Recycling contract payments	30,396
4,282	Landfill contract payments	6,483
7,232	FCC Interim Contract	0
1,863	Viridor Interim Contract	422
0	Suez	7,307
3,405	Greater Manchester Interim Contract	0
51,668		63,649

The Expenditure and Funding analysis

This is a new statement which is designed to bring together the spending and funding basis of the Authority with the formal accounting framework and therefore help to demonstrate how the Authority has used its funds

2015/16				2016/17		
Net expenditure chargeable to the General Fund £000	Adjustments between funding and accounting £000	Net expenditure in the CIES £000		Net expenditure chargeable to the General Fund £000	Adjustments between funding and accounting £000	Net expenditure in the CIES £000
1,626		1,626	MWDA Establishment	1,655		1,655
61,116	(829)	61,116	Waste Management contracts	63,139	(770)	62,369
235		235	Closed Landfill sites	259		259
1,952	(1,179)	773	Rents, rates & depreciation	2,101	(1,300)	801
5,565		5,565	Recycling Credits	4,965		4,965
13		13	Communications	7		7
380		380	Strategy & Resources	139		139
0		0	Contract Review	230		230
70,887	(2,008)	69,708	NET COST OF SERVICE	72,496	(2,070)	70,426
591	829	591	Interest (Net)	746	770	1,516
(4,000)		(4,000)	Dividends	0		0
67,478	(1,179)	66,299	NET OPERATING EXPENDITURE	73,242	(1,300)	71,942
			Transfers to from General Fund	(6,621)	6,749	128
(708)	708	0	Contribution to/ from CAA	(1,030)	1,046	16
66,770	(471)	66,299	TOTAL COST OF SERVICE	65,591	6,495	72,086
(65,591)	0	(65,591)	Levy Income	(65,591)		(65,591)
1,179	(471)	708	NET SURPLUS/ CONTRIBUTION IN YEAR	(0)	6,495	6,495
(20,236)		(20,236)	Opening GF balance at 1st April	(18,055)		(18,055)
2,181			Contributions & use of GF Net	6,422		
(18,055)			Closing General Fund Balance 31st March	(11,633)		

NOTE 5 (A) Note to the Income and expenditure funding analysis

This note provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund balance to arrive at the amounts in the CIES. The relevant transfers between the reserves and are explained in the MIRS

Adjustments from General Fund to arrive at the CIES amounts	Adjustments between accounting and Funding basis 2016/17			
	Adjustments for Capital purposes	Net change for the Pensions adjustments	Other Differences	Total Adjustments
Waste Disposal - Net Cost of Services	(611)			(611)
Other Income and Expenditure from the Expenditure and Funding analysis		(213)		(213)
Difference between General Fund surplus and the CIES surplus or deficit on provision of Services	(611)	(213)	0	(824)

NOTE 5 (B) Segmental income

Income received on a segmental basis is analysed below

Service	2015/16	2016/17
	Income from Services	Income from Services
	£000	£000
Waste Disposal Services	(5,890)	(5,852)
Levy	(65,591)	(65,591)
	(71,481)	(71,443)

NOTE 6 Expenditure and income analysed by nature

Service	2015/16	2016/17
	£000	£000
Expenditure/ income		
Employee benefits expenses	1,304	1,278
Other services expenses	73,467	74,776
Support services recharges	0	0
Depreciation & Impairment	1,078	1,300
Interest Payments	1,208	763
Gain on Disposal of assets		(55)
Total expenditure	77,057	78,062
Income		
Fees, charges and other service income	(5,890)	(5,852)
Interest & investment income	(4,071)	(17)
Income from Levy	(65,591)	(65,591)
Total income	(75,552)	(71,460)
Surplus or Deficit on the provision of Services	1,505	6,602

NOTE 7**Adjustments between accounting 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

2016/17	Usable Reserves	Capital Receipts Reserve	Movement in Unusable Reserves
	General Fund Balance		
	£000	£000	£000
Adjustments involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non current assets	(1,300)		(1,300)
Revaluation losses on Property Plant and Equipment	(233)		(233)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory Provision for the Financing of Capital Investment	1,194		1,194
Capital expenditure charged against the General Fund balance	(4)		(4)
In year movement of (CLF charges as per GT Technical)	(268)		(268)
Adjustments involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(55)	(55)
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 30)	(358)		(358)
Employer's pensions contributions and direct payments to pensioners payable in the year	145		145
Adjustment involving the Accumulating Compensated Absences Adjustment Account			
Total Adjustments	(824)	(55)	(879)

2015/16 (Comparative year)	Usable Reserves	Capital Receipts Reserve	Movement in Unusable Reserves
	General Fund Balance		
	£000	£000	£000
Adjustments involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non current assets	(1,179)		(1,179)
Revaluation losses on Property Plant and Equipment	(95)		(95)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory Provision for the Financing of Capital Investment	1,318		1,318
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	(373)		(373)
Employer's pensions contributions and direct payments to pensioners payable in the year	152		152
Adjustment involving the Accumulating Compensated Absences Adjustment Account			
Adjustments in relation to Short-term compensated absences	26		26
Total Adjustments	(151)	0	(151)

NOTE 8**Transfers to /from Earmarked Reserves**

This Note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amount of earmarked reserves used to meet General Fund expenditure in 2016/17. The Authority has not utilised the reserve

	Balance as	Transfers		Balance as	Transfers		Balance as
	at 1 April			at 31 March			at 31 March
	2015	In	Out	2016	In	Out	2017
	£000	£000	£000	£000	£000	£000	£000
Capital Receipts Reserve	0	0	0	0	55	0	55
Capital Reserve	4,184	0	(1,752)	2,432	0	(2,432)	0
Total Earmarked Reserves	4,184	0	(1,752)	2,432	55	(2,432)	55

NOTE 9

Financing and Investment Income and Expenditure

The CIES includes an item of 'Financing and Investment Income and Expenditure'; this note provides additional details of that amount.

2015/16 £000		2016/17 £000
2,037	Interest payable and similar charges	1,533
373	Net interest on the defined benefit liability/(asset)	358
(5,823)	Interest receivable and similar income	(152)
(3,413)	Total	1,740

NOTES 10

Levy Income

The authority is funded by a Levy on the five Merseyside District councils. The Levy each District pays to the Authority is agreed at the start of the year .

Levies received from member authorities during the year were as follows:

2015/16 £000		2016/17 £000
7,076	Knowsley	7,215
22,384	Liverpool	22,783
8,140	St Helens	7,359
12,461	Sefton	12,832
15,531	Wirral	15,402
65,591		65,591

NOTE 11**Property, Plant and Equipment**

This Note provides further information about the Property, Plant and Equipment included on the Balance Sheet

Movements in 2016-1	Property, Plant & Equipment (PP&E)					Total PP&E	Service Concession Assets included in Property, Plant and Equipment	TOTAL
	Land	Buildings	Vehicles, Plant & Equipment	Assets Under Construction				
	£000	£000	£000	£000	£000			
Cost or Valuation								
Balance as at 1 April 2016	11,261	23,128	6,007	126	40,522	16,691	40,522	
Additions			120	15	135	0	135	
Revaluation increases/decreases to Revaluation Reserve					0	0	0	
Derecognition - Disposals				(141)	(141)	0	(141)	
Balance as at 31 March 2017	11,261	23,128	6,127	0	40,516	16,691	40,516	
Depreciation and Impairment								
Balance as at 1 April 2016	626	282	71	0	979	0	979	
Depreciation Charge	0	699	601	0	1,300	690	1,300	
Depreciation and impairments written out to Revaluation Reserve					0		0	
Depreciation and impairments taken to Surplus or Deficit on the Provision of Services			(20)		(20)		(20)	
Balance as at 31 March 2017	626	981	652	0	2,259	690	2,259	
Net Book Value								
Balance as at 31 March 2017	10,635	22,147	5,475	0	38,257	16,001	38,257	
Balance as at 31 March 2016	10,635	22,846	5,936	126	39,543	16,691	39,543	

Movements in 2015/16	Property, Plant & Equipment (PP&E)					Total PP&E	Service Concession Assets included in Property, Plant and Equipment	TOTAL £000
	Land	Buildings	Vehicles, Plant & Equipment	Assets Under Construction				
	£000	£000	£000	£000	£000			
Cost or Valuation								
Balance as at 1 April 2015	11,175	18,553	7,761	98	37,587	16,250	37,587	
Additions	86	1,624	14	1,652	3,376		3,376	
Revaluation increases/decreases to Revaluation Reserve		2,951	(1,768)		1,183	441	1,183	
Derecognition - Disposals				(1,624)	(1,624)		(1,624)	
Balance as at 31 March 2016	11,261	23,128	6,007	126	40,522	16,691	40,522	
Depreciation and Impairment								
Balance as at 1 April 2015	540	907	1,162		2,609	1,238	2,609	
Depreciation and impairments written out to Revaluation Reserve					0		0	
Depreciation and impairments taken to Surplus or Deficit on the Provision of Services		505	573		1,078		1,078	
Other Movements in Depreciation or Impairment	86	(1,130)	(1,664)		(2,708)	(1,238)	(2,708)	
Balance as at 31 March 2016	626	282	71	0	979	0	979	
Net Book Value								
Balance as at 31 March 2016	10,635	22,846	5,936	126	39,543	16,691	39,543	
Balance as at 1 April 2015	10,635	17,646	6,599	98	34,978	15,012	34,978	

Valuation

Property plant and equipment are revalued on a three year cycle in accordance with RICS guidance. All assets were revalued at 31 March 2016 by the Authority's valuer, Mr Bernard White (MRICS) of Kier Services. The accounting policies provide further information on revaluation and depreciation policies.

The significant assumptions applied in estimating the fair values are:

- the Authority has good title to the property and that they are not subject to any unusual or onerous restrictions;
- no deleterious or hazardous materials nor techniques have been used in the construction of the property from past or present uses

- there are no environmental factors which would cause the valuation to alter.

The Authority has a relatively small asset base so revalues its assets periodically, currently on a three year cycle, rather than via a rolling revaluation programme. In between the periodic valuations the Authority takes note of general advice from its own in-house asset management team as advised in general terms by the professional valuer engaged under the terms of the service level agreement about whether additional valuations are necessary and whether the carrying values of the Authority's assets are likely to remain materially accurate.

Following advice received from the Authority's valuer in 2014-15, two household waste recycling centres have been revalued by Mouchel.

Capital Commitments

On 23 December 2013 the Authority entered into a 30 year service concession contract with Sembcorp UK Limited (SSUK) to construct and then operate an energy from waste plant.

The total value of the contract (i.e. construction and then operation over the 30 year term of the contract) is expected to be £1.4bn with the initial construction phase of the contract, valued at £396m.

The Authority has no other contractual commitments as at 31 March 2016.

NOTE 12**Financial Instruments**

Carrying amount of financial assets and liabilities

2015/16			2016/17	
Current	Long-term		Current	Long-term
£000	£000		£000	£000
		Current assets		
8,979	0	Loans and receivables	3,426	0
8,979	0	Total included in current assets	3,426	0
		Liabilities		
(12,764)	(29,693)	Financial liabilities at amortised cost	(13,944)	(28,589)
(12,764)	(29,693)	Total included in liabilities	(13,944)	(28,589)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- 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 2017;

- For the Authority's LOBO, the interest rate is the rate quoted and provided by Capita; and
- No early repayment is recognised.

The fair values calculated are as follows:

The Authority's financial assets are predominantly loans and receivables consisting principally of trade debtors and cash (bank) deposits held either by the Authority or by St Helens council on behalf of the Authority. These assets are initially valued at fair value and held on the Balance Sheet at amortised cost. The amortised cost is calculated using the effective interest rate which is the rate which exactly discounts the forecast cashflows of the instrument over its expected life to its carrying amount. For most short-term assets (e.g. trade

debtors) the carrying value is deemed to be the invoiced amount.

The Authority does not have any investments required to be classed as either Available for Sale or Fair Value through Profit and Loss.

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 difference represents the opportunity cost to the Authority of continuing to hold relatively high interest debt compared with borrowing at current (lower) interest rates.

FAIR VALUES OF ASSETS AND LIABILITIES

2015/16			2016/17	
Carrying Value	Fair value		Carrying Value	Fair value
£000	£000		£000	£000
		Debtors		
8,979	8,979	Loans and receivables	3,426	3,426
		Financial assets carried at contract amounts		
8,979	8,979	Total included in Debtors	3,426	3,426
		Borrowings		
(17,044)	(24,051)	Financial liabilities at amortised cost	(16,901)	(26,592)
(17,044)	(24,051)	Total included in borrowings	(16,901)	(26,592)
		Other Long Term Liabilities		
(12,649)	(17,015)	Service concession liabilities	(11,688)	(15,651)
(29,693)	(41,066)	Total long term liabilities	(28,589)	(42,243)
		Creditors		
(12,764)	(12,764)	Financial liabilities at amortised cost	(13,944)	(13,944)
(12,764)	(12,764)	Total creditors	(13,944)	(13,944)
(42,457)	(53,830)	Total liabilities	(42,533)	(56,187)

Long-term borrowing

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

Balance at 31 March 2016 £000s		Balance at 31 March 2017 £000s	Fair Value Level
	Analysis by type		
(15,044)	Public Works Loans Board	1,983	2
(2,000)	Market Loan (Former LOBO)	(2,000)	2
(17,044)		(17)	
	Analysis by maturity		
(214)	1 - 2 years	(71)	
0	2- 5 years	0	
(300)	5 - 10 years	(300)	
(16,530)	More than 10 years	(16,530)	
(17,044)		(16,901)	

Level 2 – Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability e.g. interest rates or yields for similar instruments.

NOTE 13

Nature and Extent of Risks Arising from Financial Instruments

The Authority’s activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is the responsibility of the Treasurer, with day-to-day management undertaken by St Helens Council on behalf of the Authority. St Helens Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions.

The Authority does not have significant credit risk exposure to customers as it rarely supplies goods and services on credit.

Credit risk on deposits is minimised by using St Helens Council to manage day to day treasury management in line with the Council's own Treasury Management Policy. The maximum exposure to credit risk is that St Helens Council fail repay monies invested with it by the Authority. However given that the Council is a tax-backed organisation, this is an extremely unlikely scenario.

Liquidity risk

The Authority relies on the service level agreement with St Helens Council to provide a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 60% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

Analyses of the maturity of financial liabilities are disclosed at Notes 10 and 33.

All trade and other payables are due to be paid in less than one year.

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Authority has a number of strategies for managing interest rate risk. At present the aim is to keep a minimum of its borrowings in variable rate loans.

During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

Price risk

The Authority does not invest in equity shares. The Authority has a 100% shareholding in Mersey Waste Holdings Ltd and a 50% stake in Bidston Methane Ltd. Neither company is traded in an active market and the Authority has no plans to trade either stake.

NOTE 14

Investments

The Authority holds a long-term investment in Mersey Waste Holdings Limited. The company is incorporated under the terms of the Companies Acts. The Authority is the principal shareholder in the company holding £5,138,000 ordinary £1 shares representing 100% of the issued share capital. This investment is included in the balance sheet at its current value

No changes to the value or nature of this investment have taken place during the year.

Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

NOTE 15

Inventory

2015/16		2016/17
£000		£000
29	Balance b/f	22
22	Purchases of promotional material	22
(29)	Recognised as an expense in the year	(22)
22	Balance c/f	22

NOTE 16

Short term debtors

2015/16		2016/17
£000		£000
635	Other Local Authorities	1,026
557	Public Corporations and Trading Funds	348
272	Bodies External to General Government	2,052
1,464	Total	3,426

NOTE 17

Cash and Cash equivalents

The balance of cash and cash equivalents comprises:

- (a) cash or cash equivalents held by the Authority; and
- (b) cash held on behalf of the Authority by St Helens MBC

2015/16		2016/17
£000		£000
7,513	Cash equivalents	(5,071)
1	Cash held by the Authority	1
7,514	Total	(5,070)

NOTE 18

Short Term Creditors

2015/16 £000		2016/17 £000
(356)	Central Government Bodies	(44)
(1,119)	Other Local Authorities	(708)
(11,289)	Bodies External to General Government	(8,122)
0	Other creditors	
(12,764)	Total Short Term Creditors	(8,874)

NOTE 19

Provisions

The provisions at the balance sheet date are required to be split between those that are likely to be payable within twelve months, recognised in the Balance Sheet as current liabilities, and those payable after twelve months from the balance sheet date, recognised as long term liabilities. The Authority holds provisions for the following purposes.

- Pension Fund. To date the Company has not sought payment to discharge the obligation; and

Closed landfill sites The Authority established the closed landfill provision in 2013/14 to recognise the need to provide for the potential future costs of maintaining Closed Landfill sites across Merseyside for which the Authority is responsible. There will be a gradual reduction to the amounts that will be spent on closed land fill sites year on year as they begin to stabilise and settle requiring less maintenance.

Other provisions

Other provisions include:

- an obligation to the Mersey Waste Holdings Ltd under a back to back funding arrangement for a payment made by the Company to the Citrus

The following Tables analyse the movement in those categories of provisions.

	Balance as at 1 April 2016	Increase in provision during year	Utilised during year	Balance as at 31 March 2017
	£000	£000	£000	£000
Current provisions				
Outstanding legal cases	0	0	0	0
Other provisions	(26)	0	0	(26)
Closed landfill sites	(254)	(245)	259	(240)
	(280)	(245)	259	(266)
Long-term provisions				
Outstanding legal cases	0	0	0	0
Other provisions	(885)	0	0	(885)
Closed landfill sites	(4,261)	(32)	0	(4,293)
	(5,146)	(32)	0	(5,178)

	Balance as at 1 April 2015	Increase in provision during year	Utilised during year	Balance as at 31 March 2016
	£000	£000	£000	£000
Current provisions				
Outstanding legal cases	0	0	0	0
Other provisions	(119)	(26)	119	(26)
Other provisions	(272)	(217)	235	(254)
	(391)	(243)	354	(280)
Long-term provisions				
Outstanding legal cases	0	0	0	0
Other provisions	(885)	0	0	(885)
Closed landfill sites	(4,313)	52	0	(4,261)
	(5,198)	52	0	(5,146)

NOTE 20**Unusable Reserves**

2015/16 £000		2016/17 £000
25,778	Capital Adjustment Account	26,071
(11,290)	Revaluation Reserve	(11,238)
3,940	Pensions Reserve	4,704
17	Accumulating Compensated Absences Adjustment Account	17
18,445	Total Unusable Reserves	19,554

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 historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £000		2016/17 £000
28,039	Balance at 1 April	25,778
20	Opening Balance Adjustment**	
28,059	Adjusted Opening Balance	25,778
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
1,168	Charges for depreciation and impairment of non current assets	1,300

1,168	Net written out amount of the cost of non current assets consumed in the year	(1,300)
	Capital financing applied in the year:	
0	Use of the Capital Receipts Reserve to finance new capital expenditure	0
(1,318)	Statutory provision for the financing of capital investment charged against the General Fund balance	(1,194)
(38)	Reduction in Closed Landfill Site Provision	16
		155
(340)	Other movements charged to the CAA	
(1,753)	Capital expenditure charged against the General Fund balance	16
(3,449)		(1,007)
25,778	Balance at 31 March	26,071

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

- Revalued downwards or impaired and the gains are lost

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

- 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.

2015/16 £000		2016/17 £000
(7,427)	Balance at 1 April	(11,290)
0	Upward revaluation of assets	(224)
(3,991)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
128	Difference between fair value depreciation and historical cost depreciation	276
(11,290)	Balance at 31 March	(11,238)

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.

2015/16 £000		2016/17 £000
4,232	Balance at 1 April	3,940
(513)	Remeasurements of the net defined benefit liability/asset	551
373	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	358
(152)	Employer's pension contributions and direct payments to pensioners payable in the year	(145)
3,940	Balance at 31 March	4,704

Accumulated Absences Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance 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.

2015/16 £000		2016/17 £000
21	Balance at 1 April	17
(21)	Settlement or cancellation of accrual made at the end of the preceding year	(17)
17	Amounts accrued at the end of the current year	17
	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	
17	Balance at 31 March	17

NOTE 21

Cash Flow Statement – operating activities

Items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2015/16		2016/17
£000		£000
2,037	Interest Payable	1,533
373	Net interest on the defined benefit liability/(asset)	358
(71)	Interest Receivable	(152)
2,339		1,740

The Surplus/Deficit on the Provision of Services has been adjusted for the following non-cash movements.

2015/16		2016/17
£000		£000
(1,527)	Depreciation	1,300
(1,084)	Impairment & downward revaluations	(52)
432	Increase/(Decrease) in creditors	(3,890)
7	(Increase)/Decrease in inventory	0
(165)	(Increase)/Decrease in debtors	(1,961)
(54)	Movement in provisions	15
(292)	Movement in pension liability	(764)
(2,683)		(5,352)

The Surplus/Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:

2015/16		2016/17
£000		£000
(4,000)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	
0	Proceeds from the sale of property, plant and equipment	(55)
(4,000)		(55)

NOTE 22

Cash Flow Statement – investing activities

2015/16		2016/17
£000		£000
1,752	Purchase of PP&E and investment property	0
0	Proceeds from the sale of PP&E and investment property	0
0	Other outflows from Investing Activities	(26)
1,752	Net Cash flows from Investing Activities	(26)

NOTE 23

Cash Flow Statement – financing activities

2015/16		2016/17
£000		£000
(961)	Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(961)
71	Interest receivable	152
(2,037)	Interest paid	(1,533)
(2,143)	Repayment of Short and Long Term Borrowing	
(5,070)	Net Cash flows from Financing Activities	(2,343)

NOTE 24

Officer remuneration

The Accounts and Audit (England) Regulations 2011 require local authorities to disclose the number of employees whose remuneration was £50,000 or more in the financial year, expressed in bands of £5,000. Other than the senior officers whose remuneration is shown separately below at the foot of this Note, there were no other officers employed during the year whose remuneration exceeded £50,000 (none in 2013/14) the numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below

Exit packages and termination benefits

The Accounts and Audit Regulations 2015 require the separate disclosure by name of individual remuneration details for senior local government employees earning over £150,000, and for all other 'senior' employees for each financial year by post title.

Senior officers are individuals earning over £150,000 per year, or individuals whose salary is more than £50,000 per year (pro-rata) and hold defined 'senior' positions. In the case of the Authority this comprises the Chief Executive and members of the Corporate Management Team.

		Salary, Fees and Allowances	Expenses and Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive	2016/17	83,625	1,249	10,788	95,662
	2015/16	82,797	1,470	10,681	94,948
Director of Finance	2016/17	67,491	1,245	8,706	77,442
	2015/16	66,822	1,468	8,620	76,910
Director of Operations	2016/17	48,678	846	5,944	55,468
	2015/16	66,822	2,210	8,620	77,652
Assistant Director - Contracts	2016/17	31,011	730	4,108	35,849
Assistant Director Governance and Performance (b)	2016/17	33,122	777	4,581	38,480
	2015/16	51,192	1,406	7,120	59,717
Total	2016/17	263,927	4,847	34,127	302,901
	2015/16	267,633	6,554	35,041	309,228

(1) the Director of Operations retired from the Authority on 6th December 2016

(2) The Assistant Director – Governance & Performance left the Authority in October 2016

(3) the Assistant Director – Contracts joined the Authority in September 2016

NOTE 25

External audit costs

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

2015/16 £000		2016/17 £000
29	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	29
29		29

NOTE 26

Grant income

The Waste Ecosmart Grant has yet to be fully recognised as income as there are conditions attaching that will require the money to be refunded to the giver. The balance at the year-end is as follows:

2015/16 £000		2016/17 £000
5	Waste Co Eco Smart Spend Credited to Services	8
(13)	Waste Eco Smart	(8)
(8)		0

Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2016/17.

NOTE 27

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

Central government has effective control 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 the Notes relating to the Cash Flow Statement.

Members

Members of the Authority have direct control over the Authority's financial and operating policies although no Members' allowances are payable.

Councillors Concepcion, Robertson-Collins and Cluskey are Members of the Authority and are also Directors of Mersey Waste Holdings Ltd. Councillors S Williams and A Cunliffe are Members of the Authority are Directors of Bidston Methane Ltd. They take no part at the Authority meetings about the bodies that they serve on.

Officers

Three officers (Carl Beer, Alex Murray and Peter Williams) are also Directors of Mersey Waste Holdings Ltd and the company's two subsidiary companies (detail provided below).

They take no part at the Authority meetings regarding the bodies that they serve on.

Other Public Bodies

As part of the discharge of its waste disposal functions within the Merseyside area, the Authority makes a number of payments covering rent, business rates and recycling payments to other local authorities in the area, which are summarised below.

2015/16 £000	Payments	2016/17 £000
2,111	Halton	1,837
614	Knowsley	591
1,332	Liverpool	1,475
1,305	St Helens	1,363
2,139	Sefton	1,418
949	Wirral	871
8,450		7,554

Entities Controlled or Significantly Influenced by the Authority

Mersey Waste Holdings Limited (MWHL)

This company is a former Local Authority Waste Disposal Company (LAWDC), now used by the Authority solely to access the remaining landfill contracts. The pension liabilities of former employees are also managed through the company. For 2016/17 the company's results showed a deficit of £0.150m (£0.158m in 2015/16) and net assets of £5.041m at 31 March 2017. (£5.041m at 31 March 2015).

The Authority controls MWHL through its ownership of 100% of the issued share capital of 1 ordinary £1 shares held at cost. MWHL owns two subsidiary



companies, Mersey Waste Limited and MWH Associates Limited, over which the Authority also exercises effective control as a result of its relationship with Mersey Waste Holdings Limited.

The Authority made payments of £23.032m to MWHL during the year (£26.223m in 2015/16).

Bidston Methane Limited

Bidston Methane Limited is a joint venture established to manage gas production and electricity generation from closed landfill sites which remain the responsibility of the Authority. The joint venture is with Infinis Energy plc and the Authority controls Bidston Methane through its ownership of 50% of the issued share capital which is held at cost. The most up to date audited financial information shows a profit of £0.096m for 2014/15 (£0.062m profit for 2013/14) and net liabilities of £0.406m at 31 March 2015 (£0.502m at 31 March 2014).

There were no transactions with Bidston Methane Ltd during the year (nil in 2014/15)

NOTE 28

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 the Waste Management and Recycling service concession contract), together with the resources that have been used to finance it. Where capital expenditure is to be financed in 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 part of this Note.

2015/16	Capital Expenditure and Financing	2016/17
£000		£000
	Capital expenditure incurred in the year	
1,753	Property, Plant and Equipment	30
215	Closed landfill sites	14
1,968		44
	Financing	
0	Grants and contributions receivable in relation to capital expenditure incurred in the year	
(1,968)	Direct revenue contributions:	(14)
0	Capital receipts	0
0	Increase in underlying borrowing requirement	30
0	Supported borrowing approvals	0
0	Unsupported borrowing for the year	30
	Sources of finance	
0	Supported borrowing approvals	0
0	Unsupported borrowing	0
0	Increase in Capital Financing Requirement relating to new capital investment	0
2015/16	Explanation of movements in the Capital Financing Requirement in the year	2016/17
£000		£000

55,804	Opening Capital Financing Requirement	49,348
0	Restatement	(215)
55,804	Restated opening Capital Financing Requirement	49,133
(5,138)	Decrease in Capital Financing Requirement relating to new capital investment	0
0	Capital Receipts set aside for repayment of debt	
(1,318)	Charges to revenue for Minimum Revenue Provision	(1,238)
49,348	Closing Capital Financing Requirement	47,895

NOTE 29

Leases

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

However these are at peppercorn rent so not included in this Note.

Authority as lessee – operating leases

The Authority has acquired 14 assets by entering into operating leases with typical lives of between 2 years and 30 years.

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year to leases was:

2015/16		2016/17
£000		£000
148	No later than one year	148
575	Later than one year and not later than five years	575
973	Later than five years	973
1,695		1,696

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

2015/16		2016/17
Land and buildings		Land and buildings
£000		£000
148	Minimum lease payments	148
148		148

No sub-lease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under operating lease agreements are used exclusively by the Authority

NOTE 30

Service Concession

Waste management and Recycling Contract

2016/17 was the eighth year of a 20 year Waste Management and Recycling Contract with Veolia. Under the contract Veolia operate the Authority's existing waste facilities and is responsible for building, maintain and operating the new Gillmoss Material Recycling Facility (MRF) which came into operation in December 2011.

The Contract specifies the minimum standards for the services to be provided by the contractor, Veolia, with deductions from the fee payable if facilities are unavailable or performance is below the standards set out. The contractor took on the obligation to construct and maintain the Gillmoss MRF to a minimum acceptable condition and to procure the plant and equipment needed to operate the MRF. The building, plant and equipment installed will transfer to the Authority at the end of the contract period for nil consideration.

The Authority has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, plant and equipment

The assets used to provide services at the Materials Recycling Facility are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment at Note 10.

Payments

Total at 31/03/2017		Payment for Services	Interest	Total at 31/03/2017
£000		£000	0	£000
29,334	Payable within one year	28,394	1,673	30,067
124,853	Payable within two to five years	121,870	6,105	127,975
174,449	Payable within six to ten years	172,495	6,315	178,810
122,228	Payable within eleven to fifteen years	82,400	2,279	84,679
0	Payable within sixteen to twenty years	0	0	0
450,864	Total	405,159	16,372	421,531

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the service concession

contract at 31 March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follow

The contract payments have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable on the capital expenditure still to be reimbursed to the contractor. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

Liabilities

The contract payments have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable on the capital expenditure still be reimbursed to the contractor. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

2015/16		2016/17
£000		£000
13,610	Balance outstanding at start of year	12,649
(961)	Payments during the year	(961)
12,649	Balance outstanding at year-end	11,688
	Analysed between:	
(961)	Payments due within 1 year	(961)
(10,727)	Long term liabilities	(10,727)
(11,688)		(11,688)



NOTE 31

Defined benefit pension schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) which is administered locally by Wirral Council (the Merseyside Pension Fund). The LGPS is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The LGPS provides defined benefits with its benefit structure having been revised recently by the Government. Members will have final salary benefits for service accrued prior to 1 April 2014 with career average revalued earnings ("CARE") benefits accruing from this date.

The Merseyside Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of the Pensions Committee consisting of members from the five Merseyside authorities and one member representing other employing organisations in the Fund. Policy is determined in accordance with the LGPS regulations.

The principal risks to the Authority relate to the impact of changes to longevity assumptions, statutory changes to the scheme, structural changes to the scheme (eg large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. Merseyside Pension Fund has reported that the principal risk to its funding position is the investment risk inherent in its predominantly equity based strategy, as actual asset outperformance between successive valuations could diverge from the overall 1.4% per annum assumed in the longer term.

Transactions relating to retirement benefits- CIES Charges

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, and the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

MRWA statement of Accounts 2016-17

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	230	221	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements	9	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	128	130	6	7
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	367	351	6	7
Remeasurement of the the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	295	(1,848)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	(216)	0	(4)

Actuarial gains and losses arising on changes in financial assumptions	(801)	3,627	(7)	28
Other	0	(1,039)	0	3
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	(139)	875	(1)	34

Pension Assets and Liabilities recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Present value of the defined obligation	(14,739)	(17,453)	(191)	(208)
Fair value of plan assets	10,990	12,957	0	0
	(3,749)	(4,496)	(191)	(208)
Other movements in the liability (asset)				
Net liability arising from the defined benefit obligation	(3,749)	(4,496)	(191)	(208)

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Opening fair value of scheme assets	11,510	10,990	0	0
Interest on plan assets	359	380	0	0
Remeasurements (assets)	(290)	1,853	0	0
Administration expenses	(5)	(5)	0	0
Employer contributions	134	128	18	17
Member contributions	72	73	0	0
Benefits/transfers paid	(790)	(462)	(18)	(17)
Closing value of scheme assets	10,990	12,957	0	0

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Opening balance at 1 April	(15,532)	(14,739)	(210)	(191)
Current service cost	(230)	(221)	0	0
Interest cost	(487)	(510)	(6)	(7)
Member contributions	(72)	(73)	0	0
Past service costs/(gains)	0	0	0	0
Remeasurements (liabilities)	0	0	0	0
Experience (gain)/loss	0	1,039	0	(3)
(Gain)/loss on financial assumptions	801	(3,627)	7	(28)
(Gain)/loss on demographic assumptions	0	216	0	4
Benefits/transfers paid	790	462	18	17
Balance as at 31 March	(14,739)	(17,453)	(191)	(208)

Local government pension scheme assets comprised:

Fair value of scheme assets				
	31/03/2016		31/03/2017	
	£000	%	£000	%
Equities - quoted	2,377	22	2,698	21
- unquoted	3,315	30	4,252	33
Bonds - quoted	1,745	16	1,995	15
- unquoted	0	0	0	0
Property - quoted	45	0	39	0
- unquoted	934	8	971	7
Alternatives - quoted	279	3	269	2
- unquoted	1,917	17	2,292	18
Cash - quoted	378	3	441	3
	10,990	100	12,957	100

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 the future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, estimates for Merseyside Pension Fund being based on the latest full valuation of the scheme as at 1 April 2016.

The significant assumptions used by the actuary are set out below:

Local Government Pension Scheme		
2015/16		2016/17
%		%
	Mortality assumptions:	
	Longevity at 65 current pensioners:	
22.5	Men	21.9
25.4	Women	24.7
	Longevity at 65 for future pensioners:	
24.9	Men	24.9
28.2	Women	27.7
	Financial assumptions:	
2.0	Rate of CPI inflation	2.3
3.5	Rate of increase in salaries	3.8
2.0	Rate of increase in pensions	2.3
3.5	Discount Rate	2.5

Impact on the Defined Benefit Obligation in the Scheme

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all other assumptions remain constant.

For example, the longevity assumptions assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Increase in assumption		Decrease in assumption
£000		£000
(293)	Longevity (increase of one year)	(354)
(265)	Rate of inflation (increase of 0.1%)	(298)
(66)	Rate of increase in salaries (increase of 1%)	(60)
260	Rate for discounting liabilities (increase of 0.1%)	293

Impact on the Authority’s cashflows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. Merseyside Pension Fund has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The latest triennial valuation was completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates to pay £0.124m contributions to the scheme in 2016/2017.

NOTE 32

Contingent liabilities

The Authority has a 50% stake in Bidston Methane Ltd. Currently the company is running at a loss and the Authority's share of the loss is £170,000 as at 31 March 2016 based on the latest available accounts to 31 March 2015. The Authority has given a commitment to support the

company financially; hence it remains valued as a going concern. The Authority therefore recognises that it has a contingent liability for its share of the potential loss

NOTE 33

Contingent assets

On 23rd December 2013 The Authority entered into a contract with Sita Sembcorp UK (SSUK) Ltd for 30 years. The contract provides for a profit share arising from electricity generated from the contract, however, the value of the potential income from the future profit share cannot be accurately projected until nearer the time the contract enters its operational phase as waste flows and electricity markets and prices are very likely to change.

NOTE 34

Other long term liabilities

2015/16 £000	Note	2016/17 £000
(3,940)	Pensions liability 30	(4,704)
(2,150)	Merseyside MCC residual debt liability 33	(1,933)
(12,649)	Service Concession Liability 29	(11,688)
(18,739)		(18,326)

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.

2015/16 £000s		2016/17 £000s
(2,363)	Balance b/f	(2,147)
216	Repayments in year	217
(2,147)	Balance c/f	(1,930)

35 Events after the reporting period

The Statement of Accounts was authorised for issue by the Director of Finance TBA. 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 2017, 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.

ACCOUNTING POLICIES**General principles**

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require it to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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.

The accounts have been prepared on the basis of the Authority's assessment that it is a going concern and will continue to be a going concern

for a further twelve months from the date the accounts are approved by the Authority.

Summary of Significant Accounting Policies**i) 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 the 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 the 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 are carried as inventories on the Balance Sheet.

- Levies received from the constituent authorities are recognised in the year to which they relate and are credited to the surplus / deficit on the provision of services
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- 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 income that might not be collected.

ii) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without

penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iii) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies 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 prior period adjustment.

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

iv) Charges for Non-Current Assets

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets 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 fixed assets attributable to the service.

Minimum Revenue Provision

The Authority is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the minimum revenue provision (MRP) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v) Employee Benefits

Benefits Payable during Employment

An accrual is made to represent the cost of holiday entitlement earned but not taken at each year-end, to meet Code and IAS requirements.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to

the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Authority are eligible to join the Local Government Pension Scheme, administered by Wirral Metropolitan Borough Council as the

pension fund administering authority for Merseyside Pension Fund.

The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees of the Authority.

Full details of Merseyside Pension Fund including the Pension Fund Annual Report and Statement of Accounts can be obtained from:

Merseyside Pension Fund
7th Floor
Castle Chambers
43 Castle Street
LIVERPOOL
L69 2NW

www.merseysidepensionfund.org.uk

Pension costs for those employees who are members of the LGPS, have been recognised in the statement of accounts on a defined benefits basis in accordance with IAS19 Employee Benefits. This requires the Authority to account for its share of the pension fund assets and liabilities in the Balance Sheet, as well as recognising the full cost of providing for future retirement benefits in the Comprehensive Income and Expenditure

Statement. The assumptions used in determining pension costs are as follows:

- the liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment 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 projected earnings for current employees:
- liabilities are discounted to their value at current prices, using a discount rate based on actual corporate bond yield less an assumption for inflation.
- The assets of Merseyside Pension Fund 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 the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the

Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- net interest on the net defined benefit liability i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period -

taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the net return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - 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 - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- o Contributions paid to Merseyside Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

Statutory provisions limit the Authority to raising its Levy to cover the amounts actually payable to Merseyside Pension Fund or payable direct to pensioners in the year, not the amount calculated according to the relevant accounting standards.

Therefore any difference between the amounts calculated under IAS19 and the statutory pension fund contribution is accounted for in the Movement in Reserves 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 and pensioners

and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Fund is subject to actuarial revaluation every three years with the latest valuation being that as at 31 March 2016

vi) Events after the Balance Sheet Date

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 to reflect 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 financial effect.

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

vii) Financial Instruments

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 in the Comprehensive Income and Expenditure Statement 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 Authority's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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 price 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss 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 and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale assets

In line with the Code, the Authority's interests in Merseywaste Holdings Ltd and Bidston Methane Ltd are not classed as Available for Sale assets, because they are consolidated into the Authority's group accounts.

viii) Interests in Companies and Other Entities

The Authority has material interests in companies that have the nature of subsidiaries and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies are recorded as financial assets at cost, less any provision for losses.

ix) 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 property, plant or equipment 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.

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 fulfilment of the arrangement is dependent on the use of specific assets

The Authority as Lessee

Finance Leases

The Authority has no finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

The Authority as Lessor

The Authority has no arrangements which fall into this category.

x) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or 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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment 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.

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 (EUV)

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

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis 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 their 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.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the

asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, 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);
- 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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, 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 Property, Plant and Equipment by systematically allocating depreciation over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land) and assets that are not yet available for use (e.g. assets under construction).

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

Where an item of Property, Plant and Equipment asset has major components whose cost is 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 assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised 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 their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation 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 to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Amounts received for a disposal in excess of £10,000 are statutorily defined as capital receipts, and are credited to the Capital Receipts Reserve. These amounts can only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xi) Service Concession Arrangements

Service concession arrangements (formerly classed as PFI and similar contracts) are contractual arrangements between the Authority and an operator where responsibility for providing public services, using assets provided either by the operator or the Authority, passes to the operator for a specified period of time. As the Authority is deemed to control the services that are provided under its service concession contract, and as ownership of the property, plant and equipment

will pass to the Authority at the end of the contract for no additional charge, the Authority carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment for those assets provided by the operator under the service concession arrangement. For the Gillmoss Material Recycling Facility recognised under the Waste Management Recycling Contract.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority

The amounts payable to the service concession operator each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the service concession operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xii) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where 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 charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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 than anticipated 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 (eg 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.

Closed landfill sites provision

The Authority provides for the future revenue costs arising from the after care of closed landfill sites under its statutory obligations. In accordance with the Code the landfill provision has been capitalised.

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 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 disclosed in a Note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xiii) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee 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.

xiv) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The 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.

Accounting policies for the Group

In common with many other local authorities, where appropriate the Authority uses different forms of service delivery. In some cases it has created separate companies with to deliver those services. The use of separate companies means that the Authority's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The aim of the Group Accounts is to give an overall picture of the activities of the Authority and the resources used to carry out those activities. The Group Accounts also provide further information on the material financial risks and benefits of all entities over which the Authority exercises control, significant influence or joint control.

The Group Accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of the subsidiaries have been aligned with the policies of the Authority, for the purposes of Group Accounts, where materially different. Such adjustments as are necessary to align the Group Accounting policies are made as consolidation adjustments

To give a full picture of the financial activities of the Authority, Group Accounts have been prepared which include those organisations where the Authority's interest is considered material. This information is still subject to audit by each organisation's own auditor.

Accordingly the Group Accounts consolidate the Authority's accounts with the following subsidiaries:

- Mersey Waste Holdings Ltd; and
- Bidston Methane Ltd.

The entities have prepared their accounts in line with IFRSs and UK GAAP rather than the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code). However there are no material areas where this conflicts with the Authority's accounting policies. Consequently no adjustments have been required to realign the accounts of the Group entities with those of the Authority. The accounting policies applied to the Group financial statements are consistent with those set in the single entity statements.

Mersey Waste Holdings limited has been consolidated on a line by line basis as it is a wholly owned subsidiary of MWDA. Bidston Methane is consolidated on a proportionate basis due to MWDA having a 50% stake in the joint venture

Results of subsidiaries

Key information on a group basis has been included alongside the single entity disclosure Notes for reserves, debtors, creditors, segmental reporting and defined benefit schemes. The following Notes provide additional details about the Authority's involvement in the entities consolidated to form the group accounts.

Mersey Waste Holdings Limited

Mersey Waste Holdings limited is a former LAWDC (Local Authority Waste Disposal Company) that was established to provide waste management services for the Authority. Since the procurement of services by the Authority under its Waste Management and Recycling Contract with Veolia ES a large part of the activity of the company has ceased. However the company is still used by the Authority to access the remaining landfill contracts held by the FCC at the existing terms. Other responsibilities e.g. for the pension liabilities of former employees are also managed through the company.

MWHL is a company incorporated under the terms of the Companies Acts. The Authority is the sole shareholder in the company holding £5,138,000 ordinary £1 shares representing 100% of the issued share capital. Under accounting standards the Authority has a controlling interest in this company. It is therefore included in the group accounts as a subsidiary.

The financial performance of MWHL is summarised below.

2015/16		2016/17
£'000		£'000
26,223	Turnover	23,032
158	(Surplus)/Deficit	171
8,419	Net Assets	5,041

Bidston Methane Ltd

Bidstone Methane Ltd is a joint venture enterprise established to manage gas production and electricity generation from certain closed landfill sites which remain the responsibility of the Authority. The joint venture is with INFINIS and has in recent years been operating at a loss which is reflected in the group accounts. The accounts of the joint venture are prepared later than those of the Authority and so for consolidation purposes the latest available set of accounts is used. There is no material impact on the group accounts from adopting this approach.

2015/16		2016/17
£'000		£'000
Unavailable	Turnover	(43)
Unavailable	(Surplus)/Deficit	(33)
0	Net Assets	170

The accounts are available from Infinis Holdings, 1st Floor, 500 Pavilion Drive, Northampton Business Park, Northampton NN4 7YJ. The accounts are audited by KPMG LLP.



The Group Comprehensive Income and Expenditure statement

2015/16			2016/17			
Expenditure	Income	Net	Expenditure	Income	Net	
£000	£000	£000	£000	£000	£000	
75,823	(6,026)	69,797	Cultural, environmental, regulatory and planning services	76,248	(5,944)	70,304
322	0	322	Corporate and democratic core	182	0	182
	0	0	Non distributed costs	0	0	0
76,145	(6,026)	70,119	Surplus/Deficit on Continuing Operations	76,430	(5,944)	70,486
		0	Other Operating Expenditure			0
		673	Financing and Investment Income and Expenditure			1,840
		(65,591)	Taxation and Non-Specific Grant Income			(65,591)
		(572)	Associates and Joint Ventures accounted for on an equity basis			0
		4,629	Group(Surplus) or Deficit			6,735
		(944)	Inyear General Fund Adjustment			0
		(4,215)	Surplus or deficit on revaluation of non current assets			233
		(70)	Revaluation of closed landfill site provision			(16)
		(977)	Actuarial gains / losses on pension assets / liabilities			573
		(6,206)	Other Comprehensive Income and Expenditure			790
		(1,577)	Total Comprehensive Income and Expenditure			7,525

The Group Balance Sheet

The balance sheet shows the assets and liabilities of the Group at the year end. The net assets of the Authority are matched by two categories of reserves. The first is useable reserves which can be deployed for any purpose, subject to the need to maintain a prudent level of working capital. The second category, un-useable reserves, is set aside in order to meet statutory and accounting requirements.

31st March 2016		Notes	31st March 2017
£000			£000
39,543	Property, Plant & Equipment	1	38,257
0	Investments in associates and joint ventures		1
39,543	Long Term Assets (1)		38,258
22	Inventories		22
1,644	Short Term Debtors		3,430
15,731	Cash and Cash Equivalents	2	8,226
1	Current tax asset		0
17,398	Current Assets (2)		11,678
(13,248)	Short Term Creditors		(8,898)
	Cash and Cash Equivalents	2	(5,070)
(281)	Provisions		(266)
(9)	Grants Receipts in Advance		0
(13,538)	Current Liabilities (3)		(14,234)
(4,297)	Provisions		(4,293)
(17,044)	Long Term Borrowing		(16,901)
(22,659)	Other Long Term Liabilities	3	(22,028)
(43,999)	Long Term Liabilities (4)		(43,222)
(596)	Net Assets (1+2+3+4)		(7,521)
17,851	Usable reserves (5)	MIRS	11,687
(18,447)	Unusable Reserves (6)	MIRS	(19,208)
(596)	Total Reserves (5+6)		(7,521)

The Group Cash Flow Statement

2015/16		Notes	2016/17
£000			£000
(4,629)	Net surplus or (deficit) on the provision of services		(6,735)
(2,811)	Adjustment to surplus or deficit on the provision of services for noncash movements		(4,704)
(2)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(1,181)
4,000	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		55
(3,442)	Net cash flows from operating activities		(12,565)
(1,670)	Net Cash flows from Investing Activities		0
(5,070)	Net Cash flows from Financing Activities		(15)
(10,182)	Net increase or decrease in cash and cash equivalents		(12,580)
(575)	In year adjustment		5
26,488	Cash and cash equivalents at the beginning of the reporting period		15,731
15,731	Cash and cash equivalents at the end of the reporting period		3,156

The Group Movement in Reserves Statement

2016/17	Authority Adjusted Reserves Balances					Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries & associates	Total Group Reserves
	General Fund Balance	Capital Receipts Reserve	Earmarked Reserves	Total Usable Reserves					
	£000	£000	£000	£000	£000				
Balance at 1 April 2016	(15,626)	0	(2,429)	(18,055)	18,447	392	204	596	
Adjustment to Reserves satrt of year in Reserves during the year					12	12	(570)	(558)	
Surplus or (deficit) on provision of services	6,716	0	0	6,716	0	6,716		6,716	
Other Comprehensive Expenditure and Income	551	0	(20)	531	217	748	19	767	
Total Comprehensive Expenditure and Income	7,267	0	(20)	7,247	229	7,464	(551)	6,913	
Adjustments between Group accounts and Authority accounts	(824)	(55)	0	(879)	879	0	0	0	
Net Increase / Decrease before Transfers	6,443	(55)	(20)	6,368	1,108	7,464	(551)	6,913	
Adjustments between accounting basis & funding under regulations									
Increase / Decrease before Transfers to Earmarked Reserves	6,443	(55)	(20)	6,368	1,108	7,464	(551)	6,913	
Transfers to / from Earmarked Reserves	(2,449)	0	2,449	0	0	0	0	0	
Increase / Decrease in Year	3,994	(55)	2,429	6,368	1,108	7,476	(551)	6,925	
Balance at 31 March 2017	(11,632)	(55)	0	(11,687)	19,555	7,868	(347)	7,521	

Authority Adjusted Reserves Balances								
	General Fund Balance	Capital Receipts Reserve	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries & associates	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	(16,054)	0	(4,181)	(20,235)	24,864	4,629	(2,455)	2,174
Movement in Reserves during the year				0		0	(354)	(354)
Surplus or (deficit) on provision of services	1,505			1,505		1,505		1,505
Other Comprehensive Expenditure and Income	(926)			(926)	(4,816)	(5,742)	4,000	(1,742)
Total Comprehensive Expenditure and Income	579	0	0	579	(4,816)	(4,237)	3,646	(591)
Adjustments between Group accounts and Authority accounts				0		0	(987)	(987)
Net Increase / Decrease before Transfers	579	0	0	579	(4,816)	(4,237)	2,659	(1,578)
Adjustments between accounting basis & funding under regulations	(151)			(151)	151	0	0	0
Increase / Decrease before Transfers to Earmarked Reserves	428	0	0	428	(4,665)	(4,237)	2,659	(1,578)
Transfers to / from Earmarked Reserves			1,752	1,752	(1,752)	0		0
Increase / Decrease in Year	428	0	1,752	2,180	(6,417)	(4,237)	2,659	(1,578)
Balance at 31 March 2016	(15,626)	0	(2,429)	(18,055)	18,447	392	204	596

Notes to the Group Financial Statements

1 Property, plant and equipment

Mersey Waste Holdings Limited has no Property Plant and Equipment (PPE) and so the Group PPE is the same as for the single entity disclosed at Note 9 of the single entity accounts.

2 Cash and cash equivalents

2015/16		2016/17
£000		£000
8,217	Cash held by Subsidiary & Associate	8,226
7,514	Cash held on behalf of the parent authority by St Helens MBC	(5,070)
15,731	Total	3,156

3 Other Long-Term Liabilities

2015/16		2016/17
0		0
(4,545)	Pension liabilities - Mersey Waste Holdings Limited	(3,702)
(3,940)	Pension liabilities - Merseyside Recycling and Waste Authority	(4,704)
(2,150)	Merseyside MCC residual debt liability	(1,933)
(12,649)	Service concession liability	(11,688)
(22,659)	Total Other Long-Term Liabilities	(22,027)

4 Pensions

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. Disclosures in relation to the pension liabilities of the Authority are set out in Note 30 of the single entity accounts. Disclosures in relation to the pension liabilities of Mersey Waste Holdings Limited are set out below.

Comprehensive Income and Expenditure Statement	LGPS		LAWDC Pension Scheme	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	0	0	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				

Net Interest expense	128	129	9	9
Total post-employment benefits charged to the Group Surplus or Deficit on the Provision of Services	128	129	9	9
<i>Other post-employment benefits charged to the Group Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	145	907	67	(113)
Actuarial gains and losses arising on changes in demographic assumptions	0	(648)	0	0
Actuarial gains and losses arising on changes in financial assumptions	(374)	1255	(302)	435
Other	0	0	22	23
Total post-employment benefits charged to the Group Comprehensive Income and Expenditure Statement	(101)	1,514	(204)	335

Movement in Reserves Statement	LGPS		LAWDC Pension Scheme	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(128)	(128)	(9)	4
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	233	242		
Retirement benefits payable to pensioners			85	148
Net charge to the General Fund Summary	105	114	76	152

Pensions Assets and Liabilities recognised in the balance sheet

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Present value of the defined obligation	(9,615)	(10,062)	(1,576)	(2,041)
Fair value of plan assets	5,700	6,560	1,569	1,841
	(3,915)	(3,502)	(7)	(200)
Other movements in the liability (asset)				
Net liability arising from the defined benefit obligation	(3,915)	(3,502)	(7)	(200)

Reconciliation of movement in the fair value of scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Opening fair value of scheme assets	5,924	5,700	1,579	1,569
Interest on plan assets	180	190	53	60
Remeasurements (assets)	(145)	907	(67)	113
Employer contributions	233	242	85	148
Member contributions	0	0	0	0
Benefits/transfers paid	(492)	(479)	(81)	(49)
Closing value of scheme assets	5,700	6,560	1,569	1,841

Reconciliation of present value of scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Opening balance at 1 April	(10,173)	(9,615)	(1,875)	(1,576)
Current service cost	0	0	0	0
Interest cost	(308)	(319)	(62)	(56)
Member contributions	0	0	0	0
Past service costs/(gains)	0	0	0	0

Remeasurements (liabilities)				
Experience (gain)/loss	0	(648)	(22)	(23)
(Gain)/loss on financial assumptions	374	1,255	302	(435)
Benefits/transfers paid	492	(479)	81	49
Balance as at 31 March	(9,615)	10,062	(1,576)	2,041

Scheme assets comprised

Local Government pension scheme assets comprised:

	Fair value of scheme assets			
	2015/16		2016/17	
	LGPS £000	LAWDC £000	LGPS £000	LAWDC £000
Equities - quoted	2,953	393	x	544
Bonds - quoted	906	487	X	542
Property - unquoted	507	0	x	0
Cash - quoted	194	(32)	x	0
Other - quoted	1,140	721	X	755
	5,700	1,569	x	1,841

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 the future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, estimates for Merseyside Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013. The LAWDC scheme liabilities have been assessed by Hymans Robertson, independent actuaries, estimates for the LAWDC fund being based on the latest full valuation of the scheme as at 1 April 2015.

The significant assumptions used by the actuary are set out below:

LGPS	LAWDC Pension Scheme		LGPS	LAWDC Pension Scheme
2015/16	2015/16		2016/17	2015/16
%	%		%	%
		Long-term expected rate of return on assets in the scheme:		
6.5	n/a	Equities	9.7	n/a
2.2	n/a	Government Bonds	0.1	n/a
2.9	n/a	Other Bonds	1.8	n/a
5.9	n/a	Property	0.2	n/a
0.5	n/a	Cash / liquidity	0.5	n/a

6.5	n/a	Other	2.8	n/a
0.3	n/a	Expenses deductions	0	n/a
5.2		Overall expected rate of return	15.1	
		Mortality assumptions:		
		Longevity at 65 current pensioners:		
22.4	20.5	Men	21.9	23.4
25.3	n/a	Women	24.7	21.5
		Longevity at 65 for future pensioners:		
24.8	21.9	Men	24.9	25.2
28.1	n/a	Women	27.7	25.7
		Financial assumptions:		
2.0	3.3	Rate of CPI inflation	2.3	2.4
3.5	2.3	Rate of increase in salaries	3.8	3.4
2.0	2.4	Rate of increase in pensions	2.3	2.4
3.1	3.4	Discount Rate	2.5	2.7

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.

Curtailement

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.

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).

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.

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

We have audited the financial statements of Merseyside Waste Disposal Authority (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. 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 Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairperson's introduction, the Narrative Statement and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Chairperson's introduction, the Narrative Statement and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness

in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Jackie Bellard

Jackie Bellard
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

22 September 2017