

**MERSEYSIDE WASTE DISPOSAL
AUTHORITY**

STATEMENT OF ACCOUNTS

2005-2006

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FOREWORD BY THE TREASURER TO THE AUTHORITY

INTRODUCTION

The statements of account which follow demonstrate the Authority's financial performance for the year ended 31 March 2006 and present its overall financial position at the end of that period. Each account contains an explanatory note covering the purpose of the account and more detailed notes explaining key items. The statements have been prepared in accordance with all relevant prescribed guidance, Codes of Practice and Reporting Standards.

The purpose of this Foreword is to provide a guide to the most significant matters reported in the accounts.

Expenditure falls into two broad areas, namely Revenue (concerning the provision of Council services) and Capital (the acquisition or improvement of fixed assets).

RESERVES

The Authority's Unallocated Reserves at 31 March 2006 stand at £9.4M.

The Pension Reserve introduced under FRS17 requirements is matched by a Pensions Liability equating to £2.1M. Statutory arrangements relating to the funding of the deficit are likely to result in increased contributions in future periods.

REVENUE SPENDING IN 2005-2006

Revenue expenditure in 2005-2006 exceeded that in the preceding year by £5M.

The main increases are as follows:-

	£M
Increase in Landfill Tax Rate (£3 per tonne)	+2.0
Contractual Inflation on the Waste Collection Authority Contract	+1.2
Contract Inflation and full year effect of additional site in the Household Waste Recycling Contract	+0.6
Reduction in waste disposal to landfill (Landfill Tax)	-0.9
Reduction in Contract Discounts	+0.6
Additional recycling credits paid to District Councils	+1.1
Costs incurred in the year on the new Procurement Contract	<u>+0.4</u>
	<u>+5.0</u>

The Authority anticipated the above changes and also made provision for the acquisition of Landfill Allowances (the Landfill Allowance Trading Scheme came into effect in 2005-2006). As a result, the Waste Disposal Levy to the District Councils was increased from £38.4M to £45.2M.

The Authority's original budget for 2005-2006 amounted to £45.2M and the final outturn expenditure was £40.2M. The financial position is monitored on a quarterly cycle and savings were identified in the course of the year. Those recognised at the end of the third quarter were included in the Authority's Revised Estimate for 2005-2006 which was approved at the Budget meeting.

The changes to the financial position are shown below:-

	2005-2006 ORIGINAL BUDGET £M	2005-2006 REVISED BUDGET £M	2005-2006 ACTUAL EXPENDITURE £M
Net Spending on Services	45.7	44.0	40.6
Investment Income and Interest Received	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>
Total	45.2	43.6	40.2
Levy Income	45.2	45.2	45.2
Net Deficit/(Surplus) for the Year	0	(1.6)	(5.0)

The main reasons for variations were:-

<u>Original to Revised Budgets</u>	£M
Reduction of waste tonnages and fridges dealt with in the Waste Collection Authority Contract	-1.1
Reduction in Contract Discounts	+0.5
Lower waste arisings dealt with in the Household Waste Recycling Contract	-1.2
Other minor increases	+0.2
<u>Revised Budget to Actual Expenditure</u>	
Accounting treatment of Landfill Allowances not defined at Budget setting time	-2.7
Adjustment to original reduction of wastes dealt with in the Waste Collection Authority Contract	-0.5
Other minor changes	-0.2

The following Table illustrates how the gross expenditure was incurred and how it was financed:-

	£M
Expenditure:	
Employee Costs	1.0
Waste Disposal Contracts	34.3
Capital Financing Costs	1.3
Recycling Credit Payments	3.3
Other Costs	<u>0.7</u>
	40.6
Income:	
Levy	45.2
Investment Income	<u>0.4</u>
	45.6
Contribution to Balances	5.0

CAPITAL SPENDING IN 2005-2006

The Authority spent £8.7M on capital expenditure in 2005-2006 which included the following major items:-

	£M
Bidston Integrated Waste Facility	8.3
Billinge Quarry Restoration	0.3

The above expenditure was financed as follows:-

	£M
External Funding by Government	4.2
Prudential Borrowing	4.5

BORROWING FACILITIES

During previous periods all approved borrowing has been secured via the Public Works Loan Board (PWLB). The Authority took out an additional loan of £5M from PWLB and also a market loan of £2M in 2005-2006.

The introduction of the Prudential Code from 1 April 2004 provides greater latitude for financial investment in capital projects with funding being undertaken by borrowing. The framework requires the Authority to set parameters through prudential indicators and to ensure itself on the affordability of its spending.

I certify that the Statement of Accounts presents fairly the financial position of the Authority at 31 March 2006

Ian Roberts,
Treasurer to the Authority

Date:

I confirm that these accounts were approved by the Merseyside Waste Disposal Authority at the meeting held on

Signed on behalf of the Merseyside Waste Disposal Authority

.....
Chair of meeting approving the Accounts

Date

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the SORP').

In preparing this Statement of Accounts, the Chief Finance Officer has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority SORP.

The Chief Finance Officer has also:-

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

The Chief Finance Officer should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

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 also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Authority for the year ended 31 March 2006 and, subject to the changes as a result of the review process, up to the date of approval of the Annual Report and Accounts.

3. The Internal Control Environment

The Authority's modernisation programme has been fully implemented and the following improvements have been embedded into its corporate governance arrangements:-

- **Decision Making Process:**

the current decision making process enables the Authority to concentrate on the more serious and important issues that it faces, with the less serious and important decisions dealt with in an expanded scheme of delegations.

- **Member Training:**

the Authority continues its programme of member training and development which involved inclusion in the development of the Joint Municipal Waste Management Strategy for Merseyside and the Procurement Project, consideration of the Corporate Plan and performance management.

- Specific Member Roles and Responsibilities:

the Authority has developed the roles of Lead Members, specifically in relation to procurement, risk management and audit. The remaining Portfolio areas are the responsibility of the Chairperson as Lead Member. All members are responsible for scrutiny and public consultation.

- Procedural rules:

the Authority continues to operate within and review its procedural rules.

The Authority had prepared a Corporate Plan 2005/06 which identified the Authority's Aims and Objectives and identified the key projects which would be undertaken to deliver the plan. Projects are continuously managed and regularly monitored and the Corporate Plan is reviewed annually.

The compliance with established policies, procedures, laws and regulations has been ensured by a Chief Officer structure, consisting of the Director, Treasurer, Solicitor and Clerk, who vet reports presented to the Board. A further monitoring function incorporates an independent view given by both external and internal audit.

The Authority has an approved Risk Management Policy which has formed the basis of a Risk Management Strategy.

The Policy incorporates a statement which identifies its commitment to establishing a risk management system and identifies typical risks which the Authority faces, mainly an occurrence which may have an impact on the achievement of the Authority's objectives.

The Strategy illustrates how risk management processes are embedded within all aspects of the Authority's business and organisation. In particular, risk management is a key control in the management of the Authority's key projects which in turn results in the achievement of its objectives.

A Best Value Performance Plan was prepared for 2005/2006. The Plan covered a review of improvements planned and achieved in the previous three years, details of plans for 2005/06 and the following two years.

The Authority has prepared a three year budget from 2006/2007 which was approved by the Authority and incorporates infrastructure developments and projected future Levy levels. The latter was presented to Members as part of their development programme. The budget is then monitored on a three monthly cycle with financial reports prepared for Member information. At year end, an outturn report is also prepared and presented to Members. All other reports presented to Members incorporate a Financial Implications section which is approved by the Treasurer to the Authority.

The Authority continued to develop its performance management framework drawing together its corporate planning, project management, risk management and corporate governance processes.

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the external and internal auditors and the Executive Managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and other review agencies and inspectorates.

The main areas of review in 2005/06 were the continuing development of the performance management framework and strengthening links between the Authority's corporate objectives and those of its partners by the development of the Joint Municipal Waste Management Strategy, agreement to amend the levy apportionment mechanism to a more tonnage based system and a Memorandum of Understanding.

5. Significant Internal Control Issues

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control within the Authority. We are satisfied that a suitable system of internal control is operative and effective within the Authority to ensure the proper management of principal risks to the achievement of the Authority's objectives. On this basis we can report that there are no significant internal control issues that require addressing by the Authority.

However, the Authority is committed to a process of continuous improvement and will continue to review and strengthen the control environment wherever and whenever appropriate.

Signatures:

Date:

Clerk to the Authority

Director

Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYSIDE WASTE DISPOSAL AUTHORITY

Opinion on the Financial Statements

I have audited the financial statements of Merseyside Waste Disposal Authority [and its Group] for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Merseyside Waste Disposal Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in Paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material Inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test

basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority [and its Group] as at 31 March 2006 and its income and expenditure for the year then ended.

Signature:

Name: Ms. J. Tench
District Auditor

Date:

Address: Audit Commission,
The Heath Business & Technical Park,
Runcorn,
Cheshire,
WA7 4QF

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me

to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for Waste Disposal Authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by Section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:-

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in Section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for Waste Disposal Authorities specified by the Audit Commission and published in July/August 2006, in all significant respects, Merseyside Waste Disposal Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for Waste Disposal Authorities specified by the Audit Commission and published in July/August 2005, in all significant respects, Merseyside Waste Disposal Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 on 30 June 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Auditors' Responsibilities

Auditors have a duty under the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to their attention in the course of the audit in order for it to be considered by the body concerned or brought to the attention of the public. No such matter has arisen in 2005/2006.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Name: Ms. J. Tench
District Auditor

Date:

Address: Audit Commission,
The Heath Business & Technical Park,
Runcorn,
Cheshire,
WA7 4QF

STATEMENT OF MAIN PRINCIPLES ACCOUNTING POLICIES AND ESTIMATING TECHNIQUES

GENERAL

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2005) and guidance notes issued by the Chartered Institute of Public Finance and Accountancy. The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority.

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

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

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

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

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

RESERVES AND PROVISIONS

The Authority sets aside provisions in order to meet likely future losses or liabilities.

Provisions are recognised when

- (i) the Authority has a present obligation as a result of a past event;

- (ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- (iii) a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date to reflect the current best estimate.

Amounts set aside for purposes falling outside the definitions of Provisions are considered as Reserves, and transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. Expenditure is not charged direct to any Reserve.

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

Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. Two of these (the Fixed Asset Restatement Account and Capital Financing Account) are non-distributable reserves and therefore referred to as 'Accounts'. The purpose and usage of both Capital and Revenue Reserves are detailed in Notes to the Statement of Total Movement in Reserves.

FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 1996 Code of Practice on Local Authority Accounting and are valued on the following basis:-

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use;
- non-operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.

The Authority's assets were revalued on the above basis at 1 April 2005. An impairment review was completed at 31 March 2006 but expenditure incurred during 2005-2006 did not affect property valuations.

Subsequent revaluations of fixed assets are planned at five-yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. Any surpluses or deficits arising on the revaluation of assets are credited to the Fixed Asset Restatement Account.

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.

INVESTMENTS

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

CAPITAL RECEIPTS

Capital receipts from asset disposal have been recorded on an accruals basis. These receipts are divided into a reserved part (based on percentages laid down in the Local Government and Housing Act 1989) and a usable part (the balance).

Regulations came into force on 1 September 1998 which abolished the need to set aside non-Housing Capital Receipts, i.e. such receipts are 100% usable.

Upon disposal, the net book value of assets are written off against the Fixed Asset Restatement Reserve.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

LEASES

Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the Asset Management Revenue Account.

Rentals payable under operating leases are charged to revenue on an accruals basis.

DEPRECIATION

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:-

- newly acquired assets are depreciated from the mid-point of the year, although assets in the course of construction are not depreciated until they are brought into use;
- depreciation is calculated using the straight line method;
- assets are depreciated over 25 years;

- the Authority has used a notional interest rate of 3.5% for calculating aggregate capital charges. This rate was the prescribed figure set by the CIPFA/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Joint Committee as being the current rate set by government.

CAPITAL CHARGES TO REVENUE

The Authority's cost centres are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The notional rates of interest used in 2005-2006 in accordance with LAAP Bulletin Number 57 were 3.5% for assets carried at current value and 4.8% for assets carried at historical cost. The aggregate charge to services is determined on the basis of the capital employed in the service.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges charged to cost centres. Capital charges therefore have a neutral impact on the amounts required to be raised from levies.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves, are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

DEBTORS AND CREDITORS

Transactions are recorded on an income and expenditure basis. Provision has been made on an actual or estimated basis for all debtors and creditors at 31 March 2006. This accrual concept is in accordance with SSAP2 (Standard Statement of Accounting Practice) but there are, however, a few exceptions which merit comment:-

- electricity and similar periodic payments are charged at the date of the meter reading.

The policy relating to those payments is consistently applied each year, is not a significant sum and therefore has no material effect on the accounts.

INTEREST RECEIVABLE

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

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

In 2005-2006 the position reflected interest paid to the Authority.

DEBT REDEEMED

The Authority's outstanding debt comprises both repayment and interest only loans with PWLB (Public Works Loan Board), and a balance of debt in respect of assets transferred to the Authority on 1 April 1986, which is administered by Wirral M.B.C. The Authority took out an interest only Market Loan in 2005-2006.

The PWLB repayment loans are of equal payments of principal and interest whereas the Wirral M.B.C. loan repayments are made by the straight line method.

Provision for the redemption of debt is made in accordance with the Minimum Revenue Provision (MRP) requirements as contained in the Local Authorities (Capital Finance and Accounting) Regulations 2003. The minimum amount required to be repaid each year is calculated as a proportion of the Authority's Capital Financing Requirement, which under Statute equated to 4% during 2005-2006.

SUPPORT COSTS

Support costs are reported as a single line on the Consolidated Revenue Account.

VAT

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

PENSIONS

Employees, subject to certain criteria, are eligible to join the Local Government Superannuation Scheme. Contributions paid to the scheme are set by the Fund's Actuary in a triennial review, the last one undertaken at 31 March 2004. In 2005-2006 the Authority made contributions of £65k in the year.

The costs reported in the revenue accounts are the true costs of pensions earned in the year and not cash payment to the scheme or individual pensioners. This follows the concept that the Authority should account for pensions benefits at the time of commitment to them. In doing this the guidance in FRS 17 which allows the Authority to follow UK GAAP is complied with.

The full introduction of FRS 17 *Retirement Benefits* for the 2004-2005 accounting period has necessitated the introduction of revised accounting policies in relation to the treatment of pensions.

Separate policies are in place for those Schemes accounted for on a defined benefit basis and those accounted for on a defined contribution basis.

Defined Benefit Schemes

Accounting policies set out as below shall apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid (irrespective of the scheme to which it relates):-

- (i) the attributable assets of each Scheme are measured at their fair value at the balance sheet date. Scheme assets include current assets as well as investments. Any liabilities such as accrued expenses are deducted. The attributable Scheme liabilities are measured on an actuarial basis using the projected unit method. The Scheme liabilities comprise:-
 - (a) any benefits promised under the formal terms of the Scheme; and
 - (b) any constructive obligations for further benefits where a public statement or past practice by the Authority has created a valid expectation in the employees that such benefits will be granted;
- (ii) the surplus/deficit in a Scheme is the excess/shortfall of the value of the assets in the Scheme over/below the present value of the Scheme liabilities. The Authority recognises assets to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the Scheme. The Authority recognises a liability to the extent that it reflects its legal or constructive obligation;
- (iii) any unpaid contributions to the Scheme are presented in the balance sheet as a creditor due within one year;
- (iv) the change in the defined benefit asset or liability (other than that arising from contributions to the Scheme) is analysed into the following components:-
 - (a) periodic costs:-
 - (1) current service cost;
 - (2) interest cost;
 - (3) expected return on assets; and
 - (4) actuarial gains and losses; and
 - (b) non-periodic costs:-
 - (1) past service costs; and
 - (2) gains and losses on settlements and curtailments;
- (v) the current service cost is included within Net Cost of Services. Both the interest cost and the expected return on assets are included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Movements in Reserves for the period;
- (vi) past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately;

- (vii) losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Authority becomes demonstrably committed to the transaction and recognised in Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

COSTS ASSOCIATED WITH THE INTRODUCTION OF THE EURO

The Authority uses payment and income systems owned by St. Helens Council and therefore developments in dealing with the introduction of the Euro will be undertaken there. Longer term system changes are planned but at the moment there is only a contingency banking arrangement to receive and make payments in the Euro.

BEST VALUE ACCOUNTING - CODE OF PRACTICE

The Authority has prepared its Accounts under the above Code of Practice. The Consolidated Revenue Account shows expenditure under the four headings prescribed. These are:-

- Cultural, Environmental & Planning
- Other Operating Income and Expenditure
- Corporate and Democratic Core
- Non-Distributed Costs.

CONTINGENT LIABILITIES

Contingent liabilities are not accrued in the accounting statements. They are disclosed by way of notes if there is a possible obligation which may require a payment or transfer of economic benefits.

GROUP ACCOUNTS

The Authority prepares Group Accounts to provide an overall picture of the Group as a whole showing the totality of operations and available resources. The Accounts are not primary statements but they provide transparency which enables them to be capable of comparison with other entities which have different corporate structures.

PRUDENTIAL FRAMEWORK

The introduction of the Prudential Framework following repeal of Part IV of the Local Government and Housing Act 1989 and introduction of the Local Government Act 2003, has resulted in differing controls around Local Authorities capital activity. The statements are revised from those contained in previous years, where necessary, to reflect the new regime.

LANDFILL ALLOWANCES

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

The 2005 SORP does not cover LATS and LAAP Bulletin 64 provides guidance that the accounting treatment set out in the proposed Urgent Issues Taskforce Abstract Emission Rights should be used. This guidance has been applied.

CONSOLIDATED REVENUE ACCOUNT

This Account summarises the total revenue expenditure incurred in the provision of services and demonstrates how that expenditure has been financed from charges and levies.

NOTES	GROSS EXPENDITURE £000	INCOME £000	2005-2006 NET EXPENDITURE £000	2004-2005 NET EXPENDITURE £000
<u>Cultural, Environmental and Planning Services</u>				
Client Function	1,040	67	973	936
Support	64	-	64	83
Waste Disposal Contracts	35,179	856	34,323	30,892
Closed Landfill Sites	250	-	250	194
Recycling Credit Payments	3,301	-	3,301	2,204
Landfill Allowances	9,321	9,869	(548)	-
Contract Procurement Costs	455	-	455	-
Capital Charges & Rents	200	-	200	62
Other Services	217	-	217	387
<u>Corporate & Democratic Core Costs</u>	445	-	445	241
Non-Distributed Costs	-	-	-	-
NET COST OF SERVICES	<u>50,472</u>	<u>10,792</u>	<u>39,680</u>	<u>34,999</u>
Asset Management Revenue Account	1,306	216	1,090	926
Interest & Investment Income	-	421	(421)	(405)
Pensions interest cost and expected return on Pension Asset	<u>65</u>	<u>-</u>	<u>65</u>	<u>62</u>
NET OPERATING EXPENDITURE	<u>51,843</u>	<u>11,429</u>	<u>40,414</u>	<u>35,582</u>
Transfer to (from) Earmarked Reserves	2		1,545	-
Contribution to/(from) Capital Reserve	3		247	309
Contribution from the Pensions Reserve			<u>(11)</u>	<u>(135)</u>
AMOUNT TO BE MET FROM LEVIES			<u>42,195</u>	<u>35,756</u>
Levy Income	4		(45,225)	(38,360)
NET (SURPLUS)/ DEFICIT FOR YEAR			<u>(3,030)</u>	<u>(2,604)</u>
General Reserve Balance Brought Forward			(4,842)	(2,238)
GENERAL RESERVE BALANCE CARRIED FORWARD			<u>(7,872)</u>	<u>(4,842)</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

This account holds the balance of external interest paid and grants received over the interest chargeable in the revenue accounts in the year. Depreciation is a contra item in that it is charged to the account but then credited as part of capital charges.

	2005-2006 £000	2004-2005 £000
EXPENDITURE		
Provision for Depreciation	126	42
External Interest Charges	<u>1,180</u>	<u>961</u>
	1,306	1,003
INCOME		
Deferred Grant Written Out	(33)	(15)
Capital Charges	<u>(183)</u>	<u>(62)</u>
Balance - transferred to Consolidated Revenue Account	<u>1,090</u>	<u>926</u>

2. CONTRIBUTION TO EARMARKED RESERVE (PROCUREMENT)

The Authority agreed to commit some of its General Balances to meet the cost of procuring its contracts for waste management:-

	2005-2006 £000	2004-2005 £000
Transfer from General Reserves	2,000	0
Transfer to Consolidated Revenue Account to meet costs in 2005-2006	<u>(455)</u>	<u>0</u>
Balance carried forward	<u>1,545</u>	<u>0</u>

3. CONTRIBUTION TO CAPITAL FINANCING ACCOUNT - MINIMUM REVENUE PROVISION

	2005-2006 £000	2004-2005 £000
Minimum Revenue Provision - 4% of Credit Ceiling	373	351
Amount charged as depreciation	<u>(126)</u>	<u>(42)</u>
	<u>247</u>	<u>309</u>

4. LEVY INCOME

The levy payable by District Councils was as follows:-

	2005-2006 £000	2004-2005 £000
Knowsley	4,506	3,748
Liverpool	13,723	11,767
St. Helens	5,818	4,925
Sefton	9,988	8,442
Wirral	<u>11,190</u>	<u>9,478</u>
	<u>45,225</u>	<u>38,360</u>

5. PUBLICITY

Section 5 of the Local Government Act 1986 requires Authorities to keep a separate account of expenditure on publicity subject to certain exceptions. In 2004-2005 and 2005-2006 the Authority spent the following on all forms of publicity:-

	2005-2006 £000	2004-2005 £000
Recruitment Advertising	15	27
Other Advertising	<u>30</u>	<u>26</u>
	<u>45</u>	<u>53</u>

6. PENSIONS

The scheme is the Local Government Occupational Pension Scheme which is administered in the Merseyside area by Wirral MBC. It is registered with the Occupational Pension Board and is subject to Regulations issued by the Department of the Environment, Transport and the Regions.

- The current service cost is quantified at £127k and this cost should not increase substantially as the age profile shows no significant increase.
- Past Service/Curtailment /Settlement gain in the year is £94k.
- The interest cost on pension liabilities amounts to £423k.
- The expected return on assets in the scheme is £358k.
- The actual amount charged to revenue accounts for pensions in the period was £87k.
- The actuarial gain in the year was £167k.

Further details and information relating to the assets and liabilities of the Pension Fund can be found in Note 13 to the Consolidated Balance Sheet and Notes 3 & 4 to the Statement of Total Movement in Reserves. The Merseyside Pension Fund's Annual Report is made available from P.O. Box 120, Castle Chambers, 4/6 Cook Street, Liverpool, L69 2NW

7. MEMBERS' ALLOWANCES

No allowances were paid to Members in 2005-2006.

8. EMPLOYEE REMUNERATION OVER £50,000

<u>Remuneration</u>	<u>2005-2006</u> <u>No.</u>	<u>2004-2005</u> <u>No.</u>
£60,000 - £70,000	-	1
£70,000 - £80,000	1	-

9. RELATED PARTY TRANSACTIONS

During the year transactions with related parties arose as follows:-

	<u>Receipts</u> <u>2005-2006</u> <u>£000</u>	<u>2004-2005</u> <u>£000</u>	<u>Payments</u> <u>2005-2006</u> <u>£000</u>	<u>2004-2005</u> <u>£000</u>
<u>Central Government</u>				
PWLB - Interest Paid			787	620
DEFRA - Financing of Waste Initiative	0	475		
ERDF - Grant Funding to CMC	70	140		
<u>Local Authorities</u>				
Levies - as shown at Note 4	45,225	38,360		
Knowsley MBC	157	143		
Liverpool CC	270	249		
St. Helens MBC	190	165		
Sefton MBC	238	217		

The above receipts are in respect of charges made for the disposal of commercial waste.

Knowsley MBC	358	218
Liverpool CC	822	488
St. Helens MBC	576	401
Sefton MBC	879	614
Wirral MBC	671	477

The above payments relate to recycling credits paid to District Councils in respect of tonnages of waste removed from the waste stream for disposal.

	Receipts 2005-2006 £000	2004-2005 £000	Payments 2005-2006 £000	2004-2005 £000
Wirral MBC			546	558
Payments made for residuary debt.				

Subsidiary and Associated
Companies

Mersey Waste Holdings Limited			35,036	31,490
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These payments are contractual payments for the disposal of waste (inclusive of £11,839k Landfill Tax).

Mersey Waste Holdings Limited	300	300		
----------------------------------	-----	-----	--	--

The receipt of an annual dividend out of profits generated by the Company.

Bidston Methane Limited	100	120		
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This receipt is in respect of the Authority's share of gas rights, payable out of profits generated by the Company.

10. AUDIT FEE

The Audit Fees for 2005-2006 comprise instalment elements of the following:-

		£
2004-2005	- Audit	39,551
	- Grants	1,215
2005-2006	- Audit	33,992
	- Grants	936

CONSOLIDATED BALANCE SHEET

This is a statement of the Authority's assets and liabilities and presents an overall view of its financial position at the end of the financial year.

	NOTES	<u>2005-2006</u>		<u>2004-2005</u>
		£000	£000	£000
FIXED ASSETS				
Operational Assets				
- Land & Buildings	1	7,573		1,614
- Vehicles, Plant & Equipment		3,448		-
Non-Operational Assets				
- Work in Progress		<u>25</u>		1,476
NET FIXED ASSETS			11,046	3,090
INVESTMENTS	2		5,138	5,138
LONG TERM DEBTORS	3		<u>3,237</u>	<u>6,979</u>
TOTAL LONG TERM ASSETS			19,421	15,207
CURRENT ASSETS				
- Landfill Allowances	4	11,990		-
- Debtors	5	8,534		2,779
- Cash in Hand		<u>1,494</u>	<u>22,018</u>	<u>-</u>
			41,439	17,986
CURRENT LIABILITIES				
- Short Term Borrowing		(143)		(143)
- Landfill Usage	6	(9,242)		-
- Creditors	7	(7,226)		(6,373)
- Cash Overdrawn		<u>-</u>	<u>(16,611)</u>	<u>(1,667)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			24,828	9,803
LONG TERM BORROWING	8		(15,330)	(8,473)
DEFERRED LIABILITIES	9		(4,301)	(4,516)
LIABILITY RELATING TO DEFINED BENEFIT PENSION SCHEME			<u>(2,115)</u>	<u>(435)</u>
TOTAL ASSETS LESS LIABILITIES			<u>3,082</u>	<u>(3,621)</u>
GOVERNMENT GRANTS DEFERRED ACCOUNT	12		6,129	1,989
FINANCED BY:				
- Capital Financing Account	10		8,880	8,633
- Fixed Asset Restatement Account	11		(19,229)	(18,650)
- Pensions Reserve			(2,115)	(435)
- General Reserve	13 & 14		<u>9,417</u>	<u>4,842</u>
TOTAL NET WORTH			<u>3,082</u>	<u>(3,621)</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

(a) Asset Values - Operational Assets

The movement in Operational Assets is shown below:-

	Land & Buildings		Vehicles, Plant & Equipment		Total	
	2005-2006 £000	2004-2005 £000	2005-2006 £000	2004-2005 £000	2005-2006 £000	2004-2005 £000
Gross Book Value at 1 April	1,716	595	-	-	1,716	595
Accumulated Depreciation & Impairment	<u>(102)</u>	<u>(59)</u>	-	-	<u>(102)</u>	<u>(59)</u>
Net Book Value at 31 March	1,614	536	-	-	1,614	536
<u>Movement in Year</u>						
Additions	6,313	1,121	3,448	-	9,761	1,121
Disposals	-	-	-	-	-	-
Revaluations	(228)	-	-	-	(228)	-
Depreciation	(126)	(43)	-	-	(126)	(43)
Impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value at 31 March	<u>7,573</u>	<u>1,614</u>	<u>3,448</u>	<u>-</u>	<u>11,021</u>	<u>1,614</u>

(b) Financing Capital Expenditure

	2005-2006 £000	2004-2005 £000
Opening Capital Financing Requirement	11,118	10,568
Capital Investment		
- Operational	8,310	2,441
- Non-Operational	350	450
Sources of Finance		
- Government Grants	(4,140)	(1,989)
- Sums set aside from Revenue	<u>(373)</u>	<u>(352)</u>
Closing Capital Financing Requirement	<u>15,265</u>	<u>11,118</u>

Explanations of Movements in Year

	2005-2006 £000	2004-2005 £000
Prudential Borrowing (unsupported)	4,147	550

(c) Information on Assets Held

Bidston Integrated Waste Management Facility
9 Household Waste Recycling Centres
The Leasehold at 3 Household Waste Recycling Centres
The Leasehold at 4 Closed Landfill Sites

(d) Capital Schemes

(i) The major items of capital expenditure during the year were:-

£000

Bidston Integrated Waste Management Facility	8,310
Billinge Landfill Site Restoration	333

(ii) Expenditure to date on Gillmoss IVC Plant which is under construction totals £25k in the year.

(ii) Significant contracts for future capital expenditure include:-

£000

Gillmoss IVC	3,261
Bidston Integrated Waste Management Facility	1,576
Billinge Landfill Site Restoration	498

(e) Fixed Asset Valuation

The Authority's assets were revalued at 1 April 2005 by in-house valuer, who is as follows:-

P.M. Brown, MRICS

The properties have been valued on bases in accordance with the Statements of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors except that not every property has been inspected.

An impairment review in the year did not affect property valuations.

(f) Obligations under Finance Leases

The Authority has the following obligations for its occupation of North House:-

£000

<u>Amounts Payable</u>	
2006-2007	72
2007-2008 to 2010 - 2011	293
After	107

2. LONG TERM INVESTMENTS

The Authority holds the following investments:-

£000

Mersey Waste Holdings Ltd.

This Company was formed as the Authority's Disposal Company and as such receives waste from the five Districts of Merseyside and from other customers at its Transfer Stations and Landfill Sites. It disposes that waste and also manages the disposal of other household wastes through Waste Reception Centres.

The Authority owns the total shareholding in its 'arms length' company.

5,138,002 Ordinary Shares @ £1

5,138

Bidston Methane Ltd.

This Company was formed as a joint venture with Coal Products Ltd. (subsequently acquired by Novera Energy Generation No. 1 Ltd. to collect methane gas from the Landfill Sites at Billinge and at Bidston. It uses methane gas to generate electricity which is sold to the Regional Electricity Companies.

The Authority holds 299,000 Ordinary 'B' Shares out of a total of 600,000 Shares. The called up value is £0.001 per Share.

The setting up of the Company incorporated the capital financing of the engines through a non-voting share issue to the Finance Company user ('C' Shares). This removed the need to generate finance through the 'A' Shares owned by Coal Products or 'B' Shares owned by the Authority and hence a nominal called up proportion. The uncalled share elements provide the necessary guarantees for the 'C' shareholder.

299,000 Ordinary 'B' Shares @ £0.001

-
5,138

Mersey Waste Holdings Limited are a subsidiary company and the results for the fourth year of trading ending on 30th September 2005 are summarised as follows:-

	30.9.2005 £000	30.9.2004 £000
<u>Balance Sheet</u>		
Fixed Assets	6,404	5,953
Add Net Assets/Deduct Net Liabilities	<u>465</u>	<u>607</u>
	<u>6,869</u>	<u>6,560</u>
Called-up Share Capital	5,138	5,138
Retained Profit	<u>1,731</u>	<u>1,422</u>
	<u>6,869</u>	<u>6,560</u>
<u>Profit and Loss Account</u>		
	Year to 30.9.2005	Year to 30.9.2004
Turnover	39,838	37,877
Less: Operating Expenditure	(38,897)	(37,015)
Profit before Tax and Distribution	941	862
Tax and Distribution	<u>(633)</u>	<u>(596)</u>
Retained Profit for the Year	<u>308</u>	<u>266</u>

The Company have prepared a set of accounts as at 31 March 2006 for purposes of inclusion in the Group Accounts.

Bidston Methane Limited's results for 2005-2006 can be summarised as follows:-

	2005-2006 £000	2004-2005 £000
<u>Balance Sheet</u>		
Fixed Assets	901	876
Less: Net Liabilities	<u>418</u>	<u>323</u>
	<u>483</u>	<u>553</u>
Called-up Share Capital	3	3
Retained Profit	<u>480</u>	<u>550</u>
	<u>483</u>	<u>553</u>
<u>Profit and Loss Account</u>		
Turnover	527	654
Less: Operating Expenditure	<u>598</u>	<u>635</u>
Retained Profit/(Loss) for the Year	<u>(71)</u>	<u>19</u>

The published accounts for both companies are available from the Treasurer to the Authority, Chief Executive's Finance Division, Town Hall, St. Helens, WA10 1HP. The Authority is not committed to meeting losses arising from either Mersey Waste Holdings Limited or Bidston Methane Limited.

3. LONG TERM DEBTOR

In 2003-2004 the Authority agreed to defer the payment of discounts by Merseyside Waste Holdings Limited in order that the Company could build up cash reserves and acquire a new landfill site. This decision was taken to restore the landfill capacity which would be lost by the closure of the Bromborough Dock Landfill site in August 2005. A report to the Authority in January 2003 included a schedule of intended payment dates for the deferred discounts. A revised schedule of repayments has now been prepared.

The Debtor to date is made up of:-

	£000
Deferred Discounts 2003-2004	1,358
Deferred Discounts 2004-2005	3,609
Deferred Discounts 2005-2006	<u>3,778</u>
	<u>8,745</u>

Payments of these discounts commenced in October 2005 and will amount to £5.508M in 2006-2007.

4. LANDFILL ALLOWANCES ASSET

The Authority has received its allocation of Landfill Allowances from DEFRA in 2005-2006 and has also purchased additional allowances to meet its future needs:-

	2005-2006	2004-2005
	£000	£000
Acquired without charge from DEFRA	9,869	-
Purchased in Year	<u>2,200</u>	<u>-</u>
	12,069	-
Written down to realisable value	<u>(79)</u>	<u>-</u>
	<u>11,090</u>	<u>-</u>

5. DEBTORS

	2006	31st March	2005
	£000		£000
Subsidiaries & Associated Companies	6,020		634
Government Departments	2,222		1,772
Other Local Authorities	252		191
Employees	11		19
Sundry	<u>48</u>		<u>191</u>
	8,553		2,807
Less Provision for Doubtful Debts	<u>19</u>		<u>28</u>
	<u>8,534</u>		<u>2,779</u>

6. LIABILITY FOR LANDFILL USAGE

The Authority needs to recognise its use of Landfill Allowances in the landfill disposal of biodegradable municipal waste. The following allowances were used:-

	2005-2006 £000	2004-2005 £000
Allowances Used	<u>9,242</u>	<u>-</u>

7. CREDITORS

	2006 31st March £000	2005 £000
Subsidiaries & Associated Companies	4,620	4,320
Government Departments	240	100
Other Local Authorities	838	353
Employees	39	28
Sundry	<u>1,489</u>	<u>1,572</u>
	<u>7,226</u>	<u>6,373</u>

8. LONG TERM BORROWING

Analysis by Type	Range of Interest Rates Payable %	Amounts Outstanding	
		2006 31st March £000	2005 £000
Public Works Loan Board	5.523 - 9.500	13,330	8,473
Market Loan	4.01	<u>2,000</u>	<u>0</u>
		<u>15,330</u>	<u>8,473</u>
Analysis by Maturity			
1-2 Years		143	143
2-5 Years		429	429
5-10 Years		3,714	1,714
Over 10 Years		<u>11,044</u>	<u>6,187</u>
		<u>15,330</u>	<u>8,473</u>

9. DEFERRED LIABILITIES

Analysis	2006 31st March £000	2005 £000
Loans Outstanding		
- Wirral MBC	<u>4,301</u>	<u>4,516</u>
	<u>4,301</u>	<u>4,516</u>

10. CAPITAL FINANCING ACCOUNT

	2005-2006 £000	2004-2005 £000
Balance at 1 April	8,633	8,324
Add:		
External contribution written down	-	-
Revenue Contributions in the year	-	-
Additional MRP charge	247	309
Expenditure financed by capital receipts	<u>-</u>	<u>-</u>
Balance at 31 March	<u>8,880</u>	<u>8,633</u>

11. FIXED ASSET RESTATEMENT ACCOUNT

	2005-2006 £000	2004-2005 £000
Balance at 1 April	18,650	18,200
Add:		
Expenditure on operational assets or those with nil value	351	450
Adjustments on Revaluation	228	-
Net Book Value of Assets disposed	<u>-</u>	<u>-</u>
Balance at 31 March	<u>19,229</u>	<u>18,650</u>

12. GOVERNMENT GRANTS DEFERRED ACCOUNT

This account represents grants and contributions received to finance (wholly or partly) the acquisition of fixed assets. These amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

	2005-2006 £000	2004-2005 £000
Balance at 1 April	1,989	-
Financing of Capital Expenditure		
- Grants	4,173	2,004
Amortised during the year	<u>(33)</u>	<u>(15)</u>
Balance at 31 March	<u>6,129</u>	<u>1,989</u>

13. GENERAL RESERVE

This account represents the accumulated balances available to the Authority.

	2005-2006 £000	2004-2005 £000
Balance at 1 April	4,842	2,238
In-year Surplus/(Deficit)	<u>3,030</u>	<u>2,604</u>
Balance at 31 March	<u>7,872</u>	<u>4,842</u>

14. EARMARKED RESERVE - PROCUREMENT

The account was established to make provision for the expenditure on professional advisors for the Procurement Contract:-

	2005-2006 £000	2004-2005 £000
Balance at 1 April	0	0
Transfer from CRA	<u>1,545</u>	<u>0</u>
Balance at 31 March	<u>1,545</u>	<u>0</u>

15. CONTINGENT LIABILITIES

Mersey Waste Holdings Limited are in the process of acquiring a new landfill site. The current intention is to finance the acquisition by short term borrowing by the Company. In financing by this method, payment of discounts would be deferred and a long term debtor established (see Note 3 above).

The investment would be undertaken after considering a sound business case for the acquisition and should add to the profit making capability of the Company. It should therefore generate additional benefits to the Authority by way of increased dividends and discounts.

There are two possible contingent liability scenarios with this proposal. The first is the event of failure as an operational entity whereby there would be a possibility that if short term borrowing were to be selected as the financing option, future repayments could ultimately fall on the Authority if the Company failed.

The second contingent liability is failure in the acquisition of the landfill site and the effect that abortive costs might have on Company profits (and thereby dividends and discounts receivable by the Authority) in the short term.

It is not appropriate to give an estimated value of any potential liability due to uncertainties and timing of such events.

There is a potential legislation claim on Mersey Waste Holdings Limited in respect of its contract for the disposal of waste at Arpley Landfill Site. The claim is being resisted but if it becomes payable could cost the Company around £2M per year. The follow-on from that is that either a second claim may be made by the Company on the Authority or the profitability of the Company would be effected with a reduction in annual discounts. The Authority has sufficient balances to cover any likely costs arising for 2004-2005 (a part year claim) and up to 2006-2007. It would

be aware of subsequent liability and therefore would include it in the Budget and the Levy for future years.

As stated at Note 2, the called-up value of the 299,000 ordinary £1 shareholding in Bidston Methane Limited is £299 (£0.001 each), the contingent liability therefore is £298,701 (£0.999 each).

The Company has a good trading record and has invested in generating equipment taken on medium term leases. Any over estimation of gas quantities available would make trading difficult and the shares may be called up in full to meet the liabilities of the Company. Future capital spending could also require the shares to be called-up but only by joint agreement with the Authority. In the case of the liability being realised, there is no other party involved to provide reimbursements.

16. NET PENSIONS ASSET/LIABILITY

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

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

In 2005-2006 pension costs amounting to £65k were charged to the Consolidated Revenue Account at the opted rate of 7.9%. The relevant elements of pensions paid to retired officers have also been charged. The following disclosures are required in accordance with FRS 17 "Retirement Benefits" and although attributable to the Authority they do not form part of the Consolidated Accounting Statements.

<u>Assets & Liabilities Attributable to the Authority</u>	£M
Estimated liabilities in the scheme	(8.8)
Estimated assets in the scheme	6.7
Net liability in the scheme	(2.1)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc. Assumptions have been made that the average age of membership has not risen significantly since the latest actuarial valuation.

The valuation has been prepared on a market related basis by Mercer Human Resource Consulting, the Fund actuaries.

The main assumptions used in the calculations are:-

	31/3/2006	31/3/2005
Rate of inflation	2.9%	2.9%
Rate of increase in salaries	4.2%	4.2%
Rate of increase in pensions	2.9%	2.9%
Rate of discounting scheme liabilities	4.9%	5.4%

The expected rate of return on assets are as follows:-

	31/3/2006	31/3/2005
Rate of return on equities	7.0%	7.5%
Rate of return on Government Bonds	4.3%	4.7%
Rate of return on other Bonds	4.9%	5.4%
Rate of return on Property Investments	6.0%	6.5%
Rate of return on Cash/Liquidity	4.5%	4.8%
Rate of return on Other Assets	7.0%	7.5%

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

	31/3/2006		31/3/2005	
	£000	%	£000	%
Equities	4,075	61.0	3,262	57.6
Government Bonds	1,122	16.8	1,070	18.9
Other Bonds	321	4.8	277	4.9
Property	334	5.0	561	9.9
Cash/Liquidity	568	8.5	227	4.0
Other Assets	261	3.9	266	4.7

The movement in the net pension liability for the year to 31 March 2006 was as follows:-

	£000	£000
Net Pension Liability at 1 April 2005		(2,271)
<u>Movements in the Year</u>		
- Current Service Cost	(127)	
- Employer Contributions	87	
- Past Service/Curtailment Costs	94	
- Net Interest/Return on Assets	(65)	
- Actuarial Gain/(Loss)	<u>167</u>	<u>156</u>
Net Pension Liability at 31 March 2006		<u>(2,115)</u>

The actuarial loss can be analysed into the following categories measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2006:-

	£000	%
Asset Gain/(Loss)	901	13.5 of Assets
Liability Gain/(Loss)	(97)	1.1 of Liabilities
Change in Assumptions	<u>(637)</u>	7.2 of Liabilities
Net Gain	<u>167</u>	

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This Statement identifies the movements in Reserves and thereby reflects all the recognised gains and losses during the year.

	2005/2006		2004/2005	
	£	£	£	£
Surplus/(deficit) for the year				
- General Reserve	3,030		2,604	
Appropriations from Pension Reserve	(11)		(135)	
Actuarial Gains & Losses relating to Pensions (Note 4)	<u>167</u>		<u>918</u>	
Total increase/(decrease) in revenue reserves		3,186		3,387
Increase/(decrease) in usable capital receipts	-		-	
Increase/(decrease) in unapplied capital grants and contributions	<u>-</u>		<u>-</u>	
Total increase/(decrease) in realised capital resources				-
Gains/(losses) on revaluation of fixed assets	(579)		(450)	
Impairment losses on fixed assets due to general changes in prices	<u>-</u>		<u>-</u>	
Total increase/(decrease) in unrealised value of fixed assets (Note 1)		(579)		(450)
Value of assets sold, disposed of or decommissioned				
Capital Receipts set aside				
Revenue Resources set aside	247		309	
Movement on Government Grants Deferred	<u>4,140</u>		<u>1,989</u>	
Total increase/(decrease) in amounts set aside to finance capital investment (Note 2)		4,387		2,298
Increase/(decrease) on the Pensions Reserve (Note 3)		<u>(156)</u>		<u>(783)</u>
Total recognised gains and (losses)		<u>6,838</u>		<u>4,452</u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. Movements in unrealised value of fixed assets

	Fixed Asset Restatement Account £000
Gains/(losses) on revaluation of fixed assets in 2005/2006	579
Impairment losses on fixed assets due to general changes in prices in 2005/2006	-
Total increase/(decrease) in unrealised capital resources in 2005/2006	579
Total movement on reserve in 2005/2006	579
Balance brought forward at 1 April 2005	18,650
Balance carried forward at 31 March 2006	19,229

- (i) The Fixed Asset Restatement Account represents principally the balance of surpluses and deficits arising from the periodic revaluation of assets.
- (ii) The loss represents expenditure on assets which has not resulted in an increase in valuation.

2. Movement in amounts set aside to finance capital investment

	Capital Financing Account £000
Capital Receipts set aside in 2005/2006	
- reserved receipts	-
- usable receipts applied	-
Total capital receipts set aside in 2005/2006	-
Revenue Resources set aside in 2005/2006	
- capital expenditure financed from revenue	-
- reconciling amount for provisions for loan repayment	247
Total increase/(decrease) in amounts set aside to finance capital investment	247
Total movement on reserve in 2005/2006	247
Balance brought forward at 1 April 2005	8,633
Balance carried forward at 31 March 2006	8,880

- (i) The Capital Financing Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans.
- (ii) Neither the Capital Financing Account or the Fixed Asset Restatement Account (see Note 1 above) are 'cash backed' and therefore they cannot be called upon to support spending.

Government Grants Deferred Account

	£000
Grants applied to capital investment in 2005-2006	4,173
Amounts written out in 2005-2006	<u>(33)</u>
Movement on Government Grant Deferred	<u>4,140</u>

3. Movement in the Pensions Reserve

More extensive detail relating to the appropriations to/from revenue are contained in Note 5 to the Consolidated Revenue Account and Note 12 to the Consolidated Balance Sheet. Details on the Fund itself are explained in the Statement of Main Principles and Accounting Policies.

	Pensions Reserve £000
Total increase/(decrease) in Reserve	(156)
Balance brought forward at 1 April 2005	2,271
Balance carried forward at 31 March 2006	2,115

4. Statement of Actuarial Gains and (Losses)

	£000	%
Difference between the expected and actual return on assets	901	13.5 of Assets
Gains and losses on scheme liabilities	(97)	1.1 of Liabilities
Changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(637)	7.2 of Liabilities

CASHFLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

	2005-2006		2004-2005
	£000	£000	£000
<u>REVENUE ACTIVITIES</u>			
CASH OUTFLOWS			
- Other Government Grants	-		140
- Cash Paid to and on Behalf of Employees	1,087		816
- Other Operating Costs	<u>52,753</u>	53,840	39,576
CASH INFLOWS			
- Cash Received for Goods and Services	(802)		(747)
- Levy Income	(45,225)		(38,360)
- Other Income	<u>(11,231)</u>	(57,258)	<u>(932)</u>
NET REVENUE ACTIVITIES CASHFLOW		(3,418)	493
<u>DIVIDENDS</u>		(300)	(320)
<u>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</u>			
CASH OUTFLOWS			
- Interest Paid		1,087	979
CASH INFLOWS			
- Interest Received		(22)	-
<u>CAPITAL ACTIVITIES</u>			
CASH OUTFLOWS			
- Purchase of Fixed Assets		8,289	3,794
- Purchase of Landfill Allowances		2,200	-
CASH INFLOWS			
- Sale of Fixed Assets		-	-
- Capital Grants Received		(4,140)	(1,989)
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		3,696	2,957
<u>FINANCING</u>			
CASH OUTFLOWS			
- Repayments of Borrowing		143	143
CASH INFLOWS			
- New Loans Raised		(7,000)	<u>-</u>
(INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		<u>(3,161)</u>	<u>3,100</u>

NOTES TO THE CASHFLOW STATEMENT

1. RECONCILIATION OF THE NET SURPLUS/DEFICIT ON THE CONSOLIDATED REVENUE ACCOUNT TO THE MOVEMENT IN CASH

	£000	£000
NET SURPLUS FOR THE YEAR		(3,030)
Adjustments for:-		
(i) Dividends		300
(ii) Servicing of Finance Items		
- Interest Paid	(1,087)	
- Interest Receivable	<u>22</u>	(1,065)
(iii) Non-Cash Items		
- Landfill Allowances	548	
- Depreciation	(126)	
- M.R.P. 'Top-up'	(247)	
- R.C.C.O.	<u>-</u>	175
(iv) Movement in:-		
- Transfer to Earmarked Balances	(1,545)	
- Debtors	2,374	
- Creditors	(842)	
Deferred Liabilities	<u>215</u>	<u>202</u>
REVENUE ACTIVITIES NET CASHFLOW		<u>(3,418)</u>

2. RECONCILIATION OF THE MOVEMENT IN CASH TO MOVEMENT IN NET DEBT

<u>Balance Sheet Movements</u>	Balance 31.3.2006 £000	Balance 31.3.2005 £000	Movement in Year £000
Borrowing - Long Term	(15,330)	(8,473)	(6,857)
- Short Term	(143)	(143)	-
Cash in Hand/(Overdrawn)	<u>1,494</u>	<u>(1,667)</u>	<u>3,161</u>
	<u>(13,979)</u>	<u>(10,283)</u>	<u>(3,696)</u>

CASHFLOW STATEMENT BALANCES

Financing	(6,857)
Increase in Cash and Cash Equivalents	<u>3,161</u>
	<u>(3,696)</u>

3. OTHER GOVERNMENT GRANTS RECEIVED ARE ERDF GRANTS

GROUP ACCOUNTS

The purpose of the Group Accounts is to provide an overall picture of the Group as a whole showing the totality of operations and available resources. While the Group Accounts are not primary statements, they afford transparency and are therefore capable of comparison with other entities which have different corporate structures.

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

	2005-2006			2004-2005		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	Expenditure £000	£000	£000	Expenditure £000
Continuing Operations						
Cultural, Environmental & Planning	54,108	62,489	(8,381)	46,189	51,467	(5,278)
Corporate & Democratic Core	445	0	445	241	0	241
Non-Distributed Costs	0	0	0	0	0	0
Share of Associate & JV Operating Results	301	263	38	313	327	(14)
Profits or Losses on Disposal of Assets	0	0	0	0	0	0
Other Operating Income	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Share of Associate & JV Exceptional Items	0	0	0	0	0	0
NET COST OF SERVICES	54,854	62,752	(7,898)	46,743	51,794	(5,051)
Surplus/(Deficit) of Trade Undertakings			0			0
Interest Payable			1,179			961
Share of Associate & JV Interest Payable			0			5
Early Settlement Gains & Losses			0			0
Interest & Investment Income			(651)			(380)
Share of Associate & JV Interest & Investment Income			(3)			(1)
Pension Interest & Return on Assets			23			62
Share of Associate & JV Pension Interest & Return			0			0
Taxation			596			296
Share of Associate & JV Taxation			0			0
Minority Interest Share of Subsidiary Profits			0			0
Extraordinary Items			0			0
NET EXPENDITURE BEFORE RESERVES			(6,754)			(4,108)

	2005-2006			2004-2005		
	Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Contribution to/(from) Earmarked Reserves			1,545			0
Contribution to/(from) Capital Reserves			247			309
Contribution to/(from) Pension Reserve			72			(135)
SURPLUS FOR YEAR			(4,890)			(3,934)
General Reserve b/f			(14,013)			(10,079)
GENERAL RESERVE C/F			(18,903)			(14,013)

CONSOLIDATED BALANCE SHEET

	2005-2006		2004-2005	
	£000	£000	£000	£000
<u>Fixed Assets</u>				
Intangible Assets	0		0	
Tangible Assets				
Operational Assets				
Land & Buildings	14,897		8,263	
Vehicles, Plant & Equipment	3,898		438	
Non-Operational Assets				
Work in Progress	<u>25</u>	18,820	<u>1,476</u>	10,177
Long Term Investments		0		0
Long Term Debtors		0		0
<u>Current Assets</u>				
Landfill Allowances	11,990		0	
Debtors	20,070		13,508	
Cash at Bank	<u>84,009</u>	116,069	<u>43,097</u>	56,605
<u>Current Liabilities</u>				
Short Term Borrowing	(143)		(143)	
Landfill Allowance Usage	(9,242)		0	
Creditors	(12,993)		(11,767)	
Bank Overdraft	<u>(75,520)</u>	(97,898)	<u>(35,531)</u>	(47,441)
Long Term Borrowing		(15,330)		(8,473)
Deferred Liabilities		(4,668)		(4,883)
Deferred Grants		(6,129)		(1,989)
Assets & Liabilities relating to Defined Benefit Pension Schemes		(3,580)		(2,271)
Fixed Asset Restatement Account		18,464		18,650
Capital Financing Account		(8,880)		(8,633)
Pensions Reserve		3,580		2,271
Reserves				
Revaluation Reserve	18,464		18,650	
P & L Reserves	<u>1,984</u>		<u>(4,637)</u>	
GROUP BALANCES & RESERVES		20,448		14,013
MINORITY INTEREST		0		0
TOTAL BALANCES & RESERVES		20,448		14,013

CONSOLIDATED GROUP CASH FLOW STATEMENT

	2005-2006		2004-2005	
	£000	£000	£000	£000
NET CASH INFLOW FROM REVENUE ACTIVITIES		3,864		2,784
DIVIDENDS FROM ASSOCIATES & JV's				
Cash Inflows				
Dividends Received		0		(20)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
Interest Paid		1,176		1,019
Cash Inflows				
Interest Received	(555)		(276)	
Dividends received from Investments	<u>—0</u>	(555)	<u>—0</u>	(276)
TAXATION		367		412
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Cash Outflows				
Purchase of Fixed Assets	8,686		4,853	
Purchase of Landfill Allowances	<u>2,200</u>	10,886	<u>—0</u>	4,853
Cash Inflows				
Capital Grants Received		(4,140)		(1,989)
EQUITY DIVIDENDS PAID		0		0
ACQUISITION AND DISPOSALS				
Cash Outflows		0		0
Cash Inflows		0		0
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		11,598		6,783
MANAGEMENT OF LIQUID RESERVES		0		0
FINANCING				
Cash Outflows				
Repayment of Borrowing		143		143
Cash Inflows				
New Loans Raised		(7,000)		0
NET (INCREASE)/DECREASE IN CASH		4,741		6,926

CONSOLIDATED GROUP STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Fixed Asset Restatement Account £000	Usable Capital Receipts £000	Capital Financing Account £000	Pensions Reserve £000	General Reserves £000	Other Reserves £000	2005-2006 Total Reserves £000	2004-2005 Total Reserves £000
Balance b/f								
Group	(18,650)	0	8,633	(4,164)	13,736	1,989	1,544	(1,282)
Associates & JV's	0	0	0	0	277	0	277	267
Net Surplus/(Deficit) for the Year								
Group	0	0	0	584	6,470	0	7,054	2,871
Associates & JV's	0	0	0	0	(35)	0	(35)	10
Unrealised Gains/(Losses) on Revaluation of Fixed Assets								
Group	(1,344)	0	0	0	0	0	(1,344)	(450)
Associates & JV's	0	0	0	0	0	0	0	0
Impairment Losses arising from Revaluations								
Group	0	0	0	0	0	0	0	0
Associates & JV's	0	0	0	0	0	0	0	0
Effect of Disposal of Fixed Assets								
Group	0	0	0	0	0	0	0	0
Associates & JV's	0	0	0	0	0	0	0	0
Financing of Fixed Assets								
Group	0	0	247	0	0	4,140	4,387	2,298
Associates & JV's	0	0	0	0	0	0	0	0
Balance c/f								
Group	(19,994)	0	8,880	(3,580)	20,206	6,129	11,641	3,437
Associates & JV's	0	0	0	0	242	0	242	277

DISCLOSURES TO THE GROUP ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The following changes to the Statement of Accounting Policies shown in Pages 13-20 have been made for compliance with the preparation of the Group Accounts:-

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

2. DETAILS OF COMBINING ENTITIES

2.1 The Authority (MWDA) has a subsidiary which is its own wholly owned group of companies set up originally as a single company under the Environmental Protection Act 1990. Subsequent restructuring has resulted in the following:-

- Mersey Waste Holdings Limited (the holding company) (MWHL)
- Mersey Waste Limited
- Mersey Waste Consultancy Limited
- Mersey Waste Recycling Limited
- Mersey Waste Holdings Developments Limited
- Mersey Waste Holdings Associates Limited
- Mersey Waste Holdings Energy Limited

The Authority's transactions are all with the holding company. The combination has been accounted for by the acquisition method on the 31 March 2006. The financial year for Mersey Waste Holdings Limited ends on 30 September but a second 'year end' has been produced to provide the statutory accounts as at 31 March 2006. The Company's main operational activity is in the disposal of waste.

2.2 The Authority is involved in a joint venture operation with Novera Energy Generation No.1 Limited. A company, Bidston Methane Limited (BML) was set up in 1985 with the purpose of extracting gas from closed landfill sites and then generating electricity. The Authority and Novera each have a 50% shareholding in Bidston Methane Limited.

The joint venture has been accounted for by the gross equity method as at 31 March 2006. Bidston Methane Limited has the same financial year as the Authority.

3. NOTES TO THE CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

3.1 Pensions

The Authority offers entrance to the Local Government Occupational Pension Scheme which is administered in the Merseyside area by Wirral MBC. It is registered with the Occupational Pension Board and is subject to Regulations issued by the Department of the Environment, Transport and the Regions. Mersey Waste Holdings Limited use the same Pension Scheme for the major part of its staff but it also has offered in the past the LAWDC (Local Authority Waste Disposal Companies) Scheme. Both Schemes are Defined Benefit Pension Schemes.

	MWDA Merseyside Scheme £000	MWHL Merseyside Scheme £000	LAWDC Scheme £000
Current Service Cost*	(127)	(325)	(160)
Past Service/Curtailment/ Settlement Gain	94	282	0
Interest Cost on Pension Liabilities	(423)	(718)	(66)
Expected Return on Assets	358	762	64
Actual Amount Charged to Revenue in the Period	87	136	108
Actuarial Gain in the Year	167	360	(15)

*This cost should not increase substantially as the age profile shows on significant increase.

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

4. EMPLOYEE REMUNERATION OVER £50,000

	2005-2006		2004-2005	
	MWDA No.	MWHL No.	MWDA No.	MWHL No.
<u>Remuneration</u>				
£50,000 - £60,000	-	2	-	2
£60,000 - £70,000	-	2	1	1
£70,000 - £80,000	1	1	-	2
£130,000 - £140,000	-	-	-	1
£140,000 - £150,000	-	1	-	-

NOTES TO THE GROUP CONSOLIDATED BALANCE SHEET

FIXED ASSETS

1. ASSET VALUES - OPERATIONAL ASSETS

	Land & Buildings				Vehicles, Plant & Equipment				Total			2005-2006	2004-2005
	MWDA £000	MWHL £000	BML £000	Total £000	MWDA £000	MWHL £000	BML £000	Total £000	MWDA £000	MWHL £000	BML £000	Total £000	Total £000
Net Book Value at 1 April	1,614	6,649	0	8,263	0	0	438	438	1,614	6,649	438	8,701	7,713
Movement in Year													
Additions	6,313	384	0	6,697	3,448	0	12	3,460	9,761	384	12	10,157	2,180
Disposals	0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluations	(228)	0	0	(228)	0	0	0	0	(228)	0	0	(228)	0
Accounting Policy Adjustments	0	765	0	765	0	0	0	0	0	765	0	765	0
Impairments	0	0	0	0	0	0	0	0	0	0	0	0	(734)
Depreciation	(126)	(474)	0	(600)	0	0	0	0	(126)	(474)	0	(600)	(458)
Net Book Value at 31 March	7,573	7,324	0	14,897	3,448	0	450	3,898	11,021	7,324	450	18,795	8,701

2. INFORMATION ON ASSETS HELD

MWDA

1 Bidston Integrated Waste Management Facility
 9 Household Waste Recycling Centres
 3 Household Waste Recycling Centres (Leasehold)
 4 Closed Landfill Sites (Leasehold)

MWHL

3 Waste Transfer Stations
 2 Household Waste Recycling Centres
 Land at Bidston

BML

4 Generators

3. DEBTORS

	2006				31	2005			
	MWDA £000	MWHL £000	BML £000	Total £000	March	MWDA £000	MWHL £000	BML £000	Total £000
Government Departments	2,222	-	-	2,222		1,772	-	-	1,772
Other LA's	252	173	-	425		191	175	-	366
Employees	11	-	-	11		19	-	-	19
Sundry	176	17,224	75	17,475		353	10,997	70	11,420
	2,661	17,397	75	20,133		2,335	11,172	70	13,577
Less Provision for Bad Debts	19	44	-	63		28	41	-	69
	2,642	17,353	75	20,070		2,307	11,131	70	13,508

4. CREDITORS

	2006				31	2005			
	MWDA £000	MWHL £000	BML £000	Total £000	March	MWDA £000	MWHL £000	BML £000	Total £000
Government Departments	240	534	-	774		100	525	-	625
Other LA's	838	17	-	855		353	17	-	370
Employees	39	0	-	39		28	0	-	28
Sundry	1,489	9,564	273	11,326		2,355	8,030	359	10,744
	2,606	10,115	273	12,994		2,836	8,572	359	11,767

5. FIXED ASSET RESTATEMENT ACCOUNT

	2005-2006			2004-2005		
	MWDA £000	MWHL £000	Total £000	MWDA £000	MWHL £000	Total £000
Balance at 1 April	18,650	0	18,650	18,200	0	18,200
<u>Add</u> Expenditure on Operational Assets or those with Nil Value	351	0	351	450	0	450
Adjustments on Revaluations	228	0	228	0	0	0
Accounting Policy Adjustments	0	(765)	(765)	0	0	0
Net Book Value of Assets Disposed	0	0	0	0	0	0
Balance at 31 March	19,229	(765)	18,464	18,650	0	18,650

6(A) MERSEYSIDE PENSION SCHEME

NET PENSIONS ASSET/LIABILITY

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

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

In 2005-2006 the following payments were made to the Fund comprising pension costs charged in accordance with the former triennial valuation and amounts paid to retired officers:-

	£M
MWDA	87
MWHL	136

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

<u>Assets & Liabilities Attributable to</u>	MWHL £M	MWDA £M
Estimated liabilities in the scheme	(15.3)	(8.8)
Estimated assets in the scheme	<u>14.4</u>	<u>6.7</u>
Net liability in the scheme	<u>(0.9)</u>	<u>(2.1)</u>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc. Assumptions have been made that the average age of membership has not risen significantly since the latest actuarial valuation.

The valuation has been prepared on a market related basis by Mercer Human Resource Consulting, the Fund actuaries.

The main assumptions used in the calculations are:-

	31/3/2006	31/3/2005
Rate of inflation	2.9%	2.9%
Rate of increase in salaries	4.2%	4.2%
Rate of increase in pensions	2.9%	2.9%
Rate of discounting scheme liabilities	4.9%	5.4%

The expected rate of return on assets are as follows:-

	31/3/2006	31/3/2005
Rate of return on equities	7.0%	7.5%
Rate of return on Government Bonds	4.3%	4.7%
Rate of return on other Bonds	4.9%	5.4%
Rate of return on Property Investments	6.0%	6.5%
Rate of return on Cash/Liquidity	4.5%	4.8%
Rate of return on Other Assets	7.0%	7.5%

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

	31/3/2006		
	MWHL £000	MWDA £000	%
Equities	8,807	4,075	61.0
Government Bonds	2,426	1,122	16.8
Other Bonds	693	321	4.8
Property	722	334	5.0
Cash/Liquidity	1,227	568	8.5
Other Assets	563	261	3.9

The movement in the net pension liability for the year to 31 March 2006 was as follows:-

	MWHL		MWDA	
	£000	£000	£000	£000
Net Pension Liability at 1 April 2005		(1,413)		(2,271)
<u>Movements in the Year</u>				
- Current Service Cost	(325)		(127)	
- Employer Contributions	136		87	
- Past Service/Curtailment Costs	282		94	
- Net Interest/Return on Assets	44		(65)	
- Actuarial Gain/(Loss)	<u>360</u>	<u>497</u>	<u>167</u>	<u>156</u>
Net Pension Liability at 31 March 2006		<u>(916)</u>		<u>(2,115)</u>

The actuarial loss can be analysed into the following categories measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2006:-

	MWHL		MWDA	
	£000	%	£000	%
Asset Gain/(Loss)	1,917	13.3 of Assts	901	13.5 of Assets
Liability Gain/(Loss)	(434)	2.8 of Liabilities	(97)	1.1 of Liabilities
Change in Assumptions	<u>(1,123)</u>	7.3 of Liabilities	<u>(637)</u>	7.2 of Liabilities
Net Gain	<u>360</u>		<u>167</u>	

6(B) LAWDC PENSION SCHEME

NET PENSION/ASSET LIABILITY

The employees of Mersey West Holdings Limited originally had the option of entrance to the LAWDC Pension Scheme instead of entrance to the Merseyside Pension Fund. That option is no longer available as entrance is closed to new employees.

The LAWDC Scheme is similar in nature to the Merseyside Pension Scheme as a defined benefit scheme. In 2005 -2006 MWHL paid into the Scheme the sum of £108k.

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

Assets & Liabilities Attributable to MWHL

	£M
Estimated liabilities in the scheme	(3.0)
Estimated assets in the scheme	<u>2.4</u>
Net liability in the scheme	<u>(0.6)</u>

Liabilities have been assessed on an actuarial basis.

CONTRIBUTIONS DISCLOSURES OUTSTANDING

The full actuarial valuations of the defined benefit schemes were updated to 31 March 2006 by a qualified Independent Actuary on a FRS 17 basis. The major assumptions at 31 March 2006 used by the Actuary were:-

	2006
Rate of increase in salaries	4.1%
Rate of increase in pensions in payment	3.1%
Discount rate	4.9%
Inflation assumption	3.1%

The LAWDC Scheme is a multi-employer and as a result it has not been possible to extract all relevant information for 30 September 2002 and 2004. The details for 31 March 2006 have been obtained and disclosed where necessary.

The assets in the schemes and the expected rates of return at 31 March 2006 were:-

	Long Term Rate of Return expected at 2006 %	Value at 2006 £000
Equities	6.7	2,235
Government Bonds	4.9	75
Corporate Bonds	4.2	111
Cash	4.5	<u>17</u>
Total Market Value of Assets		2,438
Present Value of Scheme Liabilities		2,987
Deficit in the Scheme		(549)
Related Deferred Tax Asset		165
Net Pension Liability on a FRS 17 basis		(384)

Due to significant deficit in the schemes, the Directors are due to hold discussions with the Group's Actuaries to determine the best course of action. It is likely that contributions will have to increase over the next few years to make good this deficit.

31 March 2006
£000

Movement in deficit during the period

Deficit in scheme at 1 October 2005	(480)
Operating Cost	(160)
Other Finance Costs	(2)
Actuarial Gains and Losses	(15)
Contributions Paid	<u>108</u>
Deficit in scheme at end of year	(549)

	31 March 2006 £000
<i>Analysis of the amount charged to Operating Profit</i>	
Current service cost	160

	31 March 2006 £000
<i>Analysis of the amount credited to other Finance Income</i>	
Expected return on pension scheme assets	64
Interest on pension scheme liabilities	(66)
Total other finance costs	(2)

	31 March 2006 £000
<i>Analysis of amounts recognised in Statement of Total Recognised Gains and Losses</i>	
Actual return less expected return on pension scheme asset	201
Experience losses arising on the scheme liabilities	13
Changes in assumptions underlying the present value of the scheme liabilities	(229)
Actuarial loss recognised in statement of total recognised gains and losses	(15)

	31 March 2006 £000
<i>History of experience gains and losses</i>	
Difference between the expected and actual return on scheme assets amount £000	201
Percentage of scheme assets	8.23%
Total amount recognised in statement of total recognised gains and losses : amount £000	(15)
Percentage of the present value of the scheme liabilities	(0.51%)

7. RECONCILIATION BETWEEN NET(SURPLUS)/DEFICIT ON GROUP INCOME AND EXPENDITURE ACCOUNT TO THE REVENUE ACTIVITIES NET CASH FLOW

	2005-2006		2004-2005
	£000	£000	£000
Net (Surplus)/Deficit for Year		(4,890)	(3,934)
Adjustments for:-			
(i) Dividends		0	20
(ii) Taxation		(596)	(296)
(iii) Servicing of Finance Items			
- Interest Paid	(1,176)		(1,014)
- Interest Received	<u>555</u>	(621)	275
(iv) Landfill Allowances		548	0
(v) Non-Cash			
- Depreciation	(600)		(458)
- MRP 'Top up'	<u>(247)</u>	(847)	(309)
(vi) Movement in			
- Tfr to Earmarked Reserves	(1,545)		0
- Debtors	4,991		6,738
- Creditors	6,609		1,547
- Deferred Liabilities	<u>215</u>	<u>10,270</u>	<u>215</u>
Revenue Activities Net Cash Flow		<u>3,864</u>	<u>2,784</u>

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 its financial statements through:

- (i) recognising;
- (ii) selecting measurement bases for; and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

ACCRUALS

The concept that income and expenditure are recognised as they are 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 last valuation (experience gains and losses) ; or
- (ii) the actuarial assumptions have changed.

ASSET MANAGEMENT REVENUE ACCOUNT

In accordance with the revised system of capital accounting, the revenue accounts of the Authority are now charged with capital charges for all fixed assets used in the delivery of services. In order that these charges do not impact upon the level of the Authority Levy, they are "reversed out" of the Consolidated Revenue Account, by way of a credit to the Asset Management Revenue Account. This account matches the credit for the reversal of capital charges with capital financing costs in the form of depreciation and external interest payable.

BALANCES AND RESERVES

These represent the accumulated 'free' monies of the Authority. Reserves are often earmarked for specific purposes, but generally may be raised to finance future capital expenditure, replacement or renewals, or a major event to be sponsored by the Authority.

CAPITAL CHARGE

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING ACCOUNT

The introduction of a new system of capital accounting from 1 April 1994 required the establishment of this new reserve account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

CAPITAL RECEIPTS

The proceeds from the sale of capital assets which, subject to various limitations can be used to finance Capital Expenditure or to repay leasing charges or outstanding debt on assets originally financed through loan.

CONTINGENT LIABILITY

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which Authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

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

- (i) termination of employees services earlier than expected, for example as a result of closing or discontinuing a business unit ; 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 CHARGES

These represent capitalizable items of expenditure where no tangible asset exists but where the cost is to be amortised to revenue over an appropriate period.

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 benefit 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 economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

DISCONTINUED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued when the activities related to the operation have ceased permanently and the termination has a material effect on the nature and focus of the Authority's operations and represents a material reduction in its provision of services.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers.

EMOLUMENTS

All sums paid to or receivable by an employee and sums due by way of expenses/ allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

EXPECTED RATE OF RETURN ON PENSIONS 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.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FIXED ASSETS

Tangible assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

FIXED ASSET RESTATEMENT ACCOUNT

A reserve required following the introduction of a new capital accounting regime from 1 April 1994, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

GOVERNMENT GRANTS

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTEREST COST (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.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, Authorities (other than Town, Parish and Community Councils and District Councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

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-DISTRIBUTED COSTS

Overheads for which no user now benefits and that are not apportioned to services.

NON-OPERATIONAL ASSETS

Fixed assets held by an Authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

A lease other than a finance lease. This is a method of financing assets which allows the Authority to use, but not own an asset. A third party purchases the asset on behalf of the Authority, who then pay the lessor an annual rental over the life of the asset. Expenditure financed by operating leasing does not count against capital allocations.

OPERATIONAL ASSETS

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

PAST SERVICE COST

For a defined benefit scheme, the increase 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 introduction of, or improvements to, retirement benefits.

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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. 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. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PROVISIONS

These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.

PROVISION FOR CREDIT LIABILITIES

This represents the sums set aside for the repayment of debt established under the Local Government and Housing Act 1989 and includes amounts set aside from revenue, the minimum revenue provision and the required portion of capital receipts. It may be used for the repayment of loans or leasing agreements, or for Capital Expenditure where credit approvals exist. This account is included as a memorandum as it has, to a certain extent, been superseded by the Capital Financing Reserve with effect from 1 April 1994.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:-

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Authority include:-

- (i) central government;
- (ii) local authorities and other bodies precepting or levying demands on the Council Tax;
- (iii) its subsidiary and associated companies;
- (iv) its joint ventures and joint venture partners;

- (v) its members;
- (vi) its chief officers; and
- (vii) its pension fund.

Examples of related parties of a pension fund include its:-

- (i) administering authority and its related parties;
- (ii) scheduled bodies and their related parties; and
- (iii) trustees and advisers.

For individuals identified as related parties, the following are also presumed to be related parties:-

- (i) members of the close family, or the same household; and
- (ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:-

- (i) the purchase, sale, lease, rental or hire of assets between related parties;
- (ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (iv) the provision of services to a related party, including the provision of pension fund administration services;
- (v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

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

This is money spent on the day to day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect 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.