

**STATEMENT OF ACCOUNTS  
2013 - 14**



**MERSEYSIDE RECYCLING & WASTE AUTHORITY**

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

*\* MRWA is the public facing name for Merseyside Waste Disposal Authority which is a Statutory Joint Waste Disposal Authority under the local Government Act 1985*

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## Chairperson's Introduction

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

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

The 2013-14 financial year has been a challenging but successful year for the Authority. The Resource Recovery Contract (RRC) procurement was concluded just before Christmas 2013. The Contract closure was achieved despite a late legal challenge from one of the participants, which was resolved very quickly. The contract was signed and at the time was expected to achieve savings for the Authority and Merseyside of over £100M. Since then the Government has announced that the Landfill Tax rate will continue to increase annually, which means the mitigating effects of savings over the life of the RRC will be significantly larger than the initial headlines had suggested.

The conclusion of the RRC has also enabled the Authority to release the Sinking Fund which had been set aside to mitigate potential future levy rises. The Sinking Fund has been released into the Waste Development Fund, and via a Memorandum of Understanding with constituent District Councils was released to the Councils in the new financial year. The Authority has also continued to deliver on its priorities, with a successful Community Fund programme supporting waste minimisation initiatives, the development and opening of a new Household Waste Recycling Centre in St Helens being some of the highlights. During the year the Authority has continued to utilise interim contracts for disposal of some of its waste with third party suppliers to take advantage of short to medium term savings opportunities before the RRC comes on line. These contracts will keep costs down while helping the Authority to avoid landfilling.

Effective financial management has been key to ensuring the Authority is able to maintain its balances to offset future financial pressures. The Authority has planned to use its balances to offset cost pressures that would otherwise impact on the Levy for Districts. At the same time the Authority has continued to review all its costs and has been able to minimise the immediate impact of the Levy on District Councils for another year. This has included actions to reduce overall staffing by over 15% by the end of the next year. The Authority continues to minimise the cost of the Levy to the people of Merseyside while providing more environmentally beneficial ways of dealing with residual waste. The Authority aims to continue to be an efficient and low spending organisation and this will be sustained through a sound financial function.

Chair to the Authority

Date

## Explanatory Foreword

The Statement of Accounts is a statutory publication that sets out the financial results of the Recycling and Waste Authority's (the Authority) activities for the year ended 31<sup>st</sup> March 2014. The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 for the 2013-14 accounts and any other Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Authority's accounts for the year 2013-14 are set out on pages 3 to 110 and in addition to this foreword they consist of:

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

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

- **Notes to the Core Financial Statements**; which provide further explanation and information to support the principal financial statements;
- **The Group Accounts**, which comprise the consolidated accounts of the Authority and its interests in subsidiaries and associate companies; and
- **The Statement of Accounting Policies**, which explains the basis for the recognition, measurement and disclosure of transactions in the accounts. This statement underpins the basis for the preparation of the financial statements but thereafter is largely a reference point

**Accounting issues**

The Code makes no very significant changes to the way financial figures are presented and reported that were introduced in 2012-13. The Code continues to be in line with the IFRS framework. For 2013-14 the Authority has reviewed historic information about fixed asset accounting, this has led to a number of technical accounts and balances being restated. As a consequence a prior period adjustment has been made, and an opening balance sheet from the comparative period is included in the accounts as required by the Code. There is no material impact on the Authority's usable reserves or financial position arising from the restatement.

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

**Financial position of the Authority**

The Authority's expenditure falls into two broad areas:

- revenue expenditure which is concerned with the provision of Authority services in the year; and
- capital expenditure which reflects the Authority's acquisition of and improvements to fixed assets.

The Authority also sets aside sums to recognise both expected future expenditure (provisions) and to reflect the need for a reserve in the event of unplanned future expenditure. The next sections summarise the Authority's financial position.

**Revenue expenditure**

The Authority set a revenue budget for the year 2013-14 in February 2013. The budget was based on the assumptions about costs the Authority faced at the time, these assumptions remained largely accurate. The Authority's actual expenditure compared to the original estimate is set out below and the surplus for the year was £0.25M

	Original estimate	Actual	Variance
	£000	£000	£000
Waste management contracts	54,084	50,307	3,777
Recycling credits	6,221	5,500	721
Other expenditure	4,540	7,925	(3,385)
Establishment	2,213	2,111	102
Contribution from Reserves	(1,467)	(252)	(1,215)
	65,591	65,591	0
Levy	(65,591)	(65,591)	0

## STATEMENT OF ACCOUNTS 2013-14

The net improvement of £1.22m contains a number of significant items:

- There were savings across the board, although the costs of providing for planned voluntary redundancies has had an offsetting effect on employee related costs
- The amounts spent by the Authority on contract payments including landfill tax was reduced as a result on the two interim contracts which reduced the costs to the Authority by diverting waste from landfill.
- The recycling credits were less expensive than expected, which offset the higher than expected costs in the previous year
- Establishment costs were kept in check by managing vacancies and by ensuring that savings were made on controllable expenditure.
- Technical accounting adjustments largely arising from the prior period adjustment (see Note 6 to the SoA)

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

2012-13			2013-14	
£000s	%		£000s	%
		<b>Gross expenditure</b>		
1,583	2.4	Employee and establishment costs	1,698	2.6
24,389	37.6	Waste disposal contracts	32,372	49.7
25,864	39.8	Landfill tax	19,413	29.8
5,396	8.3	Recycling credit payments	5,500	8.4
7,700	11.9	Other costs	6,144	9.4
<u>64,932</u>	<u>100.0</u>		<u>65,127</u>	<u>100.0</u>
		<b>Gross income</b>		
(65,458)		Levy	(65,591)	
<u>(4,007)</u>		Other income	<u>(2,773)</u>	
<u>(4,533)</u>		<b>Contribution (to)/from balances</b>	<u>(3,237)</u>	

### Funds, balances and reserves

The Authority recognised the likely impact of the spending position on its ability to make contributions to its funds and reserves in January 2014 when the budget for 2013-14 was revised. The outturn is just over £2.M lower than expected at revised estimate allowing for additional contributions to the balances to be made

Analysis of funds, balances and reserves

	Opening balance £000s	Additions in year £000s	Deductions in year £000s	Closing balance £000s
General Fund	(19,909)	(3,237)	3,597	(19,549)
Sinking Fund	(28,939)	0	28,939	0
Waste development Fund	0	(28,939)	0	(28,939)
Earmarked Reserves	0	(3,526)	3,526	0
Capital Fund	(4,674)	0	417	(4,257)
Capital Receipts	(733)	0	733	0
<b>Total</b>	<b>(54,255)</b>	<b>(35,702)</b>	<b>37,212</b>	<b>(52,745)</b>

The General Fund is a fund set aside to provide for unexpected and unplanned events. The fund is at its current levels because of the level of need to utilise it over the medium term to mitigate the impact of the Levy on District Councils before the new Resource Recovery Contract becomes operational.

The Sinking Fund is a fund that was established to enable the Authority to recognise and smooth the effect of anticipated significant increases in the costs it faces in the medium term. This fund is no longer required for that purpose and so has been released into a Waste Development Fund to contribute to meeting the objectives of the Joint Waste Strategy with the District Councils.

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

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

Capital spending in 2013-14

2012-13 £000s	2013-14 £000s
<b>Expenditure</b>	
387 HWRC replacements	1,011
152 Closed landfill and facilities costs	107
205 Other costs	32
<b>744</b>	<b>1,150</b>
Funded by:	
Capital Fund	(417)
(744) Capital receipts	(733)
<b>(744) Capital receipts</b>	<b>(1,150)</b>

The significant asset development during the year was a new HWRC in St Helens, which allowed a smaller site at Rainford to be closed. A further HWRC site is planned to be developed in Liverpool during 2014-15.

### **Borrowing**

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

The Prudential Code, which was fully revised in 2009 and amended in 2011, enables the Authority to borrow to fund capital projects, providing it stays within the affordability and other prudential limits that it sets. The Authority set the limits for 2013-14 in February 2013 and these are regularly reviewed prior to undertaking capital expenditure, ensuring that the spending remains within the prudential framework. For 2013-14 capital spending has been funded from sums set aside in a Capital Receipts from asset sales and from the Authority's Capital fund so no additional prudential borrowing was required. In the future the costs of PWLB borrowing will increase and so any further loans are more likely to be at market rates.

### **Contractual commitments**

In June 2009 the Authority commenced a contract with Veolia for the provision of Waste Management and Recycling facilities across Merseyside. This is a long term contract that will run until 31st May 2020. The Authority is committed to making payments in 2014-15 to Veolia under the Waste Management and Recycling contract which are estimated to be £20.1M. The exact amount of the payment depends on the tonnages and the amount of waste that is handled by Veolia. The Authority also uses long term landfill contracts to dispose of waste, the estimated cost of these contracts in 2013-14 is £5.2M, which attracts landfill tax of £24.0M. These are lower than in previous years due to the short term interim contracts with third party suppliers for landfill diversion of some of the Authority's waste. The landfill contracts will be significantly smaller after 2016-17 when a new disposal contract is expected to be in place.

### **Prior Period Adjustments**

There are a number of significant prior period adjustments. These arise from a detailed review of fixed asset accounting and the creation of provision in respect of closed landfill sites. The provision at 1 April 2012 is for £11,305K and that amount will be written down each year to reflect the actual costs of maintaining the landfill sites. This very large provision has no impact on the Authority's financial performance and usable balances as it is offset by an equal and opposite entry in the Authority's technical accounting entries as a part of the Capital Adjustment Account (CAA). The subsequent annual entries to write down the provision are also reflected in equal and opposite entries writing down the CAA. The overall effect is to increase the provisions held on the balance sheet, matched off by an increase in the technical CAA, both sides of which are written down slowly as the landfill sites are managed over time. There is no direct impact on the Authority's financial performance or the balances available for use and these are in detailed in Note: 6 of the accounts



**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
- ensure that one of its officers has the responsibility for the administration of those affairs.
  
- to approve the Statement of Accounts.

**The Director of Finance's responsibilities**

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance has also:

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

**Certificate**

I certify that this Statement of Accounts presents a true and fair view of the financial position of Merseyside Recycling and Waste Authority (the statutory Waste Disposal Authority for Merseyside) at 31 March 2014 and its income and expenditure for the year then ended.

In doing so I authorise the Statement for issue and confirm that it is this date up to which events after the Balance Sheet date have been considered in preparing the Statement.

Peter Williams  
Treasurer to the Authority

Date

**Authority Approval of Statement of Accounts**

These accounts were approved by resolution of the Authority/Committee on \_\_\_\_\_.

Chairperson:

Date

ANNUAL GOVERNANCE STATEMENT 2013/2014

**Scope of Responsibility**

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

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

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

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

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

### **The Purpose of the Governance Framework**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

### **The governance framework**

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

- there is an established Performance Management Framework underpinned by a three year Corporate Plan which reflects current corporate strategies, risks and priorities;
- the current Corporate Plan was approved by Members on 29th November 2013 and has a mission statement, 'to improve people's quality of life by ensuring that waste is sustainably managed to bring about the best combination of environmental, economic and social benefits.' The plan is delivered through the development of Annual Service Plans and supported by contractual service level agreements;
- performance against the Corporate Plan is published on a quarterly basis and reviewed by the Authority's Members;
- there is a Joint Recycling and Waste Management Strategy for Merseyside in place which has been approved by all partner organisations and supports the procurement of major waste contracts, most notably the Resource Recovery Contract;
- there is a Risk Management Strategy in place which provides the Authority with a framework to identify and analyse the risks associated with its activities and ultimately supports the Authority in planning for and delivering its Corporate Plan.

- roles and responsibilities of Members and the Scheme of Delegation are reviewed and approved annually. The Authority's scrutiny function is delivered by the full Authority and communication protocols are in place;
- Codes of Conduct are in place of officers and Members, both of which include a Register of Interest;
- a comprehensive set of Procedural Rules which define the Authority's constitution and its internal control mechanisms are in place and are reviewed regularly;
- the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010);
- audit functions are delivered through the full Authority with specific powers delegated to the Audit and Governance Committee;
- internal audit is provided by St Helens Council under a service level agreement and operates to Internal Auditing Standards as laid down by CIPFA;
- procedures and processes are in place to ensure that the Authority conducts its business in compliance with its legal obligations, including specialist advice where necessary;
- there is a Whistleblowing Policy and a Comments and Complaints Procedure to assist in the transparency of the Authority's business
- training and development for Members and officers is delivered through the Member Training and Development Plan, the Staff Development Scheme and a Corporate Training Programme
- the Authority has a Communications Strategy to deliver clear channels of communication with stakeholders and consultation processes are undertaken as necessary. This strategy is under review to ensure it remains fit for purpose and a revised strategy will be produced for 2014/15;
- Inter Authority Agreements are being reviewed and where appropriate, put in place to ensure effective partnership and joint working arrangements; and
- Internal Control Statements of Assurance are obtained from the Chief Executive as Chief Officer for Authority, from St Helens MBC which provides key services and from the board of Mersey Waste Holdings Limited in which the Authority has a vested interest

### Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority, namely the Primary Assurance Group, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

The Primary Assurance Group has reviewed the Authority's Code of Corporate Governance and conducted an annual assessment to identify and address any weaknesses in the Authority's governance arrangements. An action plan for delivering improvements has been developed and will be implemented during 2014/15 to continue to strengthen and improve the Authority's governance.

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

**Significant Governance Issues**

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

**Other Governance issues**

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

- Communications Strategy – the Authority is currently reviewing its Communication Strategy to strengthen both internal and external forms of communication to ensure that the Authority's vision and its intended outcome for the community is understood and implemented. This work is due to be completed in 2014/15.
  
- Review of Governance Arrangements and Constitution - existing Procedural Rules and Scheme of Delegation will be reviewed to ensure they are up to date and fit for purpose.

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

**Signed:**

Chief Executive

Chair

September 2014

September 2014

STATEMENT OF ACCOUNTS 2013-14

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Notes	Restated 2012/13		2013/14		
		£000	£000	£000	£000	
		Expenditure	Income	Expenditure	Income	Net
Environment and regulatory services		73,359	(7,055)	71,784	(8,004)	63,780
Corporate and democratic core		265		273	0	273
Non distributed costs		91		109	0	109
<b>Surplus/Deficit on Continuing Operations</b>		<b>73,715</b>	<b>(7,055)</b>	<b>72,166</b>	<b>(8,004)</b>	<b>64,162</b>
Other Operating Expenditure - loss on disposal of non-current asset		358				0
Financing and Investment Income and Expenditure	9	4,412	(2,447)	2,209	(450)	1,759
Levy and Non-Specific Grant Income						(65,591)
<b>(Surplus) or Deficit on Provision of Services</b>						<b>330</b>
Surplus or deficit on revaluation of non current assets	10					0
Impairment losses on non-current assets charged to the Revaluation Reserve	10a					
Remeasurements of the net defined benefit liability (asset)	32					
<b>Other Comprehensive Income and Expenditure</b>						<b>(846)</b>
<b>Total Comprehensive Income and Expenditure</b>						<b>(846)</b>
						<b>(516)</b>

# STATEMENT OF ACCOUNTS 2013-14

## BALANCE SHEET

Restated at 1st April 2012	Restated 31st March 2013		Notes	31st March 2014
£000	£000			£000
37,318	35,801	Property, Plant & Equipment	10	35,813
1,835	0	Investment Property	11	0
5,138	5,138	Long Term Investments		5,138
232	0	Long Term Debtors	15	0
<b>44,523</b>	<b>40,939</b>	<b>Long Term Assets</b>		<b>40,951</b>
0	0	Inventories	14	21
1,985	1,250	Short Term Debtors	15	1,645
53,342	54,011	Cash and Cash Equivalents	16	50,385
<b>55,327</b>	<b>55,261</b>	<b>Current Assets</b>		<b>52,051</b>
(143)	0	Short Term Borrowing	12	(3,000)
(14,043)	(12,650)	Short Term Creditors	17	(11,126)
(941)	(961)	Short Term Lease		(961)
0	0	Provisions	18	(167)
0	0	Grants receipts in advance	26	(5)
<b>(15,127)</b>	<b>(13,611)</b>	<b>Current Liabilities</b>		<b>(15,259)</b>
0	0	Long Term Creditors	17	0
(20,696)	(18,879)	Provisions	18	(18,636)
0	0	Grants receipts in advance	26	0
(20,472)	(20,473)	Long Term Borrowing	12	(17,330)
(22,600)	(21,319)	Other Long Term Liabilities	35	(19,343)
<b>(63,768)</b>	<b>(60,671)</b>	<b>Long Term Liabilities</b>		<b>(55,309)</b>
<b>20,955</b>	<b>21,918</b>	<b>Net Assets</b>		<b>22,434</b>
50,560	54,240	Usable reserves	MIRS	52,745
(29,605)	(32,322)	Unusable Reserves	19	(30,311)
<b>20,955</b>	<b>21,918</b>	<b>Total Reserves</b>		<b>22,434</b>

### Certificate of Treasurer

I confirm that these accounts present fairly the position of Merseyside Recycling and Waste Authority (the statutory Waste Disposal Authority for Merseyside) as at 30<sup>th</sup> September 2014 and are Authorised for Issue as at that date.

Peter Williams, CPFA  
Treasurer to the Authority

Date



## CASH FLOW STATEMENT

2012/13 £000		Notes	2013/14 £000
(3,525)	<b>Net surplus or (deficit) on the provision of services</b>		(330)
8,957	Adjustment to surplus or deficit on the provision of services for noncash movements	20	(761)
(3,442)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20	1,738
<hr/> 1,990	<b>Net cash flows from operating activities</b>	20	<hr/> 647
(2,503)	<b>Net Cash flows from Investing Activities</b>	21	(1,392)
1,182	<b>Net Cash flows from Financing Activities</b>	22	(2,881)
669	<b>Net increase or decrease in cash and cash equivalents</b>		(3,626)
53,342	Cash and cash equivalents at the beginning of the reporting period		54,011
<hr/> <u>54,011</u>	<b>Cash and cash equivalents at the end of the reporting period</b>		<hr/> <u>50,385</u>

**STATEMENT OF ACCOUNTS 2013-14**

**MOVEMENT IN RESERVES STATEMENT**

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

	General Fund Balance	£000	General Fund Reserves	£000	Earmarked Reserves	£000	Capital Receipts Reserve	£000	Total Usable Reserves	£000	Total Unusable Reserves	£000	Total Authority Reserves	£000
<b>Movement in Reserves 2012/13</b>														
<b>Balance as at 1 April 2012</b>	(18,947)		(31,613)		0		(50,560)		29,605				(20,955)	
<b>Movement in reserves during the year</b>														
Surplus or (deficit) on the provision of services	3,525						3,525						3,525	
Other Comprehensive Income and Expenditure	0						0						(4,488)	
<b>Total Comprehensive Income and Expenditure</b>	<b>3,525</b>		<b>0</b>		<b>0</b>		<b>3,525</b>		<b>(4,488)</b>				<b>(963)</b>	
Adjustments between accounting basis & funding basis under regulations (Note 7)	(6,471)						(734)		(7,205)				7,205	
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,946)</b>		<b>0</b>		<b>(734)</b>		<b>(3,680)</b>		<b>2,717</b>				<b>(963)</b>	
Transfers to or from earmarked reserves	2,000		(2,000)		0		0		0				0	
<b>Increase/Decrease in Year</b>	<b>(946)</b>		<b>(2,000)</b>		<b>(734)</b>		<b>(3,680)</b>		<b>2,717</b>				<b>(963)</b>	
<b>Balance as at 31 March 2013</b>	<b>(19,893)</b>		<b>(33,613)</b>		<b>(734)</b>		<b>(54,240)</b>		<b>32,322</b>				<b>(21,918)</b>	

STATEMENT OF ACCOUNTS 2013-14

Movement in Reserves 2013/14	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
<b>Balance as At 1 April 2013</b>	(19,893)	(33,613)	(734)	(54,240)	32,322	(21,918)
<b>Movement in reserves during the year</b>						
Surplus or (deficit) on provision of services	330			330		330
Other Comprehensive Income and Expenditure			0	0	(846)	(846)
<b>Total Comprehensive Income and Expenditure</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>330</b>	<b>(846)</b>	<b>(516)</b>
Adjustments between accounting basis & funding basis under regulations	431		734	1,165	(1,165)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>761</b>	<b>0</b>	<b>734</b>	<b>1,495</b>	<b>(2,011)</b>	<b>(516)</b>
Transfers to or from earmarked reserves	(416)	416		0		0
<b>Increase/Decrease in Year</b>	<b>345</b>	<b>416</b>	<b>734</b>	<b>1,495</b>	<b>(2,011)</b>	<b>(516)</b>
<b>Balance Sheet As At 31 March 2014</b>	<b>(19,548)</b>	<b>(33,197)</b>	<b>0</b>	<b>(52,745)</b>	<b>30,311</b>	<b>(22,434)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code), the Authority is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The only change in accounting standards issued but not yet adopted which will potentially impact upon the 2013/14 accounts is the Code's adoption of IFRS 13 *Fair Value Measurement*. This introduces a requirement for the concept of fair value measurement to be applied to all assets and liabilities which use fair value as a measurement basis. The new measurement basis requires assets and liabilities to be valued at the best possible value.

Under the Code this includes all financial instruments and non-current assets and liabilities. Of these only non-current assets (i.e. property, plant and equipment) do not currently use fair value as defined under the Code's adaptation of IFRS 13, instead non-current assets are valued at existing use value. However the changes will not impact upon the 2013/14 accounts, because the change is being applied prospectively from 1 April 2015.

## 2. Critical Judgements in Applying Accounting Policies

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

- (a) Influences on going concern, such as future funding levels and long term contracts.
- (b) The Authority has control over the following two companies:
  - i. Mersey Waste Holdings Ltd through 100% shareholding; and
  - ii. Bidston Methane Ltd through a joint venture

The Authority's interests in these two companies are reflected in the Authority's Group Accounts at pages 93 to 110 of the Statement of Accounts.

(c) The Authority is deemed to control the services and the residual value of assets created under the Waste Management and Recycling Contract with Veolia and the Refuse Recycling Contract with Sita Sembcorp UK. The accounting policies for service concession arrangements (formerly known as PFI schemes and similar contracts) have been applied to these contracts and assets (valued at £16.3m) recognised as Property Plant and Equipment on the Authority's balance sheet.

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

(e) The Authority has a 50% stake in Bidston Methane Ltd. Currently the company is running at a loss and the Authority's share of the loss is £251,000 as at 31 March 2014. The Authority has given a commitment to continue to support the company financially, hence it remains valued as a going concern. The Authority has recognised a contingent liability at Note 33 for the Authority's share of the potential loss.

(f) The Authority provides for future costs associated with closed landfill sites. The provision reflects the authority's statutory obligation to monitor closed landfill sites. The value of the provision is based on the anticipated expenditure which will be incurred over the statutory monitoring period for each site in accordance with guidance issued by the Environment Agency.

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

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

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the way the asset is used and the amount of repairs and maintenance required.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
	In restating the asset register, in the absence of records distinguishing the value of buildings from land for individual assets, the Authority has used the March 2010 asset valuation to estimate the value of land and buildings held prior to 1 April 2009.	If the estimated value of land is understated, the depreciation charges in subsequent years will be overstated and vice versa.
Provisions (Legal Costs)	The Authority has made provision for the legal costs that may arise in action being taken against the Authority and Mersey Waste Holdings Ltd.	The Authority's provision for legal costs is unlikely to be incorrect as the legal case against MWHL has been settled and the amount of the claim is certain. The uncertainty is around timing, as MWHL have not yet indicated when they require the settlement to be made.
Provisions (Closed Landfill Costs)	The Authority has made provision for the anticipated expenditure costs of monitoring the closed landfill sites. This is based on the pattern of expenditure in the previous 6 years. Future costs may vary and the provision will be revisited at each subsequent balance sheet date.	The provision does not impact on the usable reserve balances. Therefore there is no effect on the authority's usable reserves if the assumptions made are incorrect.

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Authority has engaged Mercer Ltd as its consulting actuaries to provide expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £1.1m.</p>
Accruals of waste contract payments	<p>The final waste data flows and settlements of the year-end costs incurred by the Authority is not completed until the end of September each year. Estimates are made of both the waste data flows and the final amounts in settlement of the costs payable by the Authority at the year-end.</p>	<p>If the waste data flow information is significantly different from that expected then the waste contract payments and the landfill tax payments will be affected. However, the impact of this final settlement is not expected to be significant as the Authority uses its own waste data in arriving at the estimates, those figures are the ones that are verified in September and the Authority's experience is that there have not been significant changes in recent years.</p>
Gilmoor Materials Recycling Facility	<p>The WMRC contract payment is not separated for the cost of the finance lease under IFRIC 4 for the Gilmoor MRF</p>	<p>An estimate of the amount payable over the life of the contract for the finance lease element of the Gilmoor MRF has been made. This is based on the value of the asset and the estimated life of the asset in the contract.</p>
Leasing discount rate	<p>The real discount rate for lease costs is not separated clearly within leases and the Gilmoor MRF lease</p>	<p>The estimated discount rate has been used to arrive at the net present value of future lease payments based on the Treasury discount rate and RPIX</p>

#### 4. Material Items of Income and Expense

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

##### *Comprehensive Income and Expenditure Statement*

Description	2012/13 £000s	2013/14 £000s
Waste Management & Recycling contract payments	16,144	12,774
Landfill contract payments	6,620	6,636
Landfill tax payments	25,763	20,796
FCC Interim Contract	0	3,920
Greater Manchester Interim Contract	0	5,578
	<b>48,527</b>	<b>49,704</b>

#### 5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 20 June 2014.

Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

An event was finalised after the balance sheet date which has a material impact on the reader's understanding of the statement of accounts. On 10<sup>th</sup> April 2014, in accordance with the Authority decision agreed at the budget meeting on 31 January 2014, the balance of £28.9M on the newly established Waste Development Fund was transferred in full to the Constituent District Councils under the terms of the Memorandum of Understanding signed by all parties. This leaves this Authority with a significantly lower level of reserves.



## 6. Prior Period Adjustment

A review of the Authority's accounting arrangements in 2013/14 identified a number of adjustments relating to previous years:

- (i) a review of the Authority's fixed asset registers and capital accounting identified a number of accounting adjustments impacting on depreciation, impairment and revaluation gains;
- (ii) the loss on the disposal of an asset had not been written out of the General Fund balance in 2012/13;
- (iii) the principal element of the unitary payment for the Gillmoss Material Recycling Facility acquired under the Waste Management and Recycling Contract with Veolia for 2011/12 had been charged to 2012/13 and the 2012/13 element had been charged to 2011/12, and the charge to the Cost of Services in 2011/12 and 2012/13 had not been reduced by the principal element which was also included in the Authority's minimum revenue provision;
- (iv) cash held by St Helens MDC on behalf of the Authority has been re-classified from short-term debtors to cash and cash equivalents.
- (v) Management determined that in accordance with IAS37 a provision should be created to reflect the authority's statutory obligations in respect of monitoring closed landfill sites.

The 1 April 2012 and 31 March 2013 balance sheets and the 2012/13 comparative figures have been restated in the 2013/14 Statement of Accounts to reflect the corrected accounting entries.

The effects of the restatement are as follows:

- (i) the net book value of property, plant and equipment is restated upwards by £1.955m (a reduction in gross book value of £0.999m and a reduction in accumulated depreciation £2.954m)
- (ii) a £0.989m reduction in the balance on the Revaluation Reserve
- (iii) the balance on the Capital Adjustment Account is increased by £8.387m
- (iv) a £0.582m increase in the General Fund balance
- (v) short term debtors
- (vi) Provisions increase by £11.305m.

The fully restated Balance Sheet is provided on page 16. The adjustments that have been made to that Balance Sheet over the version published in the 2012/13 Statement of Accounts are as follows:

# STATEMENT OF ACCOUNTS 2013-14

## Effect on Opening Balance Sheet at 1 April 2012

	Opening balance at 1 April 2012	Correction required to opening balances in respect of PPE and Cash accounting at 1 April 2012	Correction required to opening balances in respect of provision for closed landfill costs at 1 April 2012	Restated opening balances as at 1 April 2012
	£000	£000	£000	£000
Property, Plant and Equipment	35,363	1,955	0	37,318
<b>Long-term assets</b>	<b>42,568</b>	<b>1,955</b>	<b>0</b>	<b>44,523</b>
Short-term debtors	55,326	(53,341)	0	1,985
Cash and cash equivalents	1	53,341	0	53,342
Provisions	(9,391)	0	(11,305)	(20,696)
Other Long Term Liabilities	(22,600)	0	0	(22,600)
<b>Long Term Liabilities</b>	<b>(52,463)</b>	<b>0</b>	<b>(11,305)</b>	<b>(63,768)</b>
<b>Total net assets</b>	<b>30,305</b>	<b>1,955</b>	<b>(11,305)</b>	<b>20,955</b>
General Fund	(18,365)	(582)	0	(18,947)
Revaluation Reserve	(3,118)	989	0	(2,150)
Capital Adjustment Account	19,682	(2,918)	11,305	28,069
<b>Total Reserves</b>	<b>(30,305)</b>	<b>(1,955)</b>	<b>11,305</b>	<b>(20,955)</b>

As a result of the restatement of asset values in previous years, the impact for 2012/13 was:

- (i) an increase in the revaluation gain of £2.431m to the restated value of property, plant and equipment arising from the March 2013 revaluation exercise
- (ii) depreciation and impairment charges to the CIES increased by £2.370m
- (iii) accumulated depreciation written out to the capital adjustment account of £1.508m resulting from the March 2013 revaluation
- (iv) a £4.717m increase in accumulated impairment charges written out to the capital adjustment account.

In addition:

- (i) the £358k loss on disposal of the Huyton New Technology Demonstrator reported in the CIES in 2012/13 was not then transferred to the CAA via the MiRS as required by the Code. The MiRS has been restated accordingly; and
- (ii) the charge to the Cost of Services for the unitary payment to Veolia for the Waste Management and Recycling Contract had not been reduced by the principal of £961k used to write down the other long-term liability. Correction increases the General Fund balance and reduces the Other Long-Term Liability.
- (iii) expenditure of £283k pertaining to the monitoring of the closed landfill sites was funded from the reserve created at 1st April 2012. There is a corresponding increase in the MRP.

## STATEMENT OF ACCOUNTS 2013-14

The resulting restated Comprehensive Income and Expenditure Statement and Movement in Reserves Statement for 2012/13 are provided on pages 14 and 17 respectively. The adjustments that have been made to those Statements over the version published in the 2012/13 Statement of Accounts are as follows:

### Effect on Comprehensive Income and Expenditure Statement 2012/13

	As previously stated 2012/13		Correction required to 2012/13	Restated 2012/13	
	Gross expenditure £000	Net Expenditure £000	£000	Gross expenditure £000	Net Expenditure
Environment and regulatory services	72,233	65,178	1,126	73,359	66,304
<b>Surplus/Deficit on Continuing Operations</b>	<b>72,589</b>	<b>65,534</b>	<b>1,126</b>	<b>73,715</b>	<b>66,660</b>
Loss on disposal of asset	0	0	358	358	358
Financing and Investment Income and Expenditure	4,291	1,824	141	4,432	1,965
<b>Surplus/(Deficit) on the Provision of Services</b>		<b>1,900</b>	<b>1,625</b>		<b>3,525</b>
<b>Total Comprehensive Income and</b>		<b>(2,588)</b>	<b>1,625</b>		<b>(963)</b>

### Effect on Movement in Reserves Statement - Usable Reserves

	As previously stated 2012/13	Correction required to 2012/13	Restated 2012/13
	£000	£000	£000
Balance at 31 March 2012	(50,560)	0	(50,560)
<b>Surplus/Deficit on the Provision of Services</b>	<b>1,900</b>	<b>1,625</b>	<b>3,525</b>
	(5,668)	(1,537)	(7,205)
Adjustments between accounting basis and funding basis under regulations			
Transfers to/from earmarked reserves	0	0	0
<b>Increase/(Decrease) in the year</b>	<b>(3,769)</b>	<b>88</b>	<b>(3,681)</b>
<b>Balance at 31 March 2013</b>	<b>(54,328)</b>	<b>0</b>	<b>(54,241)</b>

### Effect on Movement in Reserves Statement - Unusable Reserves

## STATEMENT OF ACCOUNTS 2013-14

	As previously stated 2012/13 £000	Correction required to 2012/13 £000	Restated 2012/13 £000
Balance at 31 March 2012	29,605		29,605
<b>Surplus/Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other Comprehensive Income and Expenditure	(4,488)	0	(4,488)
Adjustments between accounting basis and funding basis under regulations	5,668	1,537	7,205
<b>Increase/(Decrease) in the year</b>	<b>1,180</b>	<b>1,537</b>	<b>2,717</b>
<b>Balance at 31 March 2013</b>	<b>30,785</b>	<b>1,537</b>	<b>32,322</b>

The resulting restated Balance Sheet at 31 March 2013 is provided on page 15. The adjustments that have been made to that Balance Sheet over the version published in the 2012/13 Statement of Accounts are as follows:

STATEMENT OF ACCOUNTS 2013-14

Effect on Balance Sheet at 31 March 2013

	Closing balance at 31 March 2013	required to opening balances in respect of PPE and Cash accounting at 31 March 2013	Correction required to opening balances in respect of provision for closed landfill costs at 31 March 2013	Restated closing balances as at 31 March 2013
	£000	£000		£000
Property, Plant and Equipment	34,863	938	0	35,801
<b>Long-term assets</b>	<b>40,001</b>	<b>938</b>	<b>0</b>	<b>40,939</b>
Short Term Debtors	55,260	(54,010)	0	1,250
Cash and Cash Equivalents	1	54,010	0	54,011
Short Term Creditors	(12,671)	21	0	(12,650)
Short term lease	(961)	0	0	(961)
<b>Current Liabilities</b>	<b>(13,632)</b>	<b>21</b>	<b>0</b>	<b>(13,611)</b>
Provisions	(7,857)	0	(11,022)	(18,879)
Other Long Term Liabilities	(20,377)	(942)	0	(21,319)
<b>Total net assets</b>	<b>21,901</b>	<b>17</b>	<b>(11,022)</b>	<b>21,918</b>
<b>Usable reserves:</b>				
General Fund	(18,832)	(1,060)	0	(19,892)
<b>Unusable reserves:</b>				
Revaluation Reserve	(6,703)	(771)	0	(7,474)
Capital Adjustment Account	23,715	1,083	11,022	35,820
<b>Total Reserves</b>	<b>(32,192)</b>	<b>(748)</b>	<b>11,022</b>	<b>(21,918)</b>

STATEMENT OF ACCOUNTS 2013-14

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2013/14	Usable Reserves		Movement in
	General Fund Balance £000	Capital Receipts Reserve £000	Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>			
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Charges for depreciation and impairment of non current assets	1,137		(1,137)
Revaluation losses on Property Plant and Equipment			0
<i>the Comprehensive Income and Expenditure Statement:</i>			
Statutory Provision for the Financing of Capital Investment	(1,194)		1,194
Capital expenditure charged against the General Fund balance	(416)		416
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Use of the Capital Receipts Reserve to finance new capital expenditure		(734)	734
Proceeds From Sale of Non Current Assets	0	0	
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	0	0	
Transfer to deferred capital receipts reserve upon receipt of cash		0	0
Mitigation of operating leases as lessee reclassified as finance leases upon transition to IFRS	0	0	0
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 30)	271		(271)
Employer's pensions contributions and direct payments to pensioners payable in the year	(229)		229
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>			
Adjustments in relation to Short-term compensated absences	0		0
<b>Total Adjustments</b>	<b>(431)</b>	<b>(734)</b>	<b>1,165</b>

STATEMENT OF ACCOUNTS 2013-14

2012/13	Usable Reserves		Movement in
	General Fund Balance £000	Capital Receipts Reserve £000	Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>			
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Charges for depreciation and impairment of non current assets	7,665		(7,665)
Revaluation losses on Property Plant and Equipment			0
Movements in the Market Value of Investment Properties	359		(359)
Unapplied Capital Grants used in financing Revenue expenditure funded from capital under statute	0		0
Carrying amount of non current assets sold	1,476		(1,476)
Transfer grants/conts on impaired spend	0		0
Grants relating to assets disposed	0		0
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Statutory Provision for the Financing of Capital investment	(1,591)		1,591
Capital expenditure charged against the General Fund balance	0		0
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Use of the Capital Receipts Reserve to finance new capital expenditure		(743)	743
Proceeds From Sale of Non Current Assets	(1,477)	1,477	
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)			
	266		(266)
Employer's pensions contributions and direct payments to pensioners payable in the year	(230)		230
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>			
Adjustments in relation to Short-term compensated absences	3		(3)
<b>Total Adjustments</b>	<b>6,471</b>	<b>734</b>	<b>(7,205)</b>

## STATEMENT OF ACCOUNTS 2013-14

### 8. Transfers To/ From Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14. The Authority has established the following reserves:

- an earmarked reserve to provide for future costs of advisors employed by the Authority in the contract procurement;
- to enable the creation of a Sinking Fund that will be used to mitigate the effect of future large increases in the Levy as the costs of waste disposal increase significantly both landfill tax increases and through the planned new contract to dispose of residual waste;
- A Waste Development Fund to contribute to supporting the joint waste strategy objectives through constituent district councils;
- a capital reserve - to provide a contribution to the financial cost of acquiring a site or sites for the new residual waste contract facilities.

	Balance as at 1 April 2012			Balance as at 31 March 2013			Balance as at 31 March 2014		
	Trans	In	Out	Trans	In	Out	Trans	In	Out
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserve	0	2,855	(2,855)	0	3,527	(3,527)			(0)
Sinking Fund	28,938	0	0	28,938	0	(28,938)			0
Waste Development Fund	0	0	0	0	28,938	0			28,938
Capital Reserve	2,674	2,000	0	4,674	0	(416)			4,258
<b>Total Earmarked Reserves</b>	<b>31,612</b>	<b>4,855</b>	<b>(2,855)</b>	<b>33,612</b>	<b>32,465</b>	<b>(32,881)</b>			<b>33,196</b>



STATEMENT OF ACCOUNTS 2013-14

9. Financing and Investment Income and Expenditure

2012/13	2013/14
£000	£000
2,598 Interest payable and similar charges	2,188
(21) Net interest on the defined benefit liability/(asset)	21
(970) Interest receivable and similar income	(450)
358 Income and expenditure in relation to investment properties and changes in their fair value	0
<b>1,965 Total</b>	<b>1,759</b>

Interest Payable and Similar Charges

2012/13	2013/14
£000	£000
0 Lease/hire purchase interest	0
0 Bank interest	0
1,400 Loan Interest	1,061
975 PFI Interest	946
223 Other interest - MRDF	181
<b>2,598</b>	<b>2,188</b>

Interest and Investment Income

2012/13	2013/14
£000	£000
(970) Other Investment income	(450)
<b>(970)</b>	<b>(450)</b>

Income, Expenditure and changes in Fair Value of Investment Properties

2012/13	2013/14
£000	£000
<b>Income/Expenditure from Investment Properties:</b>	<b>£000</b>
0 Income including rental income	0
0 Expenditure	0
<b>0 Net income from investment properties</b>	<b>0</b>
<b>Surplus/deficit on sale of Investment Properties:</b>	
(1,477) Proceeds from sale	0
<b>1,835 Carrying amount of investment properties sold</b>	<b>0</b>
<b>358 (Surplus)/deficit on sale of Investment Properties:</b>	<b>0</b>
<b>Changes in Fair Value of Investment Properties</b>	
<b>0</b>	<b>0</b>
<b>358</b>	<b>0</b>

STATEMENT OF ACCOUNTS 2013-14

Movements in 2013-14

	Property, Plant & Equipment (PP&E)				Total PP&E	PFI Assets included in Property, Plant and Equipment	Investme nt Propertie s	TOTAL
	Land	Buildings	Vehicles, Plant & Equipment	Assets Under Constructi on				
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
Balance as At 1 April 2013	10,598	17,507	7,761	0	35,866	16,250	0	35,866
Additions	37	1,074	0	38	1,149		0	1,149
<b>Balance as at 31 March 2014</b>	<b>10,635</b>	<b>18,581</b>	<b>7,761</b>	<b>38</b>	<b>37,015</b>	<b>16,250</b>	<b>0</b>	<b>37,015</b>
<b>Depreciation and Impairment</b>								
Balance as At 1 April 2013	0	49	16	0	65	0	0	65
Depreciation Charge	0	457	573	0	1,030	619	0	1,030
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	37	70	0	0	107	0		107
<b>Balance as at 31 March 2014</b>	<b>37</b>	<b>576</b>	<b>589</b>	<b>0</b>	<b>1,202</b>	<b>619</b>	<b>0</b>	<b>1,202</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2014</b>	<b>10,598</b>	<b>18,005</b>	<b>7,172</b>	<b>38</b>	<b>35,813</b>	<b>15,631</b>	<b>0</b>	<b>35,813</b>
Balance as at 31 March 2013	10,598	17,458	7,745	0	35,801	16,250	0	35,801

### Valuation information

Property, plant and equipment are revalued on a three year cycle in accordance with RICS guidance. All assets were revalued at 31 March 2013 by Bernard White (MRICS) of Mouchel. The Accounting Policies provide further information on revaluation and depreciation policies.

The significant assumptions applied in estimating the fair values are:

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

### Valuation

The Authority has a relatively small asset base, and so re-values its assets periodically, currently on a three year cycle, rather than via a rolling valuation programme. In between the periodic valuations the Authority takes note of general advice from its own in house asset management team as advised in general terms by the professional valuer engaged under the terms of the service level agreement about whether the carrying values of the Authority's asset are likely to remain materially accurate. The advice received by the Authority is that there is no reason to consider revaluing the assets at this stage, as there are no economic or other valuation based events that have led to a significant change in the underlying values of the Authority's assets.

### Capital Commitments

At 31 March 2014 the Authority had entered into a no significant contracts for the construction or enhancement of property, plant and equipment in 2014/15 despite a capital programme of £2.4m. Such commitments at 31 March 2013 were £0.418m. The major capital programme elements not yet committed are:

<b>Scheme</b>	<b>£000s</b>
Liverpool	1,400
Foul Lane	800
	<hr/>
	<b>2,200</b>

### Effects of Changes in Estimates

There were no material changes in accounting estimates for property, plant and equipment during 2013/14.

STATEMENT OF ACCOUNTS 2013-14

Movements in 2012/13

	Land	Property, Plant & Equipment (PP&E)	Total PP&E	Investment Properties	TOTAL					
	£000	Buildings	Vehicles, Plant & Equipment	Assets Under Construction	PFI Assets included in Property, Plant and Equipment	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>										
Balance as at 1 April 2012	11,991	16,503	18,324	1,462	16,950	48,280	1,835	50,115		
Restatement		0	0	0	0	0	0	0		
Restated opening balance	11,991	16,503	18,324	1,462	16,950	48,280	1,835	50,115		
Additions (Note 40)	160	576	60	(43)	0	753	0	753		
Revaluation increases/decreases to Revaluation Reserve										
	2,679	1,151	100	0	(700)	3,930	0	3,930		
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services										
	0	0	0	0	0	0	0	0		
Derecognition - Disposals	0	0	(10,125)	0	0	(10,125)	(1,835)	(11,960)		
Derecognition - Other	0	0	0	0	0	0	0	0		
Adjustments between cost/value & depreciation/impairment	(4,232)	(723)	(598)	(1,419)	0	(6,972)	0	(6,972)		
Reclassifications & Transfers	0	0	0	0	0	0	0	0		
Reclassified to Held for Sale	0	0	0	0	0	0	0	0		
Reclassified from Held for Sale	0	0	0	0	0	0	0	0		
<b>Balance as at 31 March 2013</b>	<b>10,598</b>	<b>17,507</b>	<b>7,761</b>	<b>0</b>	<b>16,250</b>	<b>35,866</b>	<b>0</b>	<b>35,866</b>	<b>0</b>	<b>35,866</b>



# STATEMENT OF ACCOUNTS 2013-14

## 11. Income, Expenditure and changes in Fair Value of Investment Properties

<b>2012/13</b>		<b>2013/14</b>
£000		£000
1,835	Balance at start of the year	0
(358)	Changes in Fair Value	0
<u>(1,477)</u>	Disposals	<u>0</u>
<b><u>0</u></b>	<b>Balance at end of the year</b>	<b><u>0</u></b>

## STATEMENT OF ACCOUNTS 2013-14

### 12. Financial Instruments

#### Carrying amount of financial assets and liabilities

The following categories of financial instrument are carried in the Balance Sheet:

	2012-13		2013-14	
	Current £000	Long-term £000	Current £000	Long-term £000
<b>Current Assets</b>				
Loans and	55,261	0	52,030	0
<b>Total included in Current Assets</b>	<b>55,261</b>	<b>0</b>	<b>52,030</b>	<b>0</b>
<b>Liabilities</b>				
Financial liabilities at amortised cost	(13,611)	(37,839)	(15,087)	(33,519)
<b>Total included in Liabilities</b>	<b>(13,611)</b>	<b>(37,839)</b>	<b>(15,087)</b>	<b>(33,519)</b>

#### Fair Values of Assets and Liabilities

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

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

## STATEMENT OF ACCOUNTS 2013-14

The fair values calculated are as follows

	2012-13		2013-14	
	Carrying Value £000	Fair value £000	Carrying Value £000	Fair value £000
<b>Current Assets</b>				
Loans and receivables	55,261	55,261	52,030	52,030
<b>Total included in Current Assets</b>	<b>55,261</b>	<b>55,261</b>	<b>52,030</b>	<b>52,030</b>
 <b>Borrowings</b>				
Financial liabilities at amortised cost	(20,473)	(27,328)	(20,330)	(22,520)
<b>Total included in borrowings</b>	<b>(20,473)</b>	<b>(27,328)</b>	<b>(20,330)</b>	<b>(22,520)</b>
 <b>Other Long Term Liabilities</b>				
Financial liabilities at amortised cost	(14,571)	(18,979)	(13,610)	(17,134)
<b>Total other long term liabilities</b>	<b>(35,044)</b>	<b>(46,307)</b>	<b>(33,940)</b>	<b>(39,654)</b>
 <b>Creditors</b>				
Financial liabilities at amortised cost	(12,650)	(12,650)	(11,126)	(11,126)
<b>Total creditors</b>	<b>(12,650)</b>	<b>(12,650)</b>	<b>(11,126)</b>	<b>(11,126)</b>

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

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

The fair value of the Authority's financial liabilities is more for its PWLB loans than the carrying amount because the Authority's portfolio of PWLB loans includes a number of fixed rate loans where the interest rates payable are higher than the rates available for similar loans at the Balance sheet date. The difference represents the opportunity cost to the Authority of continuing to hold relatively high interest debt compared with borrowing at current (lower) interest rates.



## STATEMENT OF ACCOUNTS 2013-14

### Long-term borrowing

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

Analysis by type	Balance at 31 March 2013		Balance at 31 March 2014		
	Loan £000s	Interest £000s	Loan £000s	Interest £000s	Total £000s
Public Works Loans Board	(18,473)	(221)	(18,330)	(212)	(18,542)
Market Loan (LOBO)	(2,000)	(23)	(2,000)	(23)	(2,023)
	<b>(20,473)</b>	<b>(244)</b>	<b>(20,330)</b>	<b>(235)</b>	<b>(20,565)</b>
<b>Analysis by maturity</b>					
1 - 2 years	(3,000)	(50)	(3,000)	(50)	(3,050)
2- 5 years	(643)	(10)	(500)	(8)	(508)
5 - 10 years	0	0	0	0	0
More than 10 years	(16,830)	(184)	(16,830)	(177)	(17,007)
	<b>(20,473)</b>	<b>(244)</b>	<b>(20,330)</b>	<b>(235)</b>	<b>(20,565)</b>

### 13. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

#### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions

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

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

#### **Liquidity risk**

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

Analyses of the maturity of financial liabilities are disclosed at Notes 12 and 35.

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

### Market risk

#### Interest rate risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. At present the aim is to keep a minimum of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

#### Price Risk

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

#### Foreign Exchange Risk

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

## STATEMENT OF ACCOUNTS 2013-14

### 14. Inventories

The figure shown in the Balance Sheet may be subdivided as follows:

2012/13	2013/14
£000	£000
0 Balance b/f	0
0 Recognised as an expense in the year	21
<b>0 Balance c/f</b>	<b>21</b>

### 15. Debtors

#### Short term debtors

2012/13 restated	2013/14
£000	£000
113 Other Local Authorities*	0
1,137 Other entities and individuals	1,645
Impairment of loans and receivables	0
<b>1,250 Total</b>	<b>1,645</b>

\*The short-term debtors balance for 2012/13 was restated by reclassifying Cash held with St Helens from current debtors to cash equivalents disclosed in Note 16 and disclosed in the Prior Period Adjustment at Note 6.

#### Long term debtors

There are no Long Term Debtors

### 16. Cash and Cash Equivalents

The balance of cash and cash equivalents comprises:

- (a) cash held by the Authority; and
- (b) cash held on behalf of the Authority by St Helens MBC which is available on demand.

2012/13 restated	2013/14
£000	£000
54,010 Cash equivalents*	50,384
1 Cash held by the Authority	1
<b>54,011 Total</b>	<b>50,385</b>

\* The balance of cash equivalents is Cash held with St Helens which has been reclassified from Current debtors as part of a review of the Authority's Accounting Policies.

## STATEMENT OF ACCOUNTS 2013-14

### 17. Creditors

#### Short Term Creditors

2012/13	2013/14
£000	£000
(729) Other Authorities	(1,747)
0 Public corporations and trading funds	0
(11,942) Bodies external to general government	(9,400)
21 Accumulated Absences	21
<b><u>(12,650) Total Short Term Creditors</u></b>	<b><u>(11,126)</u></b>

#### Long Term Creditors

There are no Long Term Creditors

## 18. Provisions

The provisions at the balance sheet date are required to be split between those that are likely to be payable within twelve months, recognised in the Balance Sheet as current liabilities, and those payable after twelve months from the balance sheet date, recognised as long term liabilities. The following note analyses the movement in those categories of provisions.

## Current provisions

	Balance as At 1 April 2013 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Interest earned £000	Balance as at 31 March 2014 £000
Outstanding legal cases	0	0	0	0	0	0
Other provisions	0	(167)	0	0	0	(167)
	<b>0</b>	<b>(167)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(167)</b>

## Long term provisions

Restated

	Balance as At 1 April 2013 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Interest earned £000	Balance as at 31 March 2014 £000
Outstanding legal cases	(6,972)	0	0	0	0	(6,972)
Closed Landfill Sites	(11,022)	0	243	0	0	(10,779)
Other provisions	(885)		0	0	0	(885)
	<b>(18,879)</b>	<b>0</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>(18,636)</b>

## Current provisions

	Balance as at 1 April 2012 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Interest earned £000	Balance as at 31 March 2013 £000
Outstanding legal cases		0	0	0	0	0
Other provisions			0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Long term provisions

Restated

	Balance as at 1 April 2012 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Interest earned £000	Balance as at 31 March 2013 £000
Outstanding legal cases	(8,506)	0	1,534	0	0	(6,972)
Closed Landfill Sites	(11,305)	0	283	0	0	(11,022)
Other provisions	(885)	0	0	0	0	(885)
	<b>(20,696)</b>	<b>0</b>	<b>1,817</b>	<b>0</b>	<b>0</b>	<b>(18,879)</b>

### **Outstanding legal cases**

The Authority has set aside amounts in its accounts in respect of a legal action between the Authority, the company (MWHLtd) and the landfill operators. The amounts included in the accounts represent the total amounts payable in respect of settling the costs of the arbitration and the final settlement of 'full costs' in favour of the landfill company. The action was a joint action by the Authority and the Company and the company has made a payment to the landfill operator in settlement. The company now has the right to call upon the full amount to be paid from the Authority as this was a joint action and the Authority agreed this basis. The company has not yet called for the payment but retains the right to do so and the payment is likely to be paid during 2014-15.

### **Closed Landfill Sites**

Provision has been created to recognise the anticipated expenditure which arises from the authority fulfilling its statutory responsibility for monitoring the closed landfill sites.

### **Other provisions**

At the same time the Authority has also recognised that there was a need to make additional provision in respect of a pension commitment to the Citrus Pension Fund in respect of former employees, an amount of £885k, which has increased as a result of a better estimate of the amount due to be paid into the scheme.

## STATEMENT OF ACCOUNTS 2013-14

### 19. Unusable Reserves

	<b>31/03/13</b>	<b>31/03/14</b>
	£000	£000
Accumulating Compensated Absences Adjustment Account	21	21
Capital Adjustment Account	35,822	34,610
Revaluation Reserve	(7,464)	(7,464)
Available for Sale Financial Instruments Reserve	0	0
Pensions Reserve	3,953	3,154
<b>Total Unusable Reserves</b>	<b>32,332</b>	<b>30,321</b>

### Accumulating Compensated Absences Adjustment Account

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

<b>2012/13</b>	<b>2013/14</b>
£000	£000
<b>18 Balance at 1 April</b>	<b>21</b>
(18) Settlement or cancellation of accrual made at the end of the	(21)
21 Amounts accrued at the end of the current year	21
Comprehensive Income and Expenditure Statement on an	
<b>21 Balance at 31 March</b>	<b>21</b>



## STATEMENT OF ACCOUNTS 2013-14

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012-13			2013-14	
£000	£000		£000	£000
	28,651	<b>Balance at 1 April</b>		35,822
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
		Charges for depreciation and impairment of non current assets	1,137	
7,665	9,141		1,137	1,137
		Adjusting amounts written out of the Revaluation Reserve		
	9,141	<b>Net written out amount of the cost of non Capital financing applied in the year:</b>		1,137
		Use of the Capital Receipts Reserve to finance new capital expenditure	(734)	
(743)		Statutory provision for the financing of capital investment charged against the General Fund balance	(1,204)	
(1,591)		Other Movements charged to CAA	5	
5		Capital expenditure charged against the General Fund balance	(416)	
0	(2,329)		(2,349)	
	<u>35,822</u>	<b>Balance at 31 March</b>		<u>34,610</u>

## STATEMENT OF ACCOUNTS 2013-14

### Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2012/13		2013/14
£000		£000
(2,150)	<b>Balance at 1 April</b>	(7,464)
(5,314)	Downward revaluation of assets and impairment losses not	0
<b>(5,314)</b>	Surplus or deficit on revaluation of non-current assets not	<b>0</b>
<b>(7,464)</b>	<b>Balance at 31 March</b>	<b>(7,464)</b>

### Pensions Reserve

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

2012/13		2013/14
£000		£000
<b>3,091</b>	<b>Balance at 1 April</b>	<b>3,953</b>
826	Remeasurements of the net defined benefit liability/asset	(841)
266	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	271
(230)	Employer's pension contributions and direct payments to pensioners payable in the year	(229)
<b>3,953</b>	<b>Balance at 31 March</b>	<b>3,154</b>

20. Cash flow statement - operating activities

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

2012/13	2013/14
£000	£000
(2,598) Interest Payable	(2,188)
970 Interest Receivable	450
Dividends Received	
<b>(1,628)</b>	<b>(1,738)</b>

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

2012/13	2013/14
£000	£000
7,665 Depreciation	1,137
1,375 Increase/(Decrease) in creditors	(1,524)
0 (Increase)/Decrease in inventory	(21)
967 (Increase)/Decrease in debtors	(395)
36 Movement in pension liability	42
1,835 Carrying amount of non-current assets sold	0
(3,280) Contributions to Other Reserves/Provisions	
<b>8,957</b>	<b>(761)</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2012/13	2013/14
£000	£000
(337) Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
(1,477) Proceeds from the sale of PP&E and investment property	0
<b>(1,814)</b>	<b>0</b>

**21. Cash Flow From Investing Activities**

2012/13 £000	2013/14 £000
743 Purchase of PP&E and investment property	1,149
1,477 Proceeds from the sale of PP&E and investment property	0
283 Other outflows for investing activities	243
<b><u>2,503</u> Net Cash flows from Investing Activities</b>	<b><u>1,392</u></b>

**22. Cash flow statement - financing activities**

2012/13 £000	2013/14 £000
Cash payments for the reduction of the outstanding liability relating to a 961 finance lease and on-Balance Sheet PFI contracts	(961)
Interest Receivable	450
Interest Paid	(2,154)
Repayment of Short and Long Term Borrowing	(216)
221 Other payments for Financing Activities	0
<b><u>1,182</u> Net Cash flows from Financing Activities</b>	<b><u>(2,881)</u></b>

**STATEMENT OF ACCOUNTS 2013-14**

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

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

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

2013/14	Establishment	Waste Contracts*	Facilities	Strategy	Procurement	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(309)	(1,862)	0	(3)	(149)	(450)	(2,773)
Levy	0	0	0	0	0	(65,591)	(65,591)
<b>Total Income</b>	<b>(309)</b>	<b>(1,862)</b>	<b>0</b>	<b>(3)</b>	<b>(149)</b>	<b>(66,041)</b>	<b>(68,364)</b>
Employee expenses	1,698	0	0	0	0	0	1,698
Other service expenses	754	55,089	2,092	540	3,675	1,242	63,392
Support service recharges	0	0	0	0	0	37	37
<b>Total Expenditure</b>	<b>2,452</b>	<b>55,089</b>	<b>2,092</b>	<b>540</b>	<b>3,675</b>	<b>1,279</b>	<b>65,127</b>
<b>Net Expenditure</b>	<b>2,143</b>	<b>53,227</b>	<b>2,092</b>	<b>537</b>	<b>3,526</b>	<b>(64,762)</b>	<b>(3,237)</b>

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

STATEMENT OF ACCOUNTS 2013-14

2012/13

	Establishment	Waste Contracts*	Facilities	Strategy	Procurement	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(445)	(2,801)	(513)	0	(248)	0	(4,007)
Levy	0	0	0	0	0	(65,458)	(65,458)
<b>Total Income</b>	<b>(445)</b>	<b>(2,801)</b>	<b>(513)</b>	<b>0</b>	<b>(248)</b>	<b>(65,458)</b>	<b>(69,465)</b>
Employee expenses	1,583	0	0	0	0	0	1,583
Other service expenses	616	54,083	3,985	281	3,103	1,281	63,349
Support service recharges	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>2,199</b>	<b>54,083</b>	<b>3,985</b>	<b>281</b>	<b>3,103</b>	<b>1,281</b>	<b>64,932</b>
<b>Net Expenditure</b>	<b>1,754</b>	<b>51,282</b>	<b>3,472</b>	<b>281</b>	<b>2,855</b>	<b>(64,177)</b>	<b>(4,533)</b>

## STATEMENT OF ACCOUNTS 2013-14

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

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

	2012/13 £000	2013/14 £000
Net expenditure in the Service Analysis	(4,533)	(3,237)
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	2576	(745)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	984	3471
<b>Total Comprehensive Income and Expenditure</b>	<b>(973)</b>	<b>(511)</b>

STATEMENT OF ACCOUNTS 2013-14

Reconciliation to subjective analysis

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

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2013/14								
Fees, charges & other service income	(2,773)	0	-	-	0	(2,773)	0	(2,773)
Surplus or deficit on associates and joint interest and investment income	0	0	0	0	0	0	0	0
Income from Levy	(65,591)	0	0	0	0	(65,591)	0	(65,591)
Government grants	0	0	0	0	0	0	0	0
<b>Total Income</b>	<b>(68,364)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(68,364)</b>	<b>0</b>	<b>(68,364)</b>
Employee expenses	1,698	0	0	0	0	1,698	0	1,698
Other service expenses	60,977	0	(745)	3,471	0	63,703	0	63,703
Support Service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	1,175	0	0	0	0	1,175	0	1,175
Interest Payments	1,277	0	0	0	0	1,277	0	1,277
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	0
<b>Total expenditure</b>	<b>65,127</b>	<b>0</b>	<b>(745)</b>	<b>3,471</b>	<b>0</b>	<b>67,853</b>	<b>0</b>	<b>67,853</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,237)</b>	<b>0</b>	<b>(745)</b>	<b>3,471</b>	<b>0</b>	<b>(511)</b>	<b>0</b>	<b>(511)</b>



STATEMENT OF ACCOUNTS 2013-14

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2012/13								
Fees, charges & other service Surplus or deficit on associates and joint	(2,902)	0	-	-	0	(2,902)	0	(2,902)
Interest and investment income	(1,105)	0	0	0	0	0	0	0
Income from Levy	(65,458)	0	0	0	0	(1,105)	0	(1,105)
Government grants	0	0	0	0	0	(65,458)	0	(65,458)
<b>Total income</b>	<b>(69,465)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(69,465)</b>	<b>0</b>	<b>(69,465)</b>
Employee expenses	1,583	0	0	0	0	1,583	0	1,583
Other service expenses	57,567	0	2,576	984	0	61,127	0	61,127
Support Service recharges	0	-	-	-	0	0	0	0
Depreciation, amortisation and impairment	4,336	-	0	0	-	4,336	0	4,336
Interest Payments	1,087	-	-	0	-	1,087	0	1,087
Gain or Loss on Disposal of Fixed Assets	359	-	-	-	-	359	0	359
<b>Total expenditure</b>	<b>64,932</b>	<b>0</b>	<b>2,576</b>	<b>984</b>	<b>0</b>	<b>68,492</b>	<b>0</b>	<b>68,492</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,533)</b>	<b>0</b>	<b>2,576</b>	<b>984</b>	<b>0</b>	<b>(973)</b>	<b>0</b>	<b>(973)</b>

## STATEMENT OF ACCOUNTS 2013-14

### 24. Officer remuneration

The Accounts and Audit (England) Regulations 2011 require local authorities to disclose the number of employees whose remuneration was £50,000 or more in the financial year, expressed in bands of £5,000. This excludes the remuneration of senior employees which is shown separately below.

	2012/13	2013/14
£75,000 to £79,999	0	0
£80,000 to £84,999	1	1
£85,000 to £89,999	0	0
£90,000 to £94,999	0	0
	<u>1</u>	<u>1</u>

There was only a single officer in the band for 2013-14, who received salary and redundancy payments that brought their remuneration within the boundaries of the table.

### Exit Packages and termination benefits

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

The total cost of £161.9k in the table below includes £44.9k for exit packages that have been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year. Other departures includes exit packages and retirements. Ill health retirement costs are not included in the disclosure as these are met by Merseyside Pension Fund, not the Authority.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£40,001 – £60,000	0	0	0	2	0	2	£0	£93,313
£60,001 – £80,000	0	0	0	1	0	1	£0	£68,663
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>£0</b>	<b>£161,976</b>

## STATEMENT OF ACCOUNTS 2013-14

### Senior officer remuneration

The Accounts and Audit (England) Regulations 2011 require the separate disclosure by name of individual remuneration details for senior local government employees earning over £150,000, and for all other 'senior' employees for each financial year by post title.

Senior officers are individuals earning over £150,000 per year, or individuals whose salary is more than

		Salary, Fees and Allowanc es £	Expense s and Allowanc es £	Pension Contribu tion £	Total
<b>Chief Executive</b>	<b>2013/14</b>	<b>81389</b>	<b>2324</b>	<b>16078</b>	<b>99791</b>
	2012/13	81174	3292	14172	98638
<b>Director of Strategy and Development</b>	<b>2013/14</b>	<b>67511</b>	<b>2731</b>	<b>13177</b>	<b>83419</b>
	2012/13	67544	3791	11864	83199
<b>Director of Operations</b>	<b>2013/14</b>	<b>65642</b>	<b>1950</b>	<b>12975</b>	<b>80567</b>
	2012/13	65511	3324	11485	80320
<b>Director of Finance</b>	<b>2013/14</b>	<b>65611</b>	<b>1988</b>	<b>12975</b>	<b>80574</b>
	2012/13	65511	3251	11479	80241
<b>Total</b>	<b>2013/14</b>	<b>280153</b>	<b>8993</b>	<b>55205</b>	<b>344351</b>
	2012/13	279740	13658	49000	342398

### 25. External Audit Costs

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

	2013/14 £000	2012/13 £000
External Audit Fees	39	42
Audit Commission rebate	(5)	0
Additional Audit Fee 2012-13	15	0
Other Fees	0	0
	<b>49</b>	<b>42</b>

## STATEMENT OF ACCOUNTS 2013-14

### 26. Grant Income

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2013/14

	2012/13	2013/14
	£000	£000
<b>Credited to Taxation and Non-specific Grant Income and Expenditure</b>		
None	0	8
	<b>0</b>	<b>8</b>
<b>Credited to Services</b>		
Waste Eco Smart	0	(3)
	<b>0</b>	<b>5</b>

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

	£000	£000
<b>Current Liabilities</b>		
Revenue grants received in advance - Waste Eco Smart	0	5
<b>Long-term liabilities</b>		
Revenue grants received in advance - Waste Eco Smart		
	<b>0</b>	<b>5</b>

## 27. Related Parties

### Related Parties

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

### Central Government

Central government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates. Details of transactions with Government Departments are set out in the Notes relating to the Cash Flow Statement.

### Members

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

Three Members (Councillors Robertson-Collins, Cluskey and Conception of the Authority) are also Directors of Merseyside Waste Holdings Ltd and two Councillors (I Williams and S Williams) are appointed to the of Board Bidston Methane Ltd. They take no part at the Authority meetings about the bodies that they serve on.

### Officers

Two Assistant Directors (Alex Murray and Neil Ferris) were Directors of Merseyside Waste Holdings Ltd.

The Procurement Director (Terry Bradley) who worked as a consultant to the Authority, was also a Director of Merseyside Waste Holdings Ltd during the year

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

**Other Public Bodies [subject to common control by central government]**

The Authority is constituted from the five Merseyside District councils and Halton Unitary Council. The levy each District pays to the Authority is agreed at the start of the year and is then only subject to adjustments based on waste tonnage arising from the District during the year.

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

	Receipts		Payments	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
<b>Local authority levies:</b>				
Knowsley	7,128	7,182	0	0
Liverpool	22,550	22,565	0	0
St Helens	8,479	8,403	0	0
Sefton	12,614	11,868	0	0
Wirral	14,687	15,574	0	0
	<b>65,458</b>	<b>65,592</b>	<b>0</b>	<b>0</b>
<b>Halton Council contribution</b>	1,315	1,476	0	0
<b>Disposal of commercial waste:</b>				
Knowsley	178	177	0	0
Liverpool	0	0	0	0
St Helens	0	0	0	0
Sefton	105	91	0	0
Wirral	106	118	0	0
<b>Recycling credit payments</b>				
Knowsley			415	377
Liverpool			1,028	1,130
St Helens			684	1,169
Sefton			2,103	2,083
Wirral			1,166	1,169
<b>Support services</b>				
St Helens			137	129
<b>Residuary Body Debt</b>				
Wirral			436	398

**Entities Controlled or Significantly Influenced by the Authority**

The Authority controls Merseyside Waste Holdings Ltd through its ownership of 100% of the shares in the Company.

The Authority controls Bidston Methane Ltd through its ownership of 50% of the shares in the Company.

	Receipts		Payments	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
<b>Subsidiaries</b>				
<b>Mersey Waste Holdings Ltd</b>				
Payments for the disposal of waste	0	0	24,381	25,769
Dividends	0	0	0	0
<b>Bidston Methane Ltd</b>				
Profit share from gas rights	0	0	0	0
Dividends	0	0	0	0

## STATEMENT OF ACCOUNTS 2013-14

### 28. Capital Expenditure and Capital Financing

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

<b>Capital Expenditure and Capital Financing</b>	<b>2012/13</b>	<b>2013/14</b>
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>30,785</b>	<b>29,487</b>
<b>Capital investment</b>		
Property, Plant and Equipment	753	1,149
Closed Landfill Sites	283	243
	<b>1,036</b>	<b>1,392</b>
<b>Sources of finance</b>		
Capital receipts	(743)	(733)
Direct revenue contributions:	0	(416)
Minimum Revenue Provision (MRP)	(1,591)	(1,203)
	<b>(2,334)</b>	<b>(2,352)</b>
<b>Closing Capital Financing Requirement</b>	<b>29,487</b>	<b>28,527</b>
<b>Explanation of movements in year</b>		
	2012/13	2013/14
	£000	£000
Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,298)	(960)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(1,298)</b>	<b>(960)</b>



29. Leases

**Authority as lessor - operating leases**

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

- environment and planning - use of closed landfill sites
- household waste recycling centres

However these are at peppercorn rents and so not included in this note.

***Authority as lessee - operating leases***

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

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

	<b>2012/13</b>	<b>2013/14</b>
	£000	£000
No later than one year	22	22
	53	42
Later than one year and not later than five years		
Later than five years	160	171
	<b>235</b>	<b>235</b>

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

	<b>2012/13</b>	<b>2013/14</b>
	<b>Land and buildings</b>	<b>Land and buildings</b>
	£000	£000
Minimum lease payments	22	22
Contingent rentals	0	0
Less: Sublease payments receivable	0	0
	<b>22</b>	<b>22</b>

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

**30. Private Finance Initiatives and Similar Contracts**

**Waste Management and Recycling Contract**

2013/14 was the fifth year of a 20 year Waste Management and Recycling contract with Veolia. Under the contract Veolia operate the Authority's existing waste facilities and is responsible for building, maintain and operating the new Gillmoss Material Recycling Facility (MRF) which came into operation in December 2011.

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

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

**Property Plant and Equipment**

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

## STATEMENT OF ACCOUNTS 2013-14

### Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Total at 31/03 2013	Reimbursements			Total at 31/03 2014
	Payment for t of Capital	Services Expenditure	Interest	
£000	£000	£000	0	£000
12,774 Payable within one	18,273	961	887	20,121
83,551 Payable within two to five years	78,833	3,843	2,964	85,640
116,740 Payable within six to ten years	112,466	4,804	2,389	119,659
132,081 Payable within eleven to fifteen years	129,653	4,804	926	135,383
33,287 Payable within sixteen to twenty years	4,695	160	2	4,857
<b>378,433</b> Total	<b>343,920</b>	<b>14,571</b>	<b>7,169</b>	<b>365,659</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

### Liabilities

2012/13	2013/14
£000	£000
16,008 Balance outstanding at start of year	15,531
(477) Payments during the year	(961)
<b>15,531</b> Balance outstanding at year-	<b>14,570</b>

### 31. Impairment Losses

During 2013/14, the Authority recognised an impairment loss of £107,485 (£159,000 in 2012/13) in relation to its closed landfill sites and removal of asbestos from the Huyton Waste Transfer Station. The Authority incurred capital expenditure on the sites but the nature of the long-term liability associated with the sites means that the expenditure does not add value to the sites so has been impaired. The recoverable amount of the sites has been reduced to their value in use and the impairment loss charged to the Waste Disposal costs centre within the Environmental and Regulatory Services line in the Comprehensive Income and Expenditure Statement. The Authority's valuer has advised the value in use of the sites is such that they could only be disposed of a nominal value because of the long-term liabilities that would be retained by the Authority under environmental legislation.

**Retirement Benefits**

**Participation in the Local Authority Pension Scheme**

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

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

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

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

## STATEMENT OF ACCOUNTS 2013-14

### Transactions relating to retirement benefits- CIES Charges:

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make against the Levy is based on the cash payable in the year, and

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Scheme</b>	
	<b>2013/14</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13</b>
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	250	190	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements	0	0	0	0
<i>Financing and Investment Income and</i>				
Net Interest expense	10	65	11	11
<hr/>				
<i>Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services</i>	<b>260</b>	<b>255</b>	<b>11</b>	<b>11</b>
<hr/>				
<i>Other post-employment benefits charged to the Remeasurement of the the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	0	(628)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	0	0	0	0
Other	(799)	1,436	(33)	18
<hr/>				
<i>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</i>	<b>(539)</b>	<b>1,063</b>	<b>(22)</b>	<b>29</b>
<hr/>				

### Movement in Reserves Statement

**STATEMENT OF ACCOUNTS 2013-14**

Reversal of net charges made to the Surplus or  
Deficit on the Provision of Services for post-  
employment benefits in accordance with the Code

(260)

(255)

(11)

(11)

**Actual amount charged against the general**

## STATEMENT OF ACCOUNTS 2013-14

Employers' contributions payable to scheme	211	212	18	18
Retirement benefits payable to pensioners	0	0	0	0
<b>Net charge to the General Fund Summary</b>	<b>(49)</b>	<b>(43)</b>	<b>7</b>	<b>7</b>

0.x%.

	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Present value of the defined obligation	(13,037)	(13,339)	0	(243)
Fair value of plan assets	10,085	9,629	0	0
	<b>(2,952)</b>	<b>(3,710)</b>	<b>0</b>	<b>(243)</b>
Other movements in the liability (asset)	0	0	0	0
<b>obligation</b>	<b>(2,952)</b>	<b>(3,710)</b>	<b>0</b>	<b>(243)</b>

### Reconciliation of movements in the fair value of scheme assets

	Local Government Pension		Discretionary Benefits	
	£000	£000	£000	£000
Opening fair value of scheme assets	9,629	8,618	0	0
Interest on plan assets	548	495	0	0
Remeasurements (assets)	9	628	0	0
Administration expenses	0	0	0	0
Business combinations	0	0	0	0
Settlements	0	0	0	0
<b>Closing value of scheme assets</b>	<b>10,085</b>	<b>9,629</b>	<b>0</b>	<b>0</b>



## STATEMENT OF ACCOUNTS 2013-14

### Reconciliation of present value of the scheme liabilities:

	Local Government Pension		Discretionary Benefits	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	(13,339)	(11,477)	(243)	(232)
Current service cost	(250)	(190)	0	0
Interest cost	(559)	(560)	(10)	(11)
Member contributions	(80)	(78)	0	0
Past service costs/(gains)	0	0	0	0
Remeasurements (liabilities)				
Experience (gain)/loss	799	(1,436)	33	(18)
(Gain)/loss on demographic assumptions	0	0	0	0
(Gain)/loss on curtailments	0	0	0	0

### Local government pension scheme assets comprised:

	Fair value of scheme			
	£000	%	£000	%
Equities	5,835	60.6	6,253	62.0
Government Bonds	1,512	15.7	1,382	13.7
Other Bonds	347	3.6	262	2.6
Property	799	8.3	807	8.0
Cash / liquidity	221	2.3	272	2.7
Other	915	9.5	1,109	11.0
	<b>9,629</b>	<b>100</b>	<b>10,085</b>	<b>100</b>

## STATEMENT OF ACCOUNTS 2013-14

### Basis for estimating assets and liabilities

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

#### Local Government Pension

	2013/14	2012/13
	%	%
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equities	7.0	7.0
Government Bonds	3.4	2.8
Other Bonds	4.3	3.9
Property	6.2	5.7
Cash / liquidity	0.5	0.5
Other	7.0	7.0
Expenses deductions	0.34	0.25
Overall expected rate of return	<b>5.86</b>	<b>5.72</b>
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	22.3	21.8
Women	25.2	24.7
<i>Longevity at 65 for future pensioners:</i>		
Men	24.7	23.7
Women	28.0	26.6
<b>Financial assumptions:</b>		
Rate of CPI inflation	2.4%	2.4%
Rate of increase in salaries	3.9%	3.9%
Rate of increase in pensions	2.4%	2.4%
Discount Rate	4.4%	4.2%

above. The sensitivity analyses below have been determined based on reasonably possible changes to the

#### Impact on the Defined

Increase in assumption      Decrease in assumption

## STATEMENT OF ACCOUNTS 2013-14

	£000	£000
Longevity (increase or decrease in one year)	260	0
Rate of inflation (increase or decrease by 0.1%)	235	0
by 1%)	0	0
decrease by 1%)	0	0
decrease by 0.1%)	0	231

### **Asset and Liability Matching Strategy**

Insert appropriate narrative based on what Merseyside Pension Fund actually do in practice.

### **Impact on the Authority's cashflows**

Merseyside Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100%

Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the

The Authority anticipates to pay £285k contributions to the scheme in 2014/2015.

**33. Contingent Liabilities**

The Authority has a 50% stake in Bidston Methane Ltd. Currently the company is running at a loss and the Authority's share of the loss is £251,000 as at 31 March 2014. The Authority has given a commitment to continue to support the company financially, hence it remains valued as a going concern. The Authority has recognised a contingent liability at Note 33 for the Authority's share of the potential loss.

**34. Contingent Assets**

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

**STATEMENT OF ACCOUNTS 2013-14**

**35. Other Long-term liabilities**

<b>2012/13</b>	Note	<b>2013/14</b>
£000		£000
(3,953) Pensions liability	32	(3,154)
(2,795) Merseyside MCC residual debt liability	35	(2,579)
(14,571) Service Concession Liability	30	(13,610)
<u>(21,319)</u>		<u>(19,343)</u>

Deferred Liabilities - Merseyside Residual Debt Fund

These are

<b>2012-13</b>	<b>2013-14</b>
£000s	£000s
(3,010) Balance b/f	(2,795)
215 Repayments in year	216
<u>(2,795) Balance c/f</u>	<u>(2,579)</u>

## ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts under the Accounts and Audit (England) Regulations 2011, which require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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

### Summary of Significant Accounting Policies

#### i) Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Levies received from the constituent authorities are recognised in the year to which they relate and are credited to the surplus / deficit on the provision of services
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The Authority applies the accruals concept fully in accordance with FRS 18 *Accounting Policies*, with the exception of electricity and similar periodic payments which are charged at the date of the meter reading. This is because the difference between the accruals method and this treatment is not considered sufficiently material to make a difference to the reader's understanding of the accounts. This policy has been consistently applied each year and has no material effect on the accounts.

**ii) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

**iii) Exceptional Items**

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

**v) Charges for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service.

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

## vi) Employee Benefits

### Benefits Payable During Employment

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

### Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

### Post Employment Benefits

Employees of the Authority are eligible to join the Local Government Pension Scheme, administered by Wirral Metropolitan Borough Council as the pension fund administering authority for Merseyside Pension Fund.

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

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

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

[www.merseysidepensionfund.org.uk](http://www.merseysidepensionfund.org.uk)



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

- the liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees:
  - liabilities are discounted to their value at current prices, using a discount rate based on actual corporate bond yield less an assumption for inflation.
  - The assets of Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - o quoted securities – current bid price
    - o unquoted securities – professional estimate
    - o unitised securities – current bid price
    - o property – market value.
  
- The change in the net pensions liability is analysed into the following components:
  - o Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - net interest on the net defined benefit liability i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - o Remeasurements comprising:
    - the net return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - o Contributions paid to Merseyside Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Therefore any difference between the amounts calculated under IAS19 and the statutory pension fund contribution is accounted for in the Movement in Reserves via a transfer to and from the Pensions Reserve. In this manner the notional debits and credits for retirement benefits are removed and replaced with debits for the cash actually paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Fund is subject to actuarial revaluation every three years with the latest valuation being that as at 31 March 2013.

### **vii) Events After the Balance Sheet Date**

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

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

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

### **viii) Financial Instruments**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

**Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

**Loans and Receivables**

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

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

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

**Available-for-sale assets**

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for -Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

**ix) Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**x) Interests in Companies and Other Entities**

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

**xi) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the [FIFO/weighted average] costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**xii) Leases**

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

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

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

The Authority as Lessee  
**Finance Leases**

The Authority has no finance leases.

**Operating Leases**

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

The Authority as Lessor  
The Authority has no arrangements which fall into this category.

**xiii) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a democratic organisation.
- Non Distributed Costs.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

**xiv) Property, Plant and Equipment**

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

**Recognition**

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

**Measurement**

Assets are initially measured at cost, comprising:

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

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

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

- assets under construction - depreciated historical cost
- all other assets - fair value, at existing use (EUV)

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

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

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

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

**Impairment**

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment by systematically allocating depreciation over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land) and assets that are not yet available for use (e.g. assets under construction).

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

**Disposals and Non-Current Assets Held for Sale**

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

**xv) Service Concession Arrangements**

Service concession arrangements (formerly classed as PFI and similar contracts) are contractual arrangements between the Authority and an operator where responsibility for providing public services, using assets provided either by the operator or the Authority, passes to the operator for a specified period of time.

Where the Authority is deemed to control or regulate the services provided under a service concession arrangement and either:

- (a) ownership of the property, plant and equipment pass to the Authority at the end of the contracts for no additional charge, or
  - (b) the service concession is for the whole life of the assets used,
- the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

Where the Authority either:

- (a) does not control or regulate the services; or
  - (b) the assets do not revert to the Authority at the end of the concession,
- no assets are recognised on Balance Sheet and the expenditure is debited to the relevant service within the Comprehensive Income and Expenditure Statement.

Assets recognised are carried on the Balance Sheet within Property Plant and Equipment at fair value. Fair value is either:

- (a) the portion of payments made to the operator for the asset; or
- (b) the fair value of the asset where no monetary exchange has occurred.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment for those assets provided by the operator under the service concession arrangement. For the Gillmoss Material Recycling Facility recognised under the Waste Management Recycling Contract, the liability was written down by an initial capital contribution of £16.3m.

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



The amounts payable to the PFI operators each year are analysed into five elements:

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

### **xvi) Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

#### Contingent Liabilities

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

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

**Contingent Assets**

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

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

**xvii) Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

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

**xviii) VAT**

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

**xix) Landfill allowances trading scheme**

The Landfill Allowance Trading Scheme (LATS) was introduced in April 2005 and imposed a legal duty on local authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. The scheme was a 'cap and trade scheme', which allocated tradable landfill allowances to each Waste Disposal Authority (WDA) up to the amount of the WDA's 'cap' set to ensure that England meets its targets under the EU Landfill Directive. The scheme was terminated by central government on 31 March 2013. There have been transactions in 2013/14 and there are no liabilities outstanding in relation to the abolished scheme.

**GROUP ACCOUNTS**

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

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

## GROUP ACCOUNTS

### Statement of Group Accounting Policies

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

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

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

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

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

The entities have prepared their accounts in line with IFRSs and UK GAAP rather than the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code). However there are no material areas where this conflicts with the Authority's accounting policies. Consequently no adjustments have been required to realign the accounts of the Group entities with those of the Authority. The accounting policies applied to the Group financial statements are consistent with those set in the single entity statements.

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

### Results of subsidiaries

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

## STATEMENT OF ACCOUNTS 2013-14

### Mersey Waste Holdings Ltd

#### Nature of business and relationship to the Authority

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

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

#### Financial Performance

The financial performance of Homes for MWHL is summarised below.

	2012/13	2013/14
	£000	£000
Turnover	24,615	<b>21,152</b>
(Surplus) / Deficit	32	<b>890</b>
Accumulated (Surplus) / Deficit	(1,877)	<b>(1,739)</b>

#### Accounts

A full copy of the company's accounts can be obtained from The Directors, MWHL, 7<sup>th</sup> Floor, No. 1 Mann Island, Liverpool, L3 1BP. The accounts are audited by EY LLP.

### Bidston Methane Ltd

#### Nature of business and relationship to the Authority

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

	2011/12	2012/13
	£000	£000
Turnover	139	<b>146</b>
(Surplus) / Deficit	89	<b>53</b>
Accumulated (Surplus) / Deficit	514	<b>567</b>

#### Accounts

The accounts are available from the Infnis Holdings, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ. The accounts are audited by KPMG LLP.

STATEMENT OF ACCOUNTS 2013-14

Group Movement in Reserves

2012/13	Authority Adjusted Reserves Balances							Total Group Reserves
	General Fund Balance	Capital Receipts Reserve	Earmarked Reserve	GF Reserve	Usable Reserves	Unusable Reserves	Total Authority's Reserves subsidiaries & associates	
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	(18,947)	(31,613)	(50,560)	29,605	(20,955)	(7,203)	(28,158)	
Surplus or (deficit) on provision of services	3,525		3,525	0	3,525	1,507	5,032	
Other Comprehensive Expenditure and Income		0	(4,488)	(4,488)	2,539	(1,949)		
<b>Total Comprehensive Expenditure and Income</b>	<b>3,525</b>	<b>0</b>	<b>3,525</b>	<b>(4,488)</b>	<b>(963)</b>	<b>4,046</b>	<b>3,083</b>	
Adjustments between Group accounts and Authority accounts	0	0	0	0	0	0	0	
<b>Net Increase / Decrease before Transfers</b>	<b>3,525</b>	<b>0</b>	<b>3,525</b>	<b>(4,488)</b>	<b>(963)</b>	<b>4,046</b>	<b>3,083</b>	
Adjustments between accounting basis & funding basis under regulations	(6,471)	(734)	(7,205)	7,205	0	0	0	
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(2,946)</b>	<b>(734)</b>	<b>(3,680)</b>	<b>2,717</b>	<b>(963)</b>	<b>4,046</b>	<b>3,083</b>	
Transfers to / from Earmarked Reserves	2,000	0	(2,000)	0	0	0	0	
<b>Increase / Decrease in Year</b>	<b>(946)</b>	<b>(734)</b>	<b>(3,680)</b>	<b>2,717</b>	<b>(963)</b>	<b>4,046</b>	<b>3,083</b>	
Balance at 31 March 2013	(19,893)	(734)	(33,613)	(54,240)	(21,918)	(3,157)	(25,075)	

STATEMENT OF ACCOUNTS 2013-14

Group Movement in Reserves

2013/14	Authority Adjusted Reserves Balances							Total Group Reserves
	General Fund Balance	Capital Receipts Reserve	Earmarked Reserve	GF Reserve	Usable Reserves	Unusable Reserves	Total Authority's Reserves: subsidiaries & associates	
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as At 1 April 2013	(19,893)	(734)	(33,613)	(54,240)	32,322	(21,918)	(3,157)	(25,075)
Surplus or (deficit) on provision of services	330			330	0	330	54	384
Other Comprehensive Expenditure and Income	0	0	0	0	(846)	(846)		(846)
<b>Total Comprehensive Expenditure and Income</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>330</b>	<b>(846)</b>	<b>(516)</b>	<b>54</b>	<b>(462)</b>
Adjustments between Group accounts and Authority accounts			0	0	0	0	0	0
<b>Net Increase / Decrease before Transfers</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>330</b>	<b>(846)</b>	<b>(516)</b>	<b>54</b>	<b>(462)</b>
Adjustments between accounting basis & funding basis under regulations	431	734	0	1,165	(1,165)	0		0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>761</b>	<b>734</b>	<b>0</b>	<b>1,495</b>	<b>(2,011)</b>	<b>(516)</b>	<b>54</b>	<b>(462)</b>
Transfers to / from Earmarked Reserves	(416)	0	416	0	0	0	0	0
<b>Increase / Decrease in Year</b>	<b>345</b>	<b>734</b>	<b>416</b>	<b>1,495</b>	<b>(2,011)</b>	<b>(516)</b>	<b>54</b>	<b>(462)</b>
<b>Balance at 31 March 2014</b>	<b>(19,548)</b>	<b>0</b>	<b>(33,197)</b>	<b>(52,745)</b>	<b>30,311</b>	<b>(22,434)</b>	<b>(3,103)</b>	<b>(25,537)</b>

## STATEMENT OF ACCOUNTS 2013-14

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Restated 2012/13		2013/14	
	£000 Expenditure	£000 Income Net	£000 Expenditure	£000 Income Net
Cultural, environmental, regulatory and planning services	73,442	(7,597)	71,773	(7,939)
Corporate and democratic core	265	0	273	0
Non distributed costs	92	0	109	0
<b>Surplus/Deficit on Continuing Operations</b>	<b>73,799</b>	<b>(7,597)</b>	<b>72,155</b>	<b>(7,939)</b>
Other Operating Expenditure		358		0
Financing and Investment Income and Expenditure		3,930		1,759
Taxation and Non-Specific Grant Income		(65,458)		(65,591)
Associates and Joint Ventures accounted for on an equity basis		0		0
<b>Group(Surplus) or Deficit</b>		<b>5,032</b>		<b>384</b>
Surplus or deficit on revaluation of non current assets		(2,956)		0
Surplus or deficit on revaluation of available for sale financial assets				
Actuarial gains / losses on pension assets / liabilities		1,007		(846)
Share of other Comprehensive Expenditure & Income of associates & joint ventures		0		0
<b>Other Comprehensive Income and Expenditure</b>		<b>(1,949)</b>		<b>(846)</b>
<b>Total Comprehensive Income and Expenditure</b>		<b>3,083</b>		<b>(462)</b>



STATEMENT OF ACCOUNTS 2013-14

GROUP BALANCE SHEET

Restated at 1st April 2012	Restated 31st March 2013	Notes	31st March 2014
£000	£000		£000
37,319	35,801	Property, Plant & Equipment	35,813
1,835	0	Investment Property	0
232	0	Long Term Debtors	0
40	0	Deferred tax asset	0
<b>39,426</b>	<b>35,801</b>	<b>Long Term Assets</b>	<b>35,813</b>
0	0	Inventories	21
389	1,230	Short Term Debtors	1,825
66,125	61,930	Cash and Cash Equivalents	58,368
<b>66,514</b>	<b>63,160</b>	<b>Current Assets</b>	<b>60,213</b>
(3,540)	(4,959)	Short Term Borrowing	(6,159)
(14,604)	(11,001)	Short Term Creditors	(11,522)
(941)	(942)	Short Term Lease	(961)
0	0	Provisions	(167)
0	0	Current Liabilities	(5)
<b>(19,085)</b>	<b>(16,902)</b>	<b>Current Liabilities</b>	<b>(18,814)</b>
(12,980)	(11,059)	Provisions	(10,816)
(23,719)	(20,473)	Long Term Borrowing	(17,330)
(21,998)	(25,452)	Other Long Term Liabilities	(23,530)
<b>(58,697)</b>	<b>(56,984)</b>	<b>Long Term Liabilities</b>	<b>(51,675)</b>
<b>28,158</b>	<b>25,075</b>	<b>Net Assets</b>	<b>25,537</b>
(28,158)	(25,075)	Group Reserves	(25,537)
<b>(28,158)</b>	<b>(25,075)</b>	<b>Total Reserves</b>	<b>(25,537)</b>

STATEMENT OF ACCOUNTS 2013-14

GROUP CASH FLOW STATEMENT

Notes	2012/13 £000	2013/14 £000
<b>Net surplus or (deficit) on the provision of services</b>	(5,032)	(384)
Adjustment to surplus or deficit on the provision of services for noncash movements	5,600	(643)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,442)	1,738
<b>Net cash flows from operating activities</b>	<b>(2,874)</b>	<b>711</b>
<b>Net Cash flows from Investing Activities</b>	<b>(2,503)</b>	<b>(1,392)</b>
<b>Net Cash flows from Financing Activities</b>	<b>1,182</b>	<b>(2,881)</b>
<b>Net increase or decrease in cash and cash equivalents</b>	<b>(4,195)</b>	<b>(3,562)</b>
Cash and cash equivalents at the beginning of the reporting period	66,125	61,930
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>61,930</b>	<b>58,368</b>

Merseyside Recycling & Waste Authority  
 1 Notes to the Financial Statements  
 FOR THE YEAR ENDED 31 MARCH 2014

Fixed Assets Note - Current Year

	Property, Plant & Equipment (PP&E)					TOTAL £000
	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Under Constructio n £000	Investment Properties £000	
<b>Cost or Valuation</b>						
Balance as At 1 April 2013	10,598	17,507	7,761	0	35,866	0
Adjusted opening balance	10,598	17,507	7,761	0	35,866	0
Additions	37	1,074	0	38	1,149	0
<b>Balance as at 31 March 2014</b>	<b>10,635</b>	<b>18,581</b>	<b>7,761</b>	<b>38</b>	<b>37,015</b>	<b>0</b>
<b>Depreciation and Impairment</b>						
Balance as At 1 April 2013	0	49	16	0	65	0
Depreciation written out on Revaluation Reserve	0	457	573	0	1,030	1,030
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	37	70	0	0	107	107
Derecognition - Disposals	0	0	0	0	0	0
<b>Balance as at 31 March 2014</b>	<b>37</b>	<b>576</b>	<b>589</b>	<b>0</b>	<b>1,202</b>	<b>0</b>
<b>Net Book Value</b>						
Balance as at 31 March 2014	10,598	18,005	7,172	38	35,813	0
Balance as at 31 March 2013	10,598	17,458	7,745	0	35,801	0

## Fixed Assets Note - Comparative Year

	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Constructio n £000	Total PP&E £000	Investment Properties £000	TOTAL £000
<b>Cost or Valuation</b>							
Adjusted opening balance	11,991	16,503	18,324	1,462	48,280	1,835	50,115
Additions (Note 40)	160	576	60	(43)	753	0	753
Donations	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	2,679	1,151	100	0	3,930	0	3,930
Derecognition - Disposals	0	0	(10,125)	0	(10,125)	(1,835)	(11,960)
Derecognition - Other	0	0	0	0	0	0	0
Adjustments between cost/value & depreciation/impairment	(4,232)	(723)	(598)	(1,419)	(6,972)		(6,972)
<b>Balance as at 31 March 2013</b>	<b>10,598</b>	<b>17,507</b>	<b>7,761</b>	<b>0</b>	<b>35,866</b>	<b>0</b>	<b>35,866</b>
<b>Depreciation and Impairment</b>							
Adjusted opening balance	0	334	10,627	0	10,961	0	10,961
Depreciation Charge	0	872	594	0	1,466	0	1,466
Depreciation written out on Revaluation Reserve	0	(1,025)	(483)	0	(1,508)	0	(1,508)
Impairment losses/reversals to Revaluation Reserve	0	45	0	0	45	0	45
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	4,232	1,966	1	0	6,199	0	6,199
Derecognition - Disposals	0	0	(10,125)	0	(10,125)	0	(10,125)
Derecognition - Other	0	0	0	0	0	0	0
Reclassifications & Transfers	(4,232)	(2,143)	(598)	0	(6,973)	0	(6,973)
<b>Balance as at 31 March 2013</b>	<b>0</b>	<b>49</b>	<b>16</b>	<b>0</b>	<b>65</b>	<b>0</b>	<b>65</b>
<b>Net Book Value</b>							
At 31 March 2013	10,598	17,458	7,745	0	35,801	0	35,801
Balance as at 31 March 2012	11,991	16,169	7,697	1,462	37,319	1,835	39,154

## NOTES TO GROUP ACCOUNTS

## 2 Debtors

	Short Term Debtors	
	2013/14	2012/13
	£000	£000
Government Departments	0	0
Trade debtors	0	0
Other	1,825	1,230
<b>Total</b>	<b>1,825</b>	<b>1,230</b>

## 3 Cash and Cash Equivalents

The balance of cash and cash equivalents comprises:

(a) cash held by the Subsidiary and

(b) cash held on behalf of the Parent Authority by St Helens MBC which is available on demand.

	2012/13 restated		2013/14
	£000		£000
	8,276	Cash by subsidiary	8,341
	54,011	Cash held on behalf of the Parent Authority by St Helens MBC which is available on demand.	50,385
	<b>62,287</b>	<b>Total</b>	<b>58,726</b>

from Current debtors as part of a review of the Authority's Accounting Policies.

## 4 Creditors

## Short Term Creditors

	2013/14	2012/13
	£000	£000
Government Departments	0	0
Other Authorities	1,747	711
Public corporations and trading funds	0	0
Accumulated Absences	21	18
Trade creditors	0	0
Other	9,754	10,272
<b>Total Short Term Creditors</b>	<b>11,522</b>	<b>11,001</b>

## 6) Segment reporting for Group Accounts 2013-14 (reporting year)

	Establish- ment* £000	Waste Contracts* £000	Facilities* £000	Strategy £000	Procure-ment £000	Other £000	MWHL £000	BML £000	Total £000
Fees charges and other service income	(309)	(1,862)	0	(3)	(149)	(450)	(125)	(92)	(2,990)
Government grants	0	0	0	0	0	(65,591)	0	0	(65,591)
<b>Total income</b>	<b>(309)</b>	<b>(1,862)</b>	<b>0</b>	<b>(3)</b>	<b>(149)</b>	<b>(66,041)</b>	<b>(125)</b>	<b>(92)</b>	<b>(68,581)</b>
Employee expenses	1,698	0	0	0	0	0	33	0	1,731
Other service expenses	754	55,089	2,092	540	3,675	1,242	48	60	63,500
Support service recharge	0	0	0	0	0	37	0	0	37
<b>Total Expenditure</b>	<b>2,452</b>	<b>55,089</b>	<b>2,092</b>	<b>540</b>	<b>3,675</b>	<b>1,279</b>	<b>81</b>	<b>60</b>	<b>65,268</b>
<b>Net expenditure</b>	<b>2,143</b>	<b>53,227</b>	<b>2,092</b>	<b>537</b>	<b>3,526</b>	<b>(64,762)</b>	<b>(44)</b>	<b>(32)</b>	<b>(3,313)</b>

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

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

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

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

## STATEMENT OF ACCOUNTS 2013-14

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

	2012-13 £000	2013-14 £000
Net expenditure in the Service analysis	(3,599)	(3,313)
Net expenditure of services and support services not include din the analysis	0	0
Net expenditure of subsidiaries not included in the analysis	0	0
Amounts in the Comprehensive Income and expenditure Statement not reported to Amounts included in the Analysis not included in the	173	(745)
Comprehensive Income and Expenditure Statement	343	3,601
<b>Group Comprehensive Income and Expenditure Statement</b>	<b>(3,083)</b>	<b>(457)</b>

### Reconciliation to subjective analysis

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

### 2013-14 (reporting year)

	Service analysis £000	Amounts not reported to management for decision making £000	Net expenditure of subsidiaries not included in the analysis £000	Cost of Services £000	TOTAL £000
Fees, charges and other service income	(2,990)	0	0	(2,990)	(2,990)
Income from Levy	(65,591)	0	0	(65,591)	(65,591)
<b>Total income</b>	<b>(68,581)</b>	<b>0</b>	<b>0</b>	<b>(68,581)</b>	<b>(68,581)</b>
Employee expenses	1,731	0	0	1,731	1,731
Other service expenses	63,500	(745)	3,601	66,356	66,356
Depreciation, amortisation and impairment		0	0	0	0
Support service recharge	37	0	0	37	37
<b>Total expenditure</b>	<b>65,268</b>	<b>(745)</b>	<b>3,601</b>	<b>68,124</b>	<b>68,124</b>
<b>Group Comprehensive Income and Expenditure Statement</b>	<b>(3,313)</b>	<b>(745)</b>	<b>3,601</b>	<b>(457)</b>	<b>(457)</b>



**STATEMENT OF ACCOUNTS 2013-14**

**Reconciliation to subjective analysis**

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

**2012-13**

	<b>Service analysis</b>	<b>Amounts not reported to management for decision making</b>	<b>Net expenditure of subsidiaries not included in the analysis</b>	<b>Cost of Services</b>	<b>TOTAL</b>
Fees, charges and other service income	(3,620)	0	0	(3,620)	(3,620)
Surplus or deficit on associates and joint ventures	0	0	0	0	0
Interest and investment income	(1,105)	0	0	(1,105)	(1,105)
Income from Levy	(65,458)	0	0	(65,458)	(65,458)
Government grants and contributions	0	0	0	0	0
<b>Total income</b>	<b>(70,183)</b>	<b>0</b>	<b>0</b>	<b>(70,183)</b>	<b>(70,183)</b>
Employee expenses	1,631	0	0	1,631	1,631
Other service expenses	59,197	343	173	59,713	59,713
Support service recharges	0	0	0	0	0
Depreciation, amortisation and impairment	4,336	0	0	4,336	4,336
Interest payments	1,061	0	0	1,061	1,061
Gain or loss on disposal of fixed assets	359	0	0	359	359
<b>Total expenditure</b>	<b>66,584</b>	<b>345</b>	<b>173</b>	<b>67,100</b>	<b>67,100</b>
<b>Surplus or deficit on the provision of services</b>	<b>(3,599)</b>	<b>345</b>	<b>173</b>	<b>(3,083)</b>	<b>(3,083)</b>

## STATEMENT OF ACCOUNTS 2013-14

### 5) Pensions disclosures

#### 5.1) Merseyside pension scheme – Net pensions asset / liability

As part of the terms and conditions of

In 2013-14 the following payments were made to the Fund comprising pension costs charged in accordance with the former triennial valuation and amounts paid to retired officers:

	£000
MRWA	229
MWHL	167

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

Assets and liabilities attributable to:	31-Mar-13		31-Mar-14	
	MWHL £m	MRWA £M	MWHL £M	MRWA £M
Present value of funded benefit obligations	10	13	9	13
Present value of unfunded benefit obligations	0	0	0	0
Total present value of benefit obligations	10	14	9	13
Fair value of plan assets	(6)	(10)	(6)	(10)
Unrecognised past service cost	0	0	0	0
Net Liability	4	4	4	3

## STATEMENT OF ACCOUNTS 2013-14

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

The main assumptions used in the actuarial calculations are:

	31 3 13	31 3 14
Rate of inflation (CPI)	2.40%	2.40%
Rate of increase in salaries	3.90%	3.90%
Rate of increase in pensions	2.40%	2.40%
Rate of discounting scheme liabilities	4.20%	4.40%
Proportion of scheme employees opting to take a commuted lump sum	50.00%	50.00%
Life expectancy of male future pensioner aged 65 in 20 years time	23.7 years	24.7 years
Life expectancy of female future pensioner aged 65 in 20 years time	26.6 years	28.0 years
Life expectancy of male current pensioner aged 65	21.8 years	22.3 years
Life expectancy of female current pensioner aged 65	24.7 years	25.2 years

The expected rates of return on assets are as follows:

	31 3 13	31 3 14
Rate of return on:		
Equities	7.00%	7.00%
Government bonds	2.80%	2.40%
Other Bonds	3.90%	4.30%
Property investments	5.70%	6.20%
Cash / Liquidity	0.50%	0.50%
Other Assets	7.00%	7.00%

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

	31 3 2013			31 3 2014		
	MWHL £000	MRWA £000	%	MWHL £000	MRWA £000	%
Equities	3,429	5,835	60.6	3,429	6,253	62.0
Government Bonds	888	1,512	15.7	888	1,382	13.7
Other Bonds	204	347	3.6	204	262	2.6
Property	470	799	8.3	470	807	8.0
Cash / Liquidity	130	221	2.3	130	272	2.7
Other assets	538	915	9.5	538	1,109	11.0

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

## STATEMENT OF ACCOUNTS 2013-14

	MWHL		MRWA	
	£000	£000	£000	£000
Net pension liability at 1 4 2013		(4,047)		(3,953)
Movements in year				
Current service cost	0		(250)	
Employer contributions	167		229	
Interest on Pension liabilities	(352)		(569)	
Return on Plan Assets	316		548	
Actuarial Gain / (Loss) on assets	(154)		9	
Actuarial Gain / (Loss) on liabilities	309		832	
Curtailments	0		0	
Past service costs	0		0	
<b>Net pension liability at 31 March 2014</b>		<b>286</b>		<b>(3,154)</b>

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

	MWHL	MRWA
	£000	£000
Asset gain / (loss)	(154)	9
Liability gain / (loss)	309	832
Change in assumptions gain / (loss)	0	0
Net gain / (loss)	<u>155</u>	<u>841</u>

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

### Year

2007-08	6.1
2008-09	7.1
2009-10	5.6
2010-11	5.5
2011-12	4.9
2012-13	4.2
2013-14	4.4

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

**5.2) LAWDC pension scheme –  
Net pension asset / liability**

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

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

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

	2012-13 £m	2013-14 £m
Assets and liabilities attributable to MWHL		
Estimated liabilities in the scheme	(1,543)	(1,647)
Estimated assets in the scheme	1,457	1,437
Net assets in the scheme	<u>(86)</u>	<u>(210)</u>

Liabilities have been assessed on an actuarial basis.

**Contributions disclosures**

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

	2012-13	2013-14
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment	2.40%	<b>2.40%</b>
Discount rate	4.70%	<b>4.40%</b>
Inflation assumption* (RPI)	3.70%	<b>4.30%</b>
Inflation assumption (CPI)	2.90%	<b>2.70%</b>

## STATEMENT OF ACCOUNTS 2013-14

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

	Long term rate of return expected at 31-Mar-12	Value at 31-Mar-13	Long term rate of return expected at 31-Mar-14	Value at 31-Mar-14
	%	£000	%	£000
Equities	5.5	1,020	5.5	1,025
Government bonds	3	87	3	412
Corporate bonds	4.7	350		
Property	n/a	0		
Cash	0	0		
Total market value of assets		<u>1,457</u>		<u>1,437</u>
Present value of scheme liabilities		(1,543)		(1,647)
Surplus/(deficit) in scheme		0		
Related deferred tax asset		0		
Net pension asset/(liability) on an FRS17 basis		<u>-86</u>		<u>-210</u>

	31-Mar-13 £000	31-Mar-14 £000
<b>Movement in deficit during the period</b>		
(Deficit)/surplus in scheme at 1 April	(53)	(86)
Operating cost	0	0
Other finance cost	(149)	(30)
Actuarial gains & losses	75	(179)
Contributions paid	41	85
<b>Surplus / (Deficit) in scheme at end of year</b>	<u>-86</u>	<u>-210</u>

	31-Mar-12 £000	31-Mar-13 £000
<b>Analysis of the amount charged to CIES</b>		
Current service cost	0	0
<b>Analysis of the amount credited to other finance income</b>		
Expected return on pension scheme assets	(65)	(124)
Interest on pension scheme assets	64	72
<b>Total other finance (costs) / gains</b>	<u>0</u>	<u>(1)</u>

## STATEMENT OF ACCOUNTS 2013-14

	31-Mar-13 £000	31-Mar-14 £000
<b>Analysis of amounts recognised in MIRS</b>		
Actuarial return less expected return on pension scheme asset	43	-179
Experience losses arising on the scheme liabilities	0	
Changes in assumptions underlying the present value of the scheme liabilities	(118)	(8)
<b>Actuarial loss recognised in MIRS</b>	0	(75)
<b>History of experience gains and losses</b>		
Difference between the expected and actual return on scheme assets	43	(179)
Amount £000	3.00%	-12%
Percentage of scheme assets		
<b>Total amount recognised in MIRS</b>		
Amount £000	(75)	(187)
Percentage of present value of scheme liabilities	-4.90%	-11.40%

## GLOSSARY

### AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

### AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

### A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

### ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### REMEASUREMENT GAINS AND LOSSES

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

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

### ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A fixed asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

### AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.



**BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

**BORROWING**

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

**BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

**CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**CAPITAL PROGRAMME**

The capital schemes the Authority intends to carry out over a specific period of time.

**CAPITAL RECEIPT**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy

**CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

**CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities that local 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.

**CREDITOR**

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**CURRENT SERVICE COST (PENSIONS)**

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

**DEBTOR**

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**DEFERRED CHARGES**

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

**DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

**EQUITY**

The Authority's value of total assets less total liabilities.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of

their size or incidence to give fair presentation of the accounts.

**EXPECTED RETURN ON PENSION ASSETS**

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

**FAIR VALUE**

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

**FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

**GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

**IMPAIRMENT**

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

**INCOME AND EXPENDITURE ACCOUNT**

The revenue account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

**INTEREST COST (PENSIONS)**

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

**INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

**LIABILITY**

A liability is where the Authority owes payment to an individual or another organisation.

□ A current liability is an amount which will become payable or could be called

in within the next accounting period, e.g. creditors or cash overdrawn.

A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**LIQUID RESOURCES**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

**MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

**NET BOOK VALUE**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**NET DEBT**

The Authority's borrowings less cash and liquid resources.

**NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and as such are not apportioned to services

**NON-OPERATIONAL ASSETS**

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

**OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

**OPERATIONAL ASSETS**

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

**PAST SERVICE COST (PENSIONS)**

For a defined benefit pension 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 improvement to retirement benefits.

**PENSION SCHEME LIABILITIES**

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

**PRECEPT**

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

**PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

**RELATED PARTIES**

There is a detailed definition of related parties in IAS24. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

**RELATED PARTY TRANSACTIONS**

The Code of Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

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 the employer are excluded.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

**RETIREMENT BENEFITS**

## **STATEMENT OF ACCOUNTS 2013-14**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

### **REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

### **STOCKS**

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

### **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

### **USEFUL ECONOMIC LIFE (UEL)**

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

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

### **Opinion on the financial statements**

We have audited the financial statements of Merseyside Waste Disposal Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

### **Respective responsibilities of the Director of Finance and auditor**

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

### **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Merseyside Waste Disposal Authority as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

## **Opinion on other matters**

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

## **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2013, we have considered the results of the following:

- our review of the annual governance statement.

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



**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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

Royal Liver Building  
Liverpool L3 1PS

26 September 2014