MERSEYSIDE RECYCLING & WASTE AUTHORITY

MERSEYSIDE... A PLACE WHERE NOTHING IS WASTED

STATEMENT OF ACCOUNTS

2014-15

CONTENTS

Introduction to the 2014/15 Statement of Accounts by Councillor Graham Morgan, Chairperson to the Authority

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 the use of waste as a resource, 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 financial and staff resources, managing a turnover of £68M with a staff of fewer than 30. 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 Levy for 2014-15 was not increased in overall terms, continuing a trend of reduction or stability over the last five years. This year the Levy stability was achieved through a combination of savings across the Authority, through initiatives like interim waste contracts, and a planned contribution from the General Fund to cushion the impact of the Authority's costs on constituent District Councils. At the same time the Authority was able to distribute the Waste Development Fund of £28.9M to constituent District Councils at the beginning of the year under the terms of the Memorandum of Understanding agreed by all parties.

During 2014-15 the Authority has worked with its new partner, Sita Sembcorp UK, to progress with building facilities on Teesside and in Knowsley to enable the new Energy from Waste Facility to be delivered on time in 2016-17 via the Resource Recovery Contract. Meanwhile the Authority has continued to deliver Waste Diversion from landfill via interim contracts. The Household Waste Recycling Centres and Materials Recycling Facilities enable the Authority continue to support recycling across Merseyside. This continues to be important for Merseyside despite market conditions which make it difficult to get as much value from this as in previous years. Raising awareness of the need to re-use and recycle more and raising waste up the waste hierarchy is a key activity as real savings can be achieved where less household waste goes to landfill or for disposal via the Energy from Waste (EfW) in future. Safe management of Closed Landfill Sites across Merseyside means that potential risks to the population and the environment are minimised.

Effective financial management has been key to ensuring the Authority is able to utilise balances to offset future financial pressures. The Authority has planned to use 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 20% 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.

Chairperson of the
Authority……………………………………………………………………June 2015

Treasurer's Explanatory Foreword

Introduction

Merseyside Recycling and Waste Authority (MRWA) is the public facing name of the statutory waste disposal authority for Merseyside (Merseyside Waste Disposal Authority). The public facing name was introduced to better reflect the activities of the Authority within its legislative framework. The statutory waste hierarchy emphasises the need for waste minimisation to be at the heart of the waste strategy, followed closely by re-use and recycling, with waste disposal only at the final stage. As the Authority continues to work with partners to move waste further up the hierarchy it is increasingly apparent that the costs of failing to deliver more re-use and recycling will impact heavily both on the Authority and on the District Councils which are levied to pay those costs.

MRWA as the statutory waste disposal authority for Merseyside was created in 1986 when the former Merseyside County Council was abolished. The Authority provides statutory waste disposal services both across Merseyside and for the District Councils on Merseyside which individually are the statutory Waste Collection Authorities (Knowsley, Liverpool, Sefton, St Helens and Wirral Councils). The Authority provides services across Merseyside for a population of almost 1.4 million people and recycles or disposes of over 440,000 tonnes of waste generated by the 607,000 households. The Authority also separately provides some services for Halton Council.

Individually the constituent District Councils collect household waste from their householders and they deliver it to the Authority for disposal. The systems used by the Councils to collect household waste are determined individually by each Council based on what is appropriate for their citizens. The Authority also provides recycling operations for a number of Councils who deliver dry recyclable materials for processing. The Authority provides all Councils with waste disposal for residual household waste, that is, waste that has not been re-used or recycled. Collection Authorities deliver their residual household waste to the Authority's Transfer Stations from where the Authority transports it to the final disposal sites. The majority of the Authority's residual household waste for disposal is currently sent for landfill. From 2016 this residual waste will be sent to a Combined Heat and Power, Energy from Waste Plant.

Another of the statutory functions of the Authority is to provide access for householders to Household Waste Recycling Centres (HWRCs), there are 13 across Merseyside (15 including Halton). This provides an opportunity for householders to deliver items for disposal that have not been collected from their homes by the Councils' normal collection services. These HWRCs provide very good opportunities for recycling domestic waste and help to contribute towards the achievement of statutory recycling targets for Merseyside as a whole.

The Authority delivers modest programmes across the community to increase public awareness of the waste hierarchy and the benefits of re-use and recycling. The community fund continues to support community based groups who focus on re-use and recycling; the apprentices programme supports schemes across Merseyside where the training focusses on waste management; at the same time a waste prevention programme and community funding programme are designed to engage with the public and promote waste prevention and the waste hierarchy.

Perhaps the least obvious of the Authority's activities is the management of Closed Landfill Sites. These are sites which were formerly used as landfill sites where methane gas may still be produced and where also the Authority is required to ensure that contaminated materials do not leak from the sites into the wider water supply. Preventative and management works are carried out on the Closed Landfill Sites across Merseyside to ensure that all the sites meet the stringent statutory requirements and present a reduced risk to the public.

A very significant majority of the work of the Authority is delivered through contracts with large and smaller contractors. The Waste Management and Recycling contract is a long term arrangement with Veolia ES Merseyside to deliver services including the HWRCs, The Materials Recycling Facilities (MRFs), transfer stations for waste to be delivered and transport to final disposal. The Authority has access to long term landfill contracts at beneficial gate fee prices via its wholly owned subsidiary Mersey Waste Holdings Ltd, and FCC. At the same time to mitigate the costs on the Authority a small number of short term 'interim' arrangements have been made with other providers to take waste for disposal other than in landfill, at prices that are lower than the cost of landfilling (the vast majority of which was Landfill tax at £80 per tonne during 2014-15).

The Authority prides itself on having a small administrative core that it uses to good effect in delivering services to the whole of Merseyside that are economical, efficient and effective. At the same time the governance arrangements, which are regularly reviewed by internal audit, are effective and ensure the Authority meets all its obligations.

Key achievements

As well as providing waste services across Merseyside the Authority continues to develop and improve and has delivered on a significant number of key objectives over the last financial year, including:

- Resource Recovery Contract – construction work is forging ahead at both the Energy from Waste Wilton site in Teeside and the Rail Transfer Station in Kirkby with programmed dates for commissioning and full operational delivery remaining on schedule;
- HWRCs – working with Liverpool City Council plans for the development of a new HWRC at Old Swan in the City have made significant progress and demolition works on the site are complete, ready for the construction to be completed during 2015-16;
- Performance targets
    - HWRC recycling and composting – target 52.91% - provisional actual 68.31%
    - HWRC diversion from Landfill – target 64.04% - provisional actual 75.09%
    - Kerbside collected recyclables diversion from Landfill – target 87.34% - provisional actual 93.47% via Material Recycling Facilities (MRFs)
    - Organic waste delivered, diverted from Landfill – target 95% - provisional actual 99%
    - Household recycling for Merseyside up from 40.5%, to 44.1% (target 50% by 2020)

    - Improving customer satisfaction levels – 99% of HWRC users were satisfied overall
    - Reduction in local authority collected waste going to landfill, current performance shows 45.2% compared to 51.2% in the previous period.
- The governance of the Authority's wholly owned company, Mersey Waste Holdings Ltd, has been reviewed and strengthened, ensuring the objectives of the company and the Authority are aligned.
- The Levy for District Councils was maintained at the same overall level (£65.6M) as it had been the previous year, in the face of Landfill Tax and other cost increases
- The Waste Development Fund of £28.9M was distributed to District Councils at the start of the year for them to invest in their waste services in pursuit of the Joint Waste Strategy
- Environmental Management System (EMS) quality accreditation was retained
- Visits to the Recycling Discovery Centres continue to exceed targets
- Working with District Councils in the Waste Partnership to implement strategic objectives of the waste strategy
- Community Fund – 14 community projects to encourage re-use and recycling were supported
- Public events – the Authority used opportunities at events across Merseyside to engage with the public, encouraging re-use and recycling
- The 10 City Challenge – the Authority is a part of the challenge, with Tesco as the local partner, to encourage less waste through targeted community cookery courses (50 across Merseyside)

Financial highlights

The Authority is largely funded by a Levy on the constituent District Councils who pass those costs on to residents via their Council Tax. In 2014-15, despite a further £8 per tonne increase in the level of Landfill Tax, taking it to £80 per tonne, the Authority was able to ensure that in overall terms the Levy did not go up. In 2014-15 the overall Levy was £65.6M, and this was the sixth year in succession where the Levy has been maintained at the same level as the last year or has gone down. The Levy was maintained at this level because the Authority made savings through the procurement of interim contracts and other measures; and planned to use a proportion of its General Reserve cushioning the impact of the Authority's cost increases for the Districts.

While the Levy has been stable for some years the Authority had also built up a reserve of £28.9M as a Sinking Fund to smooth what had been anticipated to be very significant Levy increase requirements in future years as new contractual arrangements for treatment and disposal of waste were developed. Once the procurement of the new contracts was complete it became apparent that the Authority was unlikely to need this Sinking Fund and that future Levy increases would be more modest than had been feared. The Authority working with the constituent District Councils had transferred the Sinking Fund into a separate Waste Development Fund by the start of 2014-15. Early in 2014-15 the Waste Development Fund was successfully distributed, in full, to the constituent Districts under the terms of a Memorandum of Understanding that will help the Districts to meet their commitments under the Joint Waste Strategy.

The Authority utilises a number of assets in providing services to Merseyside including HWRCs, transfer stations, and Materials Recycling Facilities. The assets are either owned or leased by the Authority and have a value in the Balance Sheet of £35M (after depreciation).

There was relatively little capital expenditure in the last year, £77k, which was financed from a combination of the Earmarked Capital Reserve as well as £3k from an asset sale. The relatively low expenditure was due to works for the new HWRC at Old Swan not starting as had been anticipated; it is likely that this will be caught up during 2015-16.

Elsewhere the Authority has paid almost £7M to MWHL from a provision which it had set aside to settle its share of a legal settlement in respect of a dispute over paying the 'full costs' to a landfill site operator. MWHL had already paid their part of the settlement and only sought appropriate re-imbursement from the Authority in 2014-15.

Summary of Financial Performance

Revenue Outturn

The Statement of Accounts sets out the Authority's spending and funding in line with accounting requirements.

The outturn for the Authority is an additional contribution from the General Fund of £0.032m. This compares with a revised estimate for the budgeted contribution of £3.515m and so marks an adverse variance and an extra strain on the Authority's reserves.

The table below reports service specific information in the form that the Authority's budget is presented to Members, showing a comparison between the revised estimate and the outturn for the year:

	Revised Estimate	Actual outturn	Variance
	£000	£000	£000
Establishment	1,935	2,058	(123)
Contract payments	57,958	58,495	(537)
Closed Landfill sites	311	227	84
Rent, rates etc	1,900	1,769	131
Recycling Credits	6,355	5,924	431
Communications	35	31	4
Strategy & Resources	532	349	183
Contract procurement	45	(20)	65
Other costs	(777)	(773)	(4)
Interest	857	1,040	(183)

The Authority's outturn report explains the variances in more detail, and while most of the Authority's services were delivered at below anticipated costs there were two areas where the position was not as good as the budget.

On the establishment line there is an overspend due to one off decisions that will save the Authority money in the longer term; one off provisions for redundancies have been made which add to the in-year costs; and a decision was made to pay an additional pension contribution in one payment rather than over three years which meant the Authority's in year costs grew but the Authority gained a discount by making the payment early.

For contracts, the overspending represents a 2.6% additional cost, but as the budget is such a large part of the Authority's costs the amount is significant. For most of the contract costs there is an underspend compared with the revised estimates, however, for the landfill tax there is an overspend. This is because one of the interim contracts that was put in place to divert waste from landfill at a lower cost did not perform as well as planned and so additional costs were incurred in landfill tax that had not been fully anticipated.

Capital outturn

The table below shows the capital outturn compared with the revised estimate for 2014-15 together with commentary on the reasons for variances.

Scheme	Revised programme £000	Outturn £000	Variance £000	Commentary
Huyton HWRC	5	4	1	Minor works savings
Kirkby HWRC	3	2	1	Minor works savings
Ravenhead HWRC	7	4	3	Minor works savings
New HWRC development – Liverpool	446	60	386	Scheme development delayed
Foul Lane Closed Landfill Site restoration	51	0	51	Planned works not commenced
Various minor works	86	7	79	Minor works scheme savings
	598	**77**	**521**	

The Authority has an earmarked capital fund which was utilised in the year to fund the capital programme alongside £3k that was raised from the sale of an asset that was surplus to requirements. Once again the Authority has not made any additional borrowing for 2014-15, and none is anticipated in the next financial year.

Balance sheet

The Authority's balance sheet is relatively modest, while long term assets including Property Plant and Equipment have remained stable at just over £40M, the current assets have reduced significantly from £52M to just under £13M. This significant reduction has come from a combination of paying for the distribution of the Waste Development Fund, paying for the provision set aside in respect of the MWHL legal settlement and the Authority's support for maintaining the neutral Levy. There are long term liabilities in the balance sheet of over £42M, including borrowings (£17M) and Provisions (£5M) and a pension liability (£4.2M). Furthermore the Authority has usable reserves of £19M.

Medium term prospects

The Authority has responded effectively to the financial pressures on its constituent District Councils with either Levy reductions or a stable overall Levy in each of the last five years. The success of the separate procurements for waste treatment and disposal means that the potentially very significant cost increases that were projected at the outset of the procurement are unlikely to arise. However, the Authority has now reached a point where it has started to utilise its reserves to cushion the impact of normal cost increases on the Levy and the constituent District Councils.

Since the election the Government has made it clear that their priority remains focussed on reductions in levels of national debt and so it is likely that the pressure on public spending and local government will continue.

The Authority is not funded by Government, but its Levy directly impacts on the constituent District Councils. While the Authority's reserves may allow it to provide further cushioning of the Levy for Districts over the next two years the distance between the Levy and the costs of the Authority's waste disposal activities continues to grow. The effect of this is that in the foreseeable future, when the Authority's reserves have been fully utilised, there is likely to be a very significant gap between spending and income. If that approach continues the only route available to the Authority to fill that gap will be to seek a very significant increase in the Levy to balance income and expenditure; and that at a time when financial pressure on constituent District Councils is likely to be greater than ever.

In the face of this prospect the Authority must not only continue to seek cost reductions and savings wherever possible, but must also consider introducing a policy of modest Levy increases over the next budget cycles. This modest increase would not impact as significantly on the constituent District Councils, and would enable the Authority to extend the cushion over a longer period until the Levy level and expenditure were in balance once more, providing a sustainable financial base for the Authority going forward.

Over the medium term the Authority will have to continue to develop plans to:

- Balance ongoing expenditure with income to deliver a viable financial position which allows it to continue to deliver its key objectives
- Maintain an appropriate level of reserves to protect the Authority against future budget challenges and continuing financial pressures
- Risk manage budget estimates to ensure they remain robust and in-year to ensure that the agreed budgets are managed and delivered as required
- Operate to appropriate financial management standards to ensure the Authority's finances are secure and that value for money is obtained, to ensure that professional standards are properly maintained and that quality review is embedded in all financial activity
- Investigate and develop savings opportunities for the Authority, especially ensuring that savings in one area do not move costs either to other, more expensive areas of

the Authority's activity, and that potential savings at the Authority do not simply push additional costs back to constituent District Councils

The challenge for the Authority over the medium term is to keep the impact of the Levy on constituent District Councils at the lowest possible level, while ensuring that services continue to be available. Some of that challenge will be met from working with the Councils to ensure that waste continues to be moved up the waste hierarchy, moving it from the more expensive landfill and disposal, into recycling, re-use and prevention.

The onset of the Resource Recovery Contract, moving waste from Landfill into an Energy from Waste Plant, will help the Authority to stabilise its costs in the medium to longer term, avoiding the otherwise inevitable increases in Landfill Tax. Elsewhere the planned development of the new HWRC in Liverpool will increase the Authority's operating costs for that contract, however, if waste is transferred from Landfill/Disposal into significantly more recycling then there will be environmental and modest financial benefits on the other side.

Explanation of the Financial Statements

The Statement of Accounts sets out details of the Authority's income and expenditure for the financial year 2014-15 and its Balance Sheet as at 31st March 2015. The Statement of Accounts comprises Core and Supplementary Financial Statements, accompanied by Notes to explain terms in the Financial Statements and 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.

Acknowledgements

The production of this Statement of Accounts would not have been possible without the exceptional hard work and dedication of the very small Finance section and support staff, working with budget managers across the Authority to ensure the required information was provided in appropriate formats to enable the production of the Statement on time and to a good standard.

I would like to express my gratitude to the team and extend this to colleagues across the Authority, Members and the Executive Management Team who have supported to process to enable the statement to be completed. I would also like to thank everyone for all their support during the year.

Peter Williams
Treasurer
Merseyside Waste Disposal Authority

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 2015 and its income and expenditure for the year then ended. In doing so I authorise the Statement for issue and confirm that it is this date up to which events after the Balance Sheet date have been considered in preparing the Statement.

Peter Williams
Treasurer to the Authority Date

STATEMENT OF RESPONSIBILITIES

The Authority's responsibilities

The Authority is required to:

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

The Director of Finance's responsibilities

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

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

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

The Director of Finance has also:

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

………………………………………………………….

Peter Williams
Treasurer to the Authority   Date:

ANNUAL GOVERNANCE STATEMENT 2014-15

Scope of responsibility

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

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

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

The Clerk and Monitoring Officer
Merseyside Recycling and Waste Authority
7th Floor, No 1 Mann Island
Liverpool
L3 1BP

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

The purpose of the governance framework

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

The governance framework

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

- there is an established Performance Management Framework underpinned by a Corporate Plan which sets out the Authority's long-term aims;
- the current Corporate Plan was approved by Members on 28th November 2014 and has a mission statement, "To contribute to the economic, environmental and social well-being of Merseyside by promoting the best use of resources and ensuring that waste is sustainably managed." The plan is delivered through the development and implementation of annual plans which reflects current corporate strategies, risks and priorities;
- 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 was used to inform the procurement of major waste contracts, most notably the Waste Management and Recycling Contract and the Resource Recovery Contract;
- there is a Risk Management Strategy in place which provides the Authority with a framework to identify and analyse the risks associated with its activities and ultimately supports the Authority in planning for and delivering its Corporate Plan.
- roles and responsibilities of Members and the Scheme of Delegation are reviewed and approved annually. The Authority's scrutiny function is delivered by the full Authority and communication protocols are in place;
- Codes of Conduct are in place for officers and for Members, both of which include a Register of Interests;
- The Authority's Constitution, including a comprehensive set of Procedural Rules which define its internal control mechanisms, is in place and reviewed regularly;
- the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010);
- audit functions are delivered through the full Authority with specific powers delegated to the Audit and Governance Committee;
- internal audit is provided by St Helens Council under a service level agreement and operates to Internal Auditing Standards as laid down by CIPFA;

- procedures and processes are in place to ensure that the Authority conducts its business in compliance with its legal obligations, including specialist advice where necessary;

- there is a Whistleblowing Policy and a Comments and Complaints Procedure to assist in the transparency of the Authority's business;

- training and development for Members and officers is delivered through the Member Training and Development Plan, the Staff Development Scheme and a Corporate Training Programme;

- the Authority has a Communications Strategy to deliver clear channels of communication with stakeholders and consultation processes are undertaken as necessary. The strategy is currently under review to ensure it remains fit for purpose;

- Inter Authority Agreements are being reviewed and where appropriate, put in place to ensure effective partnership and joint working arrangements; and

- Internal Control Statements of Assurance are obtained from the Chief Executive as Chief Officer for Authority, from St Helens MBC which provides key services and from the board of Mersey Waste Holdings Limited in which the Authority has a vested interest.

Review of effectiveness

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

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

- the Authority is responsible for the approval of the Code of Corporate Governance and its associated annual review and assessment;

- the Authority is responsible for the approval of the Annual Governance Statement;

- the Authority is responsible for the approval of the Annual Statement of Accounts once they have been approved by the Chief Finance Officer and audited;

- the scrutiny function is provided by the full Authority;

- the Chief Finance Officer is responsible for ensuring the proper financial administration of the Authority, including:
    - the preparation of the statement of accounts;
    - accounting records and control systems; and
    - internal audit
- audit and risk issues are dealt with by the full Authority; and
- the Audit and Governance Committee has delegated powers to deal with governance matters where statutory deadlines require approvals prior to scheduled full Authority meetings.

The Primary Assurance Group has reviewed the Authority's Code of Corporate Governance and conducted an annual assessment to identify and address any weaknesses in the Authority's governance arrangements. An action plan for delivering improvements has been developed and will be implemented during 2015/16 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:

- A Waste Development Fund was established and distributed to each of the Merseyside councils in 2014/15. A Memorandum of Understanding (MoU) was agreed by all parties which sets out how the use of the fund will be reported to the Authority. In 2015/16, a system of reporting will need to be established to comply with the MoU.
- Communications Strategy – the Authority reviewed its Communication in 2014/15 and a new strategy has been developed. This is due to be considered by the Authority in April 2015 and will strengthen internal and external communications to ensure that the Authority's vision and its intended outcome for the community is understood and implemented.

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

Signed:

…………………………………………………………………………………………………

Chief Executive **April 2015**

Signed:

…………………………………………………………………………………………………

Chairperson **April 2015**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2013/14					2014/15		
Expenditure £000	Income £000	Net £000		Notes	Expenditure £000	Income £000	Net £000
71,784	(8,004)	63,780	Environment and regulatory services*	4	102,152	(7,091)	95,061
273	0	273	Corporate and democratic core		190	0	190
109	0	109	Non distributed costs		353	0	353
72,166	**(8,004)**	**64,162**	Surplus/Deficit on Continuing Operations		**102,695**	**(7,091)**	**95,604**
		1,759	Financing and Investment Income and Expenditure	**7**			1,909
		(65,591)	Levy Income	**8**			(65,591)
		330	(Surplus) or Deficit on Provision of Services				**31,922**
		0	(Surplus) or deficit on revaluation of non current assets	**9**			(150)
			Revaluation of closed landfill site provision	**17**			(5,968)
		(846)	Remeasurements of the net defined benefit liability (asset)	**30**			1,258
		(846)	Other Comprehensive Income and Expenditure				**(4,860)**
		(516)	Total Comprehensive Income and Expenditure				**27,062**

** includes one-off payment of £28.9m from the Waste Development Fund to the constituent authorities*

BALANCE SHEET

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories: usable and unusable.

Restated 31st March 2014* £000		Notes	31st March 2015 £000
35,812	Property, Plant & Equipment	9	34,977
5,138	Long Term Investments	12	5,138
40,950	**Long Term Assets**		**40,115**
21	Inventories	13	29
1,645	Short Term Debtors	14	1,299
50,385	Cash and Cash Equivalents	15	11,257
52,051	**Current Assets**		**12,585**
(1,143)	Short Term Borrowing*	10	(2,143)
(11,126)	Short Term Creditors	16	(12,332)
(409)	Provisions	17	(391)
(5)	Grants receipts in advance	25	(16)
(12,683)	**Current Liabilities**		**(14,882)**
(18,394)	Provisions	17	(5,198)
(19,187)	Long Term Borrowing*	10	(17,044)
(20,304)	Other Long Term Liabilities*	33	(20,205)
(57,885)	**Long Term Liabilities**		**(42,447)**
22,433	**Net Assets**		**(4,629)**
52,743	Usable reserves	MiRS	20,235
(30,310)	Unusable Reserves	18	(24,864)
22,433	**Total Reserves**		**(4,629)**

**See Note 35 for explanation of restatement of prior year balances.*

I confirm that these accounts present fairly the position of Merseyside Recycling and Waste Authority (the statutory waste disposal Authority for Merseyside) as at 26th June 2015 and are authorised for Issue as at that date.

Peter Williams
Treasurer to the Authority Date

MERSEYSIDE RECYCLING & WASTE AUTHORITY

CASH FLOW STATEMENT

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

2013/14 £000		Notes	2014/15 £000
(330)	**Net surplus or (deficit) on the provision of services**		**(31,922)**
(762)	Adjustment to surplus or deficit on the provision of services for noncash movements	**19**	(2,674)
1,738	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**19**	1,909
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**19**	4
646	**Net cash flows from operating activities**		**(32,683)**
(1,391)	**Net Cash flows from Investing Activities**	**20**	**(307)**
(2,881)	**Net Cash flows from Financing Activities**	**21**	**(6,138)**
(3,626)	**Net increase or decrease in cash and cash equivalents**		**(39,128)**
54,011	Cash and cash equivalents at the beginning of the reporting period		**50,385**
50,385	**Cash and cash equivalents at the end of the reporting period**		**11,257**

MOVEMENT IN RESERVES STATEMENT

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

2014/15	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance as at 1 April 2014	**(19,547)**	**(33,196)**	**0**	**(52,743)**	**30,310**	**(22,433)**
Movement in reserves during the year						
Surplus or (deficit) on provision of services	31,922	0	0	**31,922**	0	**31,922**
Other Comprehensive Income and Expenditure	0			**0**	(4,860)	**(4,860)**
Total Comprehensive Income and Expenditure	**31,922**	**0**	**0**	**31,922**	**(4,860)**	**27,062**
Adjustments between accounting basis & funding basis under regulations (note 5)	586	0		**586**	(586)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**32,508**	**0**	**0**	**32,508**	**(5,446)**	**27,062**
Transfers to or from earmarked reserves	(29,015)	29,015		**0**		**0**
Increase/Decrease in Year	**3,493**	**29,015**	**0**	**32,508**	**(5,446)**	**27,062**
Balance Sheet As At 31 March 2015	**(16,054)**	**(4,181)**	**0**	**(20,235)**	**24,864**	**4,629**

2013/14	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance as At 1 April 2013	**(19,893)**	**(33,612)**	**(734)**	**(54,239)**	**32,322**	**(21,917)**
Movement in reserves during the year						
Surplus or (deficit) on the provision of services	330			**330**		**330**
Other Comprehensive Income and Expenditure	0		0	**0**	(846)	**(846)**
Total Comprehensive Income and Expenditure	**330**	**0**	**0**	**330**	**(846)**	**(516)**
Adjustments between accounting basis & funding basis under regulations (Note 5)	432	0	734	**1,166**	(1,166)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**762**	**0**	**734**	**1,496**	**(2,012)**	**(516)**
Transfers to or from earmarked reserves	(416)	416	0	**0**	0	**0**
Increase/Decrease in Year	**346**	**416**	**734**	**1,496**	**(2,012)**	**(516)**
Balance as at 31 March 2014	**(19,547)**	**(33,196)**	**0**	**(52,743)**	**30,310**	**(22,433)**

MERSEYSIDE RECYCLING & WASTE AUTHORITY

NOTES TO THE CORE FINANCIAL STATEMENTS

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

MERSEYSIDE RECYCLING & WASTE AUTHORITY

NOTES

1 Accounting Standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (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 following standards have been issued that will be adopted by the Code in 2015/16 and will be applicable to the Authority from 1 April.

- 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. In respect of property, plant and equipment the only change is in the valuation of surplus property. Currently surplus property is valued at existing use value before being reclassified as surplus assets. In future surplus assets will be valued at fair value.
- IFRIC 21 Levies. This clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. This is not expected to have any impact on the Authority, as this is already current accounting practice.

In addition there have been a number of minor changes to existing accounting standards.

- IFRS 8 Operating Segments will require the Authority to disclose the factors used to identify the Authority's reportable segments. This will require an additional disclosure in the 2015/16 accounting policies.
- IAS 16 Property, Plant and Equipment. The amendment sets out that where non-current assets are revalued, the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount. This is not expected to have a material impact for the Authority.

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. The constituent authorities, in common with the rest of local government, are experiencing significant financial pressures but the Authority is committed to maintaining and improving value for money and to identifying additional sources of funding where possible, to reduce demands on the levy it raises from constituent authorities.

b) The Authority has determined that it exercises control over two entities:

  - Mersey Waste Holdings Ltd through 100% shareholding; and

- Bidston Methane Ltd through a joint venture.

The Authority's interests in these two companies are reflected in the Authority's Group Accounts at pages 85 to 100 of the Statement of Accounts.

c) The Authority is deemed to control the services and the residual value of assets created under the Waste Management and Recycling Contract with Veolia. The accounting policies for service concession arrangements (formerly known as PFI schemes and similar contracts) have been applied to these contracts and assets (valued at £15.6m) are recognised as Property Plant and Equipment on the Authority's balance sheet. The cost of the Authority's contract is mitigated by some third party income but this is both variable and insufficiently significant to impact on the balance sheet entries in respect of the service concession.

d) The Authority has reviewed the accounting classification and treatment of the household waste and recycling centres leased from 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 based on the latest available accounts which are 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 31 for the Authority's share of the potential loss.

f) The Authority provides for future costs associated with closed landfill sites. The provision reflects the Authority's statutory obligation to manage closed landfill sites. The value of the provision is based on the anticipated expenditure which will be incurred over the statutory monitoring period for each site in accordance with guidance issued by the Environment Agency. The value of the provision has been estimated based on the average management cost over the last six years, extrapolated over the remaining life of each site and then discounted to reflect the time value of money, using HM Treasury discount rates, to arrive at an estimate of the total provision. This estimate is updated annually.

g) The Authority entered into a service concession arrangement with Sita SempCorp in 2013 for the design, build and operation of an energy from waste facility to be located in Redcar in Cleveland and a rail transfer loading station in Kirkby on Merseyside. Construction work is well underway with a view to the asset becoming fully operational in March 2017. At this stage the Authority takes the view that the probability of the contract not being executed in substantially the same form as it was entered into is considered very remote, therefore no consideration of whether to include a contingent liability in respect of the penalty clauses of the contract being applied in the event of such a failure, or the extent of the potential payments under such a circumstance, has been made. This position will be reviewed each year.

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

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

The items in the Authority's Balance Sheet at 31 March 2015 for which there may be a risk of material adjustment in the forthcoming financial year are as follows:

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

Item	Uncertainties	Effect if actual results differ from assumptions
Gilmoss Materials Recycling Facility	The WMRC contract payment is not separated from the cost of the finance lease under IFRIC 4 for the Gilmoss MRF	An estimate of the amount payable over the life of the contract for the finance lease element of the Gilmoss MRF has been made. This is based on the value of the asset and the estimated life of the asset in the contract.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the Pension Fund to provide expert advice about the assumptions to be applied	The effects on the net pensions liability of changes in individual assumptions are reviewed annually by the Authority. Variations in the key assumptions will have the following impact on the net liability: • a 0.1% increase in the discount rate will reduce the net pension liability by £0.274m; • a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £0.279m; • an increase of one year in longevity will increase the net pension liability by £0.309m.
Accruals of waste contract payments	The final waste data flows and settlement of the year end costs incurred by the Authority is not completed until the end of September each year. Estimates are made of both the waste data flows and the final amounts in settlement of the costs payable by the Authority at the year end.	If the waste data flow information is significantly different from that expected then the waste contract payments, the landfill tax payments will be affected. However, the impact of this final settlement is not expected to be significant as the Authority uses its own waste data in arriving at the estimates, those figures are the ones that are verified in September and the Authority's experience is that there have not been significant changes in recent years.

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

4 Material items of Income and Expense

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

2013/14 £000	Description	2014/15 £000
	Release of Waste Development Fund to Districts:	
0	Knowsley	3,210
0	Liverpool	9,288
0	St Helens	3,801
0	Sefton	5,938
0	Wirral	6,701
0	Release of Legal Provision to MWHL	6,973
0	Income released for Legal Provision to MWHL	(6,973)
20,796	Landfill tax payments	26,541
17,824	Waste Management & Recycling contract payments	22,272
6,636	Landfill contract payments	5,709
3,920	FCC Interim Contract	3,353
5,578	Greater Manchester Interim Contract	3,157
54,754		**89,970**

5 Adjustments between accounting basis and funding basis under regulations

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

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

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

The Capital Receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure.

2014/15	Usable General Fund Balance £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non current assets	(1,081)		1,081
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory Provision for the Financing of Capital Investment	1,484		(1,484)
Adjustments involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3	(3)	
Use of the Capital Receipts Reserve to finance new capital expenditure		3	(3)
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 30)	(329)		329
Employer's pensions contributions and direct payments to pensioners payable in the year	509		(509)
Adjustment involving the Accumulating Compensated Absences Adjustment Account			
Adjustments in relation to Short-term compensated absences	0		0
Total Adjustments	**586**	**0**	**(586)**

2013/14 (Comparative year)	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non current assets	1,136	0	(1,136)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory Provision for the Financing of Capital Investment	(1,194)		1,194
Capital expenditure charged against the General Fund balance	(416)		416
Adjustments involving the Capital Receipts Reserve:			
Use of the Capital Receipts Reserve to finance new capital expenditure		(734)	734
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 30)	271		(271)
Employer's pensions contributions and direct payments to pensioners payable in the year	(229)		229
Adjustment involving the Accumulating Compensated Absences Adjustment Account			
Adjustments in relation to Short-term compensated absences	0		0
Total Adjustments	**(432)**	**(734)**	**1,166**

Merseyside Recycling & Waste Authority

6 Transfers to / from Earmarked Reserves

This Note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amount of earmarked reserves used to meet General Fund expenditure in 2014/15. The Authority has the following reserves:

- Waste Development Fund to contribute to supporting the joint waste strategy objectives through constituent district councils. In 2014-15 this balance was disbursed to the constituent councils under the provisions of an inter-Authority agreement.
- 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 2013	Transfers		Balance as at 31 March 2014	Transfers		Balance as at 31 March 2015
		In	Out		In	Out	
	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserve	**0**	3,527	(3,527)	**0**	3	(3)	**0**
Sinking Fund	**28,938**	0	(28,938)	**0**	0	0	**0**
Waste Development Fund	**0**	28,938	0	**28,938**	0	(28,938)	**0**
Capital Reserve	**4,674**	0	(416)	**4,258**	0	(74)	**4,184**
Total Earmarked Reserves	**33,612**	**32,465**	**(32,881)**	**33,196**	**3**	**(29,015)**	**4,184**

7 Financing and Investment Income and Expenditure

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

2013/14 £000		2014/15 £000
2,188	Interest payable and similar charges	2,110
21	Net interest on the defined benefit liability/(asset)	(41)
(450)	Interest receivable and similar income	(160)
1,759	**Total**	**1,909**

MERSEYSIDE RECYCLING & WASTE AUTHORITY

Interest payable and similar charges

2013/14 £000		2014/15 £000
1,061	Loan Interest	1,040
946	Service concession Interest	887
181	Other interest - MRDF	183
2,188		**2,110**

8 Levy Income

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

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

2013/14 £000		2014/15 £000
7,182	Knowsley	7,394
22,565	Liverpool	22,694
8,403	St Helens	8,217
11,868	Sefton	12,201
15,573	Wirral	15,085
65,591		**65,591**

9 Property, plant and equipment

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

Movements in 2014-15	Property, Plant & Equipment (PP&E) Land	Buildings	Vehicles, Plant & Equipment	Assets Under Construction	Total PP&E	*Service Concession Assets included in Property, Plant and Equipment*
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
Balance as at 1 April 2014	11,131	18,581	7,761	38	**37,511**	*16,250*
Additions	7	10		60	**77**	
Revaluation increases/decreases to Revaluation Reserve	37	113			**150**	
Other Movements in Cost or Valuation	0	(152)			**(152)**	
Balance as at 31 March 2015	**11,175**	**18,552**	**7,761**	**98**	**37,586**	***16,250***
Depreciation and Impairment						
Balance as at 1 April 2014	533	577	589	0	**1,699**	*619*
Correct over charge in opening balance		(19)			**(19)**	
Depreciation Charge	7	501	573		**1,081**	*619*
Other Movements in Depreciation or Impairment		(152)			**(152)**	
Balance as at 31 March 2015	**540**	**907**	**1,162**	**0**	**2,609**	***1,238***
Net Book Value						
Balance as at 31 March 2015	**10,635**	**17,645**	**6,599**	**98**	**34,977**	***15,012***
Balance as at 31 March 2014	10,598	18,004	7,172	38	**35,812**	*15,631*

Movements in 2013/14	Land	Buildings	Vehicles, Plant & Equipment	Assets Under Construction	**Total PP&E**	*Service Concession Assets included in Property, Plant and Equipment*
	Property, Plant & Equipment (PP&E)					
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation						
Balance as At 1 April 2013	11,095	17,507	7,761	0	**36,363**	*16,250*
Additions	36	1,074	0	38	**1,148**	*0*
Balance as at 31 March 2014	**11,131**	**18,581**	**7,761**	**38**	**37,511**	***16,250***
Depreciation and Impairment						
Balance as At 1 April 2013	497	50	16	0	**563**	*0*
Depreciation Charge	0	457	573	0	**1,030**	*619*
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	36	70	0	0	**106**	
Balance as at 31 March 2014	**533**	**577**	**589**	**0**	**1,699**	***619***
Net Book Value						
Balance as at 31 March 2014	**10,598**	**18,004**	**7,172**	**38**	**35,812**	***15,631***
Balance as at 31 March 2013	10,598	17,458	7,745	0	**35,800**	*16,250*

Valuation

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 the Authority's valuer, Mr 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.

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

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

The Authority's valuer has also undertaken an impairment review in respect of 2014-15. Impairments identified are set out in Note 9.

Capital Commitments

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

The total value of the contract (i.e. construction and then operation over the 30 year term of the contract) is expected to be £1.4bn with the initial construction phase of the contract, valued at £396m, due to be completed for commissioning by 31 October 2016.

The Authority has no other contractual commitments as at 31 March 2015. However, the Authority’s capital programme sets out plans for capital expenditure of up to £5.134m for the period up to and including 2017/18, which includes slippage of £0.598m from 2014/15.

Impairment losses

During 2014/15, the Authority recognised an impairment loss of £7,000 in relation to its closed landfill sites (£107,000 in 2013/14, 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.

10 Financial Instruments

Carrying amount of financial assets and liabilities

2013-14 Current £000	2013-14 Long-term £000		2014-15 Current £000	2014-15 Long-term £000
		Current assets		
52,030	0	Loans and receivables	12,556	0
52,030	**0**	**Total included in current assets**	**12,556**	**0**
		Liabilities		
(12,269)	(33,758)	Financial liabilities at amortised cost*	(14,475)	(30,654)
(12,269)	**(33,758)**	**Total included in liabilities**	**(14,475)**	**(30,654)**

* *includes short-term borrowings*

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 2015;
- For the Authority's LOBO, the interest rate is the rate quoted and provided by Capita; and
- No early repayment is recognised.

The fair values calculated are as follows:

2013-14 Carrying Value £000	2013-14 Fair value £000		2014-15 Carrying Value £000	2014-15 Fair value £000
		Debtors		
52,030	52,030	Loans and receivables	12,556	12,556
52,030	**52,030**	**Total included in Debtors**	**12,556**	**12,556**
		Borrowings		
(19,187)	(21,301)	Financial liabilities at amortised cost	(17,044)	(23,851)
(19,187)	**(21,301)**	**Total included in borrowings**	**(17,044)**	**(23,851)**
		Other Long Term Liabilities		
(14,571)	(18,979)	Service concession liabilities	(13,610)	(17,156)
(33,758)	**(40,280)**	**Total long term liabilities**	**(30,654)**	**(41,006)**
		Creditors		
(12,269)	(12,345)	Financial liabilities at amortised cost	(14,475)	(14,516)
(12,269)	**(12,345)**	**Total creditors**	**(14,475)**	**(14,516)**
(46,027)	**(52,625)**	**Total liabilities**	**(45,129)**	**(55,523)**

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.

Long-term borrowing

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

Restated balance at 31 March 2014 £000s		Balance at 31 March 2015 £000s
	Analysis by type	
(17,187)	Public Works Loans Board	(15,044)
(2,000)	Market Loan (LOBO)	(2,000)
(19,187)		**(17,044)**
	Analysis by maturity	
(2,000)	1 - 2 years	0
(357)	2- 5 years	(214)
0	5 - 10 years	0
(16,830)	More than 10 years	(16,830)
(19,187)		**(17,044)**

The opening balance was restated to reflect more correctly the maturity profile of loans – see Note 35.

11 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

Credit risk arises from deposits with banks and financial institutions.

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

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

Liquidity risk

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

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

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

Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of 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.

12 Investments

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

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

13 Inventory

2013/14 £000		2014/15 £000
0	Balance b/f	21
21	Purchases	29
0	Recognised as an expense in the year	(21)
21	**Balance c/f**	**29**

14 Short term debtors

2013/14 £000		2014/15 £000
861	Other Local Authorities	798
5	Public Corporations and Trading Funds	0
779	Bodies External to General Government	501
1,645	**Total**	**1,299**

15 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.

2013/14 £000		2014/15 £000
50,384	Cash equivalents	11,256
1	Cash held by the Authority	1
50,385	**Total**	**11,257**

16 Short term creditors

2013/14 £000		2014/15 £000
(1,747)	Central Government Bodies	(2,318)
(9,379)	Bodies External to General Government	(10,014)
(11,126)	**Total Short Term Creditors**	**(12,332)**

17 Provisions

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

Outstanding Legal Cases

In previous years the Authority had established a provision for a legal action between the Authority, the company (MWHL) and the landfill operators. The court action was settled. MWHL paid for the costs of the court action and the provision has been released to the Company under a back to back funding arrangement.

Closed landfill sites

The Authority established the closed landfill provision in 2013/14 to recognise the need to provide for the potential future costs of maintaining Closed Landfill sites across Merseyside for which the Authority is responsible. In 2014-15, the calculation of the amount set aside as a provision has been reviewed and amended to better reflect the potential future costs that the Authority may face in managing its Closed Landfill sites. This has resulted in a reduction to the brought forward provision of £6.2m, reflecting in the main, a gradual reduction to the amounts that will be spent on closed land fill sites year on year as they begin to stabilise and settle requiring less maintenance.

Other provisions

Other provisions include:

- an obligation to the Mersey Waste Holdings Ltd under a back to back funding arrangement for a payment made by the Company to the Citrus Pension Fund. To date the Company has not sought payment to discharge the obligation; and

- a provision to cover the cost of future redundancies over the next 12 months as the Authority downsizes.

The following Note analyses the movement in those categories of provisions.

	Balance as at 1 April 2014 £000	Increase in provision during year £000	Utilised during year £000	Balance as at 31 March 2015 £000
Current provisions				
Outstanding legal cases	0	0	0	0
Other provisions	(167)	(71)	119	(119)
Closed landfill sites	(242)	(256)	226	(272)
	(409)	**(327)**	**345**	**(391)**
Long-term provisions				
Outstanding legal cases	(6,973)	0	6,973	0
Other provisions	(885)	0	0	(885)
Closed landfill sites	(10,536)	6,223	0	(4,313)
	(18,394)	**6,223**	**6,973**	**(5,198)**

	Balance as At 1 April 2013 £000	Increase in provision during year £000	Utilised during year £000	Balance as at 31 March 2014 £000
Current provisions				
Outstanding legal cases	0	0	0	0
Other provisions	0	(167)	0	(167)
Other provisions	(242)	0	0	(242)
	(242)	**(167)**	**0**	**(409)**
Long-term provisions				
Outstanding legal cases	(6,973)	0	0	(6,973)
Other provisions	(885)	0	0	(885)
Closed landfill sites	(10,779)	0	243	(10,536)
	(18,637)	**0**	**243**	**(18,394)**

** the opening position on the closed landfill sites provision has been restated to recognise the short-term element of the provision, which had been included in the long-term balance (see Note 35)*

18 Unusable reserves

2013/14 £000		2014/15 £000
34,599	Capital Adjustment Account	28,039
(7,464)	Revaluation Reserve	(7,427)
3,154	Pensions Reserve	4,232
21	Accumulating Compensated Absences Adjustment Account	21
30,310	**Total Unusable Reserves**	**24,865**

Capital Adjustment Account

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

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

2013/14 £000		2014/15 £000
35,822	**Balance at 1 April**	**34,599**
	Restatement	(63)
	Restated balance	**34,536**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
1,136	Charges for depreciation and impairment of non current assets	1,081
1,136	**Net written out amount of the cost of non current assets consumed in the year**	**(1,081)**
	Capital financing applied in the year:	
(734)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4)
(1,204)	Statutory provision for the financing of capital investment charged against the General Fund balance	(1,484)
	Reduction in Closed Landfill Site Provision	(5,893)
(5)	Other movements charged to the CAA	(124)
(416)	Capital expenditure charged against the General Fund balance	(73)
(2,359)		**(7,578)**
34,599	**Balance at 31 March**	**28,039**

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- 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.

2013/14 £000		2014/15 £000
(7,464)	**Balance at 1 April**	**(7,464)**
	Restatement	63
	Restated opening balance	**(7,401)**
0	Upward revaluation of assets	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(150)
0	Difference between fair value depreciation and historical cost depreciation	124
(7,464)	**Balance at 31 March**	**(7,427)**

The opening balance was restated to re-align the Revaluation Reserve with the underlying fixed asset register.

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.

2013/14 £000		2014/15 £000
3,953	**Balance at 1 April**	**3,154**
(987)	Remeasurements of the net defined benefit liabilty/asset	1,258
417	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	329
(229)	Employer's pension contributions and direct payments to pensioners payable in the year	(509)
3,154	**Balance at 31 March**	**4,232**

Accumulated Absences Account

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

2013/14 £000		2014/15 £000
21	**Balance at 1 April**	**21**
(21)	Settlement or cancellation of accrual made at the end of the preceding year	(21)
21	Amounts accrued at the end of the current year	21
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
21	**Balance at 31 March**	**21**

19 Cash flow statement – operating activities

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

2013/14 £000		2014/15 £000
(2,188)	Interest Payable	(2,110)
450	Interest Receivable	201
(1,738)		**(1,909)**

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

2013/14 £000		2014/15 £000
1,136	Depreciation	1,062
(1,524)	Increase/(Decrease) in creditors	1,217
(21)	(Increase)/Decrease in inventory	(8)
(395)	(Increase)/Decrease in debtors	346
	Movement in provisions	(7,021)
42	Movement in pensions	1,078
0	Other non-cash items charged to the net surplus or deficit on the provision of services	652
(762)		**(2,674)**

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

2013/14 £000		2014/15 £000
0	Proceeds from the sale of property, plant and equipment	(4)
0		**(4)**

MERSEYSIDE RECYCLING & WASTE AUTHORITY

20 Cash flow statement – investing activities

2013/14 £000		2014/15 £000
1,148	Purchase of PP&E and investment property	77
0	Proceeds from the sale of PP&E and investment property	4
243	Other outflows from Investing Activities	226
1,391	**Net Cash flows from Investing Activities**	**307**

21 Cash flow statement – financing activities

2013/14 £000		2014/15 £000
(961)	Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(961)
450	Interest receivable	201
(2,154)	Interest paid	(2,110)
(216)	Repayment of Short and Long Term Borrowing	(3,268)
(2,881)	**Net Cash flows from Financing Activities**	**(6,138)**

22 Amounts reported for resource allocation decisions

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

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

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

2014/15	Establish-ment* £000	Waste Contracts £000	Facilities £000	Strategy £000	Procure-ment £000	Other £000	Total £000
Fees, charges & other service income	(250)	(1,968)	0	0	0	(160)	**(2,377)**
Levy	0	0	0	0	0	(65,591)	**(65,591)**
Total Income	**(250)**	**(1,968)**	**0**	**0**	**0**	**(65,751)**	**(67,968)**
Employee expenses	1,769	0	0	0	0	0	**1,769**
Other service expenses	570	67,331	1,995	349	(20)	1,143	**71,368**
Support service recharges	0	0	0	0	0	47	**47**
Total Expenditure	**2,338**	**67,331**	**1,995**	**349**	**(20)**	**1,190**	**73,183**
Net Expenditure	**2,089**	**65,363**	**1,995**	**349**	**(20)**	**(64,561)**	**5,215**

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

2013/14	Establish-ment* £000	Waste Contracts £000	Facilities £000	Strategy £000	Procure-ment £000	Other £000	Total £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)**
Total Income	**(309)**	**(1,862)**	**0**	**(3)**	**(149)**	**(66,041)**	**(68,364)**
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**
Total Expenditure	**2,452**	**55,089**	**2,092**	**540**	**3,675**	**1,279**	**65,127**
Net Expenditure	**2,143**	**53,227**	**2,092**	**537**	**3,526**	**(64,762)**	**(3,237)**

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

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

2013/14 £000		2014/15 £000
(3,237)	Net expenditure in the Service Analysis	5,215
0	Services and Support Services not in Analysis	27,650
(745)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(5,803)
3,471	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
(511)	**Cost of Services in Comprehensive Income and Expenditure Statement**	**27,062**

Reconciliation to subjective analysis

The following 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.

2014/15	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(2,377)	0	356	0	(2,021)	**(2,021)**
Income from Levy	(65,591)	0	0	0	(65,591)	**(65,591)**
Total Income	**(67,968)**	**0**	**356**	**0**	**(67,612)**	**(67,612)**
Employee expenses	1,769	0	0	0	1,769	**1,769**
Other service expenses	69,161	27,650	(6,159)	0	90,652	**90,652**
Support Service recharges	47	0	0	0	47	**47**
Depreciation, amortisation and impairment	1,064	0	0	0	1,064	**1,064**
Interest Payments	1,143	0	0	0	1,143	**1,143**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	**0**
Total expenditure	**73,183**	**27,650**	**(6,159)**	**0**	**94,674**	**94,674**
Surplus or deficit on the provision of services	**5,215**	**27,650**	**(5,803)**	**0**	**27,062**	**27,062**

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	Cost of Services	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(2,773)	0	0	0	(2,773)	**(2,773)**
Income from Levy	(65,591)	0	0	0	(65,591)	**(65,591)**
Total Income	**(68,364)**	**0**	**0**	**0**	**(68,364)**	**(68,364)**
Employee expenses	1,698	0	0	0	1,698	**1,698**
Other service expenses	60,977	0	(745)	3,471	63,703	**63,703**
Support Service recharges	0	0	0	0	0	**0**
Depreciation, amortisation and impairment	1,175	0	0	0	1,175	**1,175**
Interest Payments	1,277	0	0	0	1,277	**1,277**
Total expenditure	**65,127**	**0**	**(745)**	**3,471**	**67,853**	**67,853**
Surplus or deficit on the provision of services	**(3,237)**	**0**	**(745)**	**3,471**	**(511)**	**(511)**

23 Officer remuneration

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

Exit packages and termination benefits

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

The total cost of £70,585 in the table below (£161,976 in 2013/14) includes £70,595 (£44.9k in 2013/14) 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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0–£20,000	0	0	1	0	0	0	£11,882	£0
£20,001–£40,000	0	0	0	0	0	0	£0	£0
£40,001–£60,000	0	0	1	2	0	2	£58,713	£93,313
£60,001–£80,000	0	0	0	1	0	1	£0	£68,663
Total	**0**	**0**	**2**	**3**	**0**	**3**	**£70,595**	**£161,976**

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 £50,000 per year (pro-rata) and hold defined 'senior' positions. In the case of the Authority this comprises the Chief Executive and members of the Corporate Management Team.

		Salary, Fees and Allowances	Expenses and Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive	**2014/15**	**81,477**	**3,581**	**10,524**	**95,581**
	2013/14	81,389	2,324	16,078	99,791
Director of Strategy and Resources (a)	**2014/15**	**69,937**	**0**	**169**	**70,106**
	2013/14	67,511	2,731	13,177	83,419
Director of Operations	**2014/15**	**65,736**	**3,150**	**8,480**	**77,365**
	2013/14	65,642	1,950	12,975	80,567
Director of Finance	**2014/15**	**65,732**	**2,967**	**8,479**	**77,178**
	2013/14	65,611	1,988	12,975	80,574
Assistant Director Governance and Performance (b)	**2014/15**	**46,032**	**2,982**	**6,446**	**55,460**
Total	**2014/15**	**328,913**	**12,680**	**34,099**	**375,692**
	2013/14	280,153	8,993	55,205	344,351

(a) Part year post. Postholder left the Authority on 7 April 2014.

(b) Part year post reported. Postholder was appointed on 15 September 2014. The remuneration includes the period before being appointed.

24 External audit costs

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

2013/14 £000		2014/15 £000
39	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	39
15	Fees payable to Grant Thornton for additional resources	11
(5)	Rebate received from Audit Commission for prior years from efficient management of Commission's closure	(3)
49		**47**

25 Grant income

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2014/15.

2013/14 £000		2014/15 £000
8	**Credited to Taxation and Non-specific Grant Income and Expenditure**	15
	Credited to Services	
(3)	Waste Eco Smart	(4)
5		**11**

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

2013/14 £000		2014/15 £000
	Current Liabilities	
(5)	Revenue grants received in advance - Waste Eco Smart	**(16)**

26 Related parties

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

Central government

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

Members

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

Councillors Concepcion, Robertson-Collins and Cluskey are Members of the Authority and are also Directors of Mersey Waste Holdings Ltd. Councillors S Williams and I Williams are

Members of the Authority are Directors of Bidston Methane Ltd. They take no part at the Authority meetings about the bodies that they serve on.

Councillor Robertson-Collins is also involved in the community group known as the Granby Toxteth Development Trust, which during 2014-15 received a grant of £10,000 from the Authority's Community Fund.

Officers

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

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

Other Public Bodies

As part of the discharge of its waste disposal functions within the Merseyside area, the Authority makes a number of payments covering rent, business rates and recycling payments to other local authorities in the area, which are summarised below. The increase in payments from 2013/14 to 2014/15 reflects improved quality of information only available in 2014/15.

2013/14 £000	Payments	2014/15 £000
1,476	Halton	1,764
377	Knowsley	1,250
1,130	Liverpool	2,727
1,298	St Helens	1,459
2,083	Sefton	4,894
1,169	Wirral	3,009
7,533		**15,103**

Entities Controlled or Significantly Influenced by the Authority

Mersey Waste Holdings Limited (MWHL)

This company is a former Local Authority Waste Disposal Company (LAWDC), now used by the Authority solely to access the remaining landfill contracts. The pension liabilities of former employees are also managed through the company. For 2014/15 the company's results showed a deficit of £0.177m (£0.106m in 2013/14) and net assets of £8.419m at 31 March 2015.(£9.066m at 31 March 2014).

The Authority controls MWHL through its ownership of 100% of the issued share capital of 5,138,000 ordinary £1 shares held at cost. MWHL owns two subsidiary companies, Mersey Waste Limited and MWH Associates Limited, over which the Authority also exercises effective control as a result of its relationship with Mersey Waste Holdings Limited.

The Authority made payments of £29.448m to MWHL during the year (£30.038m in 2013/14).

Bidston Methane Limited

Bidston Methane Limited is a joint venture established to manage gas production and electricity generation from closed landfill sites which remain the responsibility of the Authority. The joint venture is with Infinis Energy plc and the Authority controls Bidston Methane through its ownership of 50% of the issued share capital which is held at cost. The most up to date audited financial information shows a profit of £0.062m for 2013/14 (£0.053m loss for 2012/13) and net liabilities of £0.502m at 31 March 2014 (£0.564m at 31 March 2013).

There were no transactions with Bidston Methane Ltd during the year (nil in 2013/14).

27 Capital Expenditure and Financing

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

2013/14 £000	Capital Expenditure and Financing	2014/15 £000
	Capital expenditure incurred in the year	
1,149	Property, Plant and Equipment	77
243	Closed landfill sites	226
1,392		**303**
	Financing	
0	Grants and contributions receivable in relation to capital expenditure incurred in the year	0
(659)	Direct revenue contributions:	(299)
(733)	Capital receipts	(4)
0	**Increase in underlying borrowing requirement**	**0**
0	Supported borrowing approvals	0
0	**Unsupported borrowing for the year**	**0**
	Sources of finance	
0	Supported borrowing approvals	**0**
0	Unsupported borrowing	**0**
0	**Increase in Capital Financing Requirement relating to new capital investment**	**0**

2013/14 £000	Explanation of movements in the Capital Financing Requirement in the year	2014/15 £000
29,487	**Opening Capital Financing Requirement**	28,284
	Restatement	29,004
	Restated opening Capital Financing Requirement	57,288
0	Increase in Capital Financing Requirement relating to new capital investment	0
0	Capital Receipts set aside for repayment of debt	0
(1,203)	Charges to revenue for Minimum Revenue Provision	(1,484)
28,284	**Closing Capital Financing Requirement**	**55,804**

28 Leases

Authority as lessor – operating leases

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

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

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

Authority as lessee – operating leases

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

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

2013/14 £000		2014/15 £000
22	No later than one year	38
42	Later than one year and not later than five years	135
171	Later than five years	780
235		**953**

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

2013/14 Land and buildings £000		2014/15 Land and buildings £000
22	Minimum lease payments	38
22		**38**

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.

29 Service concessions

Waste Management and Recycling Contract

2014/15 was the sixth year of a 20 year Waste Management and Recycling Contract with Veolia. Under the contract Veolia operate the Authority's existing waste facilities and is responsible for building, maintain and operating the new Gillmoss Material Recycling Facility (MRF) which came into operation in December 2011.

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

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

Property, plant and equipment

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

Payments

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. The future liability as stated in 2013/14 has been restated because when the calculation was undertaken originally not all payments were taken into account, thus understating the estimated future payments by £141.7m. Payments remaining to be made under the service concession contract at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Total at 31/03/2014* £000		Payment for Services £000	Reimburse-ment of Capital Expenditure £000	Interest 0	Total at 31/03/2015 £000
26,977	Payable within one year	25,862	961	829	27,652
114,824	Payable within two to five years	111,121	3,843	2,730	117,694
160,435	Payable within six to ten years	157,546	4,804	2,096	164,446
181,517	Payable within eleven to fifteen years	148,867	4,003	626	153,496
6,512	Payable within sixteen to twenty years	0	0	0	0
490,265	**Total**	**443,396**	**13,610**	**6,281**	**463,287**

** the comparator figures have been restated to reflect the gross payments due to the contractor instead of the net payments*

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

2013/14 £000		2014/15 £000
15,532	Balance outstanding at start of year	14,571
(961)	Payments during the year	(961)
0	Capital expenditure incurred in the year	0
14,571	**Balance outstanding at year-end**	**13,610**
	Analysed between:	
(961)	Payments due within 1 year	(961)
(13,610)	Long term liabilities	(12,649)
(14,571)		**(13,610)**

30 Defined benefit pension schemes

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

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

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

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

Transactions relating to retirement benefits- CIES Charges

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

However, the charge we are required to make against the Levy is based on the cash payable in the year, and the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Cost of services:				
Service cost comprising:				
Current service cost	209	255	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	111	152	9	10
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	**320**	**407**	**9**	**10**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(806)	(155)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	79	0	0
Actuarial gains and losses arising on changes in financial assumptions	2,046	(484)	18	0
Other	0	(394)	0	(33)
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	**1,560**	**(547)**	**27**	**(23)**

Movement in Reserves Statement	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2013/14 £000	£ £000	£000 £000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(320)	(407)	(9)	(10)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	490	211		
Retirement benefits payable to pensioners			19	18
Net charge to the General Fund Summary	**170**	**(196)**	**10**	**8**

Pension Assets and Liabilities recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Present value of the defined obligation	(15,532)	(13,037)	(210)	(202)
Fair value of plan assets	11,510	10,085	0	0
	(4,022)	**(2,952)**	**(210)**	**(202)**
Other movements in the liability (asset)				
Net liability arising from the defined benefit obligation	**(4,022)**	**(2,952)**	**(210)**	**(202)**

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	10,085	9,629	0	0
Interest on plan assets	455	402	0	0
Remeasurements (assets)	811	161	0	0
Administration expenses	(5)	(6)	0	0
Employer contributions	490	211	19	18
Member contributions	77	80	0	0
Benefits/transfers paid	(403)	(392)	(19)	(18)
Closing value of scheme assets	**11,510**	**10,085**	**0**	**0**

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening balance at 1 April	**(13,037)**	**(13,339)**	**(202)**	**(243)**
Current service cost	(209)	(255)		
Interest cost	(566)	(554)	(9)	(10)
Member contributions	(77)	(80)		
Past service costs/(gains)	0	0		
Remeasurements (liabilities)				
Experience (gain)/loss	0	394	0	28
(Gain)/loss on financial assumptions	(2,046)	484	(18)	5
(Gain)/loss on demographic assumptions		(79)		
Benefits/transfers paid	403	392	19	18
Balance as at 31 March	**(15,532)**	**(13,037)**	**(210)**	**(202)**

Local government pension scheme assets comprised:

	Fair value of scheme assets			
	31/03/15 £000	%	31/03/14 £000	%
Equities - quoted	2,746	24	2,666	26
- unquoted	3,467	30	3,071	30
Bonds - quoted	1,997	17	1,652	16
- unquoted				0
Property - quoted	38	0	63	1
- unquoted	913	8	746	7
Alternatives - quoted	311	3	299	3
- unquoted	1,690	15	1,320	13
Cash - quoted	348	3	268	3
	11,510	**100**	**10,085**	**100**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, estimates for Merseyside Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013.

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

2013/14 %	Local Government Pension Scheme	2014/15 %
	Long-term expected rate of return on assets in the scheme:	
7.0	Equities	6.5
3.4	Government Bonds	2.2
4.3	Other Bonds	2.9
6.2	Property	5.9
0.5	Cash / liquidity	0.5
7.0	Other	0.0
0.3	Expenses deductions	0.0
5.9	**Overall expected rate of return**	**5.9**
	Mortality assumptions:	
	Longevity at 65 current pensioners:	
22.3	Men	22.4
25.2	Women	25.3
	Longevity at 65 for future pensioners:	
24.7	Men	24.8
28.0	Women	28.1
	Financial assumptions:	
2.4	Rate of CPI inflation	2.0
3.9	Rate of increase in salaries	3.5
2.4	Rate of increase in pensions	2.0
4.4	Discount Rate	3.2

Impact on the Defined Benefit Obligation in the Scheme

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

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

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

Increase in assumption £000		Decrease in assumption £000
(260)	Longevity (increase of one year)	(309)
(235)	Rate of inflation (increase of 0.1%)	(279)
(59)	Rate of increase in salaries (increase of 1%)	(69)
231	Rate for discounting liabilities (increase of 0.1%)	274

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Merseyside Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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

The Authority anticipates to pay £0.156m contributions to the scheme in 2015/2016.

31 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 2015 based on the latest available accounts to 31 March 2014. The Authority has given a commitment to support the company financially; hence it remains valued as a going concern. The Authority therefore recognises that it has a contingent liability for its share of the potential loss.

Merseyside Waste Holdings Ltd, the Authority's wholly owned subsidiary, has a bank overdraft secured with a floating charge over the assets of the Group.

32 Contingent assets

0n 23rd December 2013 The Authority entered into a contract with Sita Sembcorp UK (SSUK) Ltd for 30 years. The contract provides for a profit share arising from electricity generated from the contract, however, the value of the potential income from the future profit share cannot be accurately projected until nearer the time the contract enters its operational phase as waste flows and electricity markets and prices are very likely to change.

33 Other long-term liabilities

2013/14 £000		Note	2014/15 £000
(3,154)	Pensions liability	30	(4,232)
(2,579)	Merseyside MCC residual debt liability	33	(2,363)
(14,571)	Service Concession Liability	29	(13,610)
(20,304)			**(20,205)**

Deferred Liabilities – Merseyside Residual Debt Fund

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

2013-14 £000s		2014-15 £000s
(2,794)	Balance b/f	(2,579)
215	Repayments in year	216
(2,579)	Balance c/f	**(2,363)**

34 Events after the reporting period

The Statement of Accounts was authorised for issue by the Director of Finance on 26th June 2015. 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 2015, the figures in the financial statements and Notes would be adjusted in all material respects to reflect the impact of this information.

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

35 Prior period adjustment

A review of the Authority's accounting disclosure for the Veolia service concession, long-term borrowing and provisions identified that:

(i) the amounts included in current liabilities for short-term leases had been overstated by £0.961m at 31 March 2014 by the inclusion of this line, which should have been included in Other Long-Term Liabilities. Similarly the Other Long-Term Liabilities balance was understated by the same amounts at the same date;

(ii) the balance of short-term borrowing at 31 March 2014 was overstated by £1.858m and the balance of long-term liabilities understated by the same amount;

(iii) the short-term element of the closed landfill provision had been understated by £0.242m and the long-term element of the closed landfill similarly overstated.

The 31 March 2014 balance sheet has been restated in the 2014/15 accounts to reflect the corrected accounting entries. There is no impact on the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement nor the General Fund balances for any of the above.

The effects of the restatement at 31 March 2014 are that:

(i) the line for short-term leases within current liabilities is deleted, thus reducing the total of current liabilities by £0.961m from £15.259m to £14.298m, and increasing the balance of Other Long-Term Liabilities by the same amount from £19.343m to £20.304m; and

(ii) reducing short-term borrowing by £1.858m from £3m to £1.142m and increasing long-term borrowing by the same amount from £17.330m to £19.330m.

(iii) short-term provisions are increased by £0.242m to £0.409m and long-term provisions reduced by the same amount to £18.394m.

The fully restated Balance Sheet is provided on page 20. The adjustments that have been made to the Balance Sheet over the version published in the 2013/14 Statement of Accounts are as follows:

	Closing Balance at 31 March 2014 £000	Long-term provisions reclassified to short-term provisions £000	Short-Term Lease reclassified to Other Long-Term Liabilities £000	Short-term borrowing reclassified to long-term borrowing £000	Restated Closing Balance at 31 March 2014 £000
Long Term Assets	**40,950**	**0**	**0**	**0**	**40,950**
Current Assets	**52,051**	**0**	**0**	**0**	**52,051**
Short Term Borrowing	(3,000)			1,857	(1,143)
Short Term Creditors	(11,126)				(11,126)
Short Term Lease	(961)		961		0
Provisions	(167)	(242)			(409)
Grants receipts in advance	(5)				(5)
Current Liabilities	**(15,259)**	**(242)**	**961**	**1,857**	**(12,683)**
Provisions	(18,636)	242			(18,394)
Long Term Borrowing	(17,330)			(1,857)	(19,187)
Other Long Term Liabilities	(19,343)		(961)		(20,304)
Long Term Liabilities	**(55,309)**	**242**	**(961)**	**(1,857)**	**(57,885)**
Net Assets	**22,433**	**0**	**0**	**0**	**22,433**
Total Reserves	**22,433**	**0**	**0**	**0**	**22,433**

ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require it to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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

The accounts have been prepared on the basis of the Authority's assessment that it is a going concern and will continue to be a going concern for a further twelve months from the date the accounts are approved by the Authority.

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Levies received from the constituent authorities are recognised in the year to which they relate and are credited to the surplus / deficit on the provision of services
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the

Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

ii) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

iv) Charges for Non-Current Assets

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

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

Minimum Revenue Provision

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

v) Employee Benefits

Benefits Payable during Employment

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

Termination benefits

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

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

Post Employment Benefits

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

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

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

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

www.merseysidepensionfund.org.uk

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

- the liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees:

- liabilities are discounted to their value at current prices, using a discount rate based on actual corporate bond yield less an assumption for inflation.

- The assets of Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price

    - unquoted securities – professional estimate

    - unitised securities – current bid price

    - property – market value.

- The change in the net pensions liability is analysed into the following components:

    - Service cost comprising:

        - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

        - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

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

- Remeasurements comprising:
  - the net return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- 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

vi) Events after the Balance Sheet Date

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

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

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

vii) Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

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

Available-for-sale assets

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

viii) Interests in Companies and Other Entities

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

ix) Leases

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

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

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

The Authority as Lessee

Finance Leases

The Authority has no finance leases.

Operating Leases

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

The Authority as Lessor

The Authority has no arrangements which fall into this category.

x) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

xi) Service Concession Arrangements

Service concession arrangements (formerly classed as PFI and similar contracts) are contractual arrangements between the Authority and an operator where responsibility for providing public services, using assets provided either by the operator or the Authority, passes to the operator for a specified period of time. As the Authority is deemed to control the services that are provided under its service concession contract, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contract for no additional charge, the Authority carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.

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

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

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

xii) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Closed landfill sites provision

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xiii) Reserves

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

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

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

xiv) VAT

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

GROUP ACCOUNTS

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

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

Accounting policies for the Group

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

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

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

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

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

The entities have prepared their accounts in line with IFRSs and UK GAAP rather than the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code). However there are no material areas where this conflicts with the Authority's accounting policies. Consequently no adjustments have been required to realign the accounts of the Group entities with those of the Authority. The accounting policies applied to the Group financial statements are consistent with those set in the single entity statements.

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

Results of subsidiaries

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

Mersey Waste Holdings Limited

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

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

The financial performance of MWHL is summarised below.

2013/14 £000		2014/15 £000
24,615	Turnover	29,158
33	(Surplus)/Deficit	177
9,066	**Net Assets**	**8,419**

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

Bidston Methane Ltd

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

2013/14 £000		2014/15 £000
146	Turnover	unavailable
53	(Surplus)/Deficit	unavailable
567	**Net Liabilities**	**0**

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

THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14				2014/15		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
71,773	(7,939)	63,834	Cultural, environmental, regulatory and planning services	101,843	(7,072)	94,771
273	0	273	Corporate and democratic core	293	0	293
109	0	109	Non distributed costs	353	0	353
72,155	**(7,939)**	**64,216**	Surplus/Deficit on Continuing Operations	**102,489**	**(7,072)**	**95,417**
		0	Other Operating Expenditure			0
		1,759	Financing and Investment Income and Expenditure			1,883
		(65,591)	Levy Income			(65,591)
		0	Associates and Joint Ventures accounted for on an equity basis			0
		384	Group(Surplus) or Deficit			**31,709**
		0	Surplus or deficit on revaluation of non current assets			(150)
		0	Revaluation of closed landfill site provision			(5,968)
		(846)	Actuarial gains / losses on pension assets / liabilities			2,119
		(846)	Other Comprehensive Income and Expenditure			**(3,999)**
		(462)	Total Comprehensive Income and Expenditure			**27,710**

MERSEYSIDE RECYCLING & WASTE AUTHORITY

THE GROUP BALANCE SHEET

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories: usable and unusable.

Restated 31st March 2014* £000		Notes	31st March 2015 £000
35,813	Property, Plant & Equipment	1	34,977
35,813	**Long Term Assets**		**34,977**
21	Inventories		29
1,825	Short Term Debtors		1,299
58,368	Cash and Cash Equivalents	3	26,488
60,214	**Current Assets**		**27,816**
(4,301)	Short Term Borrowing*	4	(5,301)
(11,522)	Short Term Creditors		(12,325)
0	Short Term Lease		0
(409)	Provisions*		(391)
(5)	Current Liabilities		(16)
(16,237)	**Current Liabilities**		**(18,033)**
(10,574)	Provisions*		(5,138)
(19,188)	Long Term Borrowing*		(17,044)
(24,491)	Other Long Term Liabilities*	5	(24,751)
(54,253)	**Long Term Liabilities**		**(46,933)**
25,537	**Net Assets**		**(2,173)**
55,847	Usable Reserves	MIRS	22,691
(30,310)	Unusable Reserves	MIRS	(24,864)
25,537	**Total Reserves**		**(2,173)**

**See Note 35 of the Authority accounts for explanation of restatement of prior year balances.*

MERSEYSIDE RECYCLING & WASTE AUTHORITY

THE GROUP CASH FLOW STATEMENT

2013/14 £000		Notes	2014/15 £000
(384)	**Net surplus or (deficit) on the provision of services**		**(31,709)**
(643)	Adjustment to surplus or deficit on the provision of services for noncash movements	**2**	4,551
1,738	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,909
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4
711	**Net cash flows from operating activities**		**(25,245)**
(1,392)	**Net Cash flows from Investing Activities**		**(307)**
(2,881)	**Net Cash flows from Financing Activities**		**(6,328)**
(3,562)	**Net increase or decrease in cash and cash equivalents**		**(31,880)**
61,930	Cash and cash equivalents at the beginning of the reporting period		58,368
58,368	**Cash and cash equivalents at the end of the reporting period**	**3**	**26,488**

MERSEYSIDE RECYCLING & WASTE AUTHORITY

THE GROUP MOVEMENT IN RESERVES STATEMENT

	Authority Adjusted Reserves Balances							
2014/15	**General Fund Balance**	**Capital Receipts Reserve**	**Earmarked Reserves**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	**Authority's share of subsidiaries & associates**	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance as at 1 April 2014	**(19,547)**	**0**	**(33,197)**	**(52,744)**	**30,310**	**(22,434)**	**(3,103)**	**(25,537)**
Surplus or (deficit) on provision of services	31,922	0	0	**31,922**	0	**31,922**	(213)	**31,709**
Other Comprehensive Expenditure and Income	0	0	0	**0**	(4,860)	**(4,860)**	861	**(3,999)**
Total Comprehensive Expenditure and Income	**31,922**	**0**	**0**	**31,922**	**(4,860)**	**27,062**	**648**	**27,710**
Adjustments between Group accounts and Authority accounts	0	0	0	**0**	0	**0**	0	**0**
Net Increase / Decrease before Transfers	**31,922**	**0**	**0**	**31,922**	**(4,860)**	**27,062**	**648**	**27,710**
Adjustments between accounting basis & funding basis under regulations	586	0	0	**586**	(586)	**0**	0	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**32,508**	**0**	**0**	**32,508**	**(5,446)**	**27,062**	**648**	**27,710**
Transfers to / from Earmarked Reserves	(29,015)	0	29,015	**0**	0	**0**	0	**0**
Increase / Decrease in Year	**3,493**	**0**	**29,015**	**32,508**	**(5,446)**	**27,062**	**648**	**27,710**
Balance at 31 March 2015	**(16,054)**	**0**	**(4,182)**	**(20,236)**	**24,864**	**4,628**	**(2,455)**	**2,173**

MERSEYSIDE RECYCLING & WASTE AUTHORITY

2013/14	Authority Adjusted Reserves Balances							
	General Fund Balance	Capital Receipts Reserve	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries & associates	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013	**(19,893)**	**(734)**	**(33,613)**	**(54,240)**	**32,322**	**(21,918)**	**(3,157)**	**(25,075)**
Surplus or (deficit) on provision of services	330	0	0	**330**	0	**330**	54	**384**
Other Comprehensive Expenditure and Income	0	0	0	**0**	(846)	**(846)**	0	**(846)**
Total Comprehensive Expenditure and Income	**330**	**0**	**0**	**330**	**(846)**	**(516)**	**54**	**(462)**
Adjustments between Group accounts and Authority accounts	0	0	0	**0**	0	**0**	0	**0**
Net Increase / Decrease before Transfers	**330**	**0**	**0**	**330**	**(846)**	**(516)**	**54**	**(462)**
Adjustments between accounting basis & funding basis under regulations	432	734	0	**1,166**	(1,166)	**0**	0	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**762**	**734**	**0**	**1,496**	**(2,012)**	**(516)**	**54**	**(462)**
Transfers to / from Earmarked Reserves	(416)	0	416	**0**	0	**0**	0	**0**
Increase / Decrease in Year	**346**	**734**	**416**	**1,496**	**(2,012)**	**(516)**	**54**	**(462)**
								0
Balance at 31 March 2014	**(19,547)**	**0**	**(33,197)**	**(52,744)**	**30,310**	**(22,434)**	**(3,103)**	**(25,537)**

Notes to the Group Financial Statements

1 Property, plant and equipment

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

2 Cash flow statement

The Authority's cash flow statement includes movement on provisions totalling £5.49m in 2014/15. This represents the settlement of legal claims made by its subsidiary in prior years. Since intergroup transactions are eliminated on consolidation, there is no corresponding entry in the cash flow statement for the Group.

3 Cash and cash equivalents

2013/14 £000		2014/15 £000
7,983	Cash held by Merseywaste Holdings Ltd	15,231
50,385	Cash held on behalf of the parent authority by St Helens MBC	11,257
58,368	**Total**	**26,488**

4 Short-term borrowing

2013/14 £000		2014/15 £000
(3,159)	Bank overdraft - Mersey Waste Holdings Limited *	(3,158)
(1,142)	PWLB loans	(2,143)
(4,301)	**Total**	**(5,301)**

* The bank overdraft is secured by a floating charge over the assets of the Group.

5 Other Long-Term Liabilities

2013/14 £000		2014/15 £000
(3,971)	Pension liabilities - Mersey Waste Holdings Limited	(4,545)
(3,154)	Pension liabilities - Merseyside Recycling and Waste Authority	(4,232)
(2,795)	Merseyside MCC residual debt liability	(2,363)
(14,571)	Service concession liability	(13,610)
(24,491)	**Total Other Long-Term Liabilities**	**(24,750)**

6 Segmental reporting for Group Accounts

Segmental reporting has been presented at group entity level for the purposes of group accounts. A more detailed segmental analysis for Merseyside Recycling and Waste Authority has been provided in Note 22 of the single entity accounts.

2014/15	MWDA £000	MWHL[1] £000	BML[2] £000	Total £000
Fees charges and other service income	(2,377)	(29,158)	0	**(31,535)**
Levies, precepts and grants	(65,591)	0	0	**(65,591)**
Total income	**(67,968)**	**(29,158)**	**0**	**(97,126)**
Employee expenses	1,769	22	0	**1,791**
Other service expenses	71,368	29,314	0	**100,682**
Support service recharge	47	0	0	**47**
Total Expenditure	**73,183**	**29,336**	**0**	**102,519**
Net expenditure	**5,215**	**178**	**0**	**5,393**

2013/14	MWDA £000	MWHL[1] £000	BML £000	Total £000
Fees charges and other service income	(2,773)	(125)	(92)	**(2,990)**
Levies, precepts and grants	(65,591)	0	0	**(65,591)**
Total income	**(68,364)**	**(125)**	**(92)**	**(68,581)**
Employee expenses	1,698	33	0	**1,731**
Other service expenses	63,392	48	60	**63,500**
Support service recharge	37	0	0	**37**
Total Expenditure	**65,127**	**81**	**60**	**65,268**
Net expenditure	**(3,237)**	**(44)**	**(32)**	**(3,313)**

Notes:

1 The amounts reported for Merseywaste Holdings Ltd have been presented gross in 2014/15 to more properly reflect information to the company's management. Comparative results have been reported net of consolidation adjustments.

2 The accounts for Bidston Methane Ltd are not yet available.

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

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

2013-14 £000		2014-15 £000
(3,313)	Net expenditure in the Service analysis	5,393
0	Services and Support Services not in Analysis	28,120
(745)	Amounts in the Comprehensive Income and expenditure Statement not reported to management in the analysis	(5,803)
3,601	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
(457)	**Cost of Services in the Group Comprehensive Income and Expenditure Statement**	**27,710**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of services 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

2014/15	Service analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to manage-ment for decision making £000	Amounts not included in I&E £000	TOTAL £000
Fees, charges and other service income	(31,535)	0	356	0	**(31,179)**
Levies, precepts and grants	(65,591)	0	0	0	**(65,591)**
Total income	**(97,126)**	**0**	**356**	**0**	**(96,770)**
Employee expenses	1,791	0	0	0	**1,791**
Other service expenses	100,682	28,120	(6,159)	0	**122,643**
Support service recharges	47	0	0	0	**47**
Total expenditure	**102,519**	**28,120**	**(6,159)**	**0**	**124,480**
Surplus or deficit on the provision of services	**5,393**	**28,120**	**(5,803)**	**0**	**27,710**

2013/14	Service analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to manage-ment for decision making £000	Amounts not included in I&E £000	TOTAL £000
Fees, charges and other service income	(2,990)	0	0	0	**(2,990)**
Levies, precepts and grants	(65,591)	0	0	0	**(65,591)**
Total income	**(68,581)**	**0**	**0**	**0**	**(68,581)**
Employee expenses	1,731	0	0	0	**1,731**
Other service expenses	63,500	0	(745)	3,601	**66,356**
Support service recharges	37	0	0	0	**37**
Total expenditure	**65,268**	**0**	**(745)**	**3,601**	**68,124**
Surplus or deficit on the provision of services	**(3,313)**	**0**	**(745)**	**3,601**	**(457)**

7 Pensions

As part of the terms and conditions of employment of its qualifying officers and other employees the Authority and Mersey Waste Holdings Limited offer entrance into the

Local Government Pension Scheme (LGPS) administered by Wirral Metropolitan Borough Council. Although retirement benefits will not actually be payable until employees retire the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

Comprehensive Income and Expenditure Statement	LGPS		LAWDC Pension Scheme	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Cost of services:				
Service cost comprising:				
Current service cost	0	0	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	74	36	8	3
Total post-employment benefits charged to the Group Surplus or Deficit on the Provision of Services	**74**	**36**	**8**	**3**
Other post-employment benefits charged to the Group Comprehensive Income and Expenditure Statement				
Remeasurement of the the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(345)	154	(97)	124
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	983	(309)	238	63
Other	(22)	0	22	19
Total post employment benefits charged to the Group Comprehensive Income and Expenditure Statement	**690**	**(119)**	**171**	**209**

MERSEYSIDE RECYCLING & WASTE AUTHORITY

Movement in Reserves Statement	LGPS		LAWDC Pension Scheme	
	2014/15 £000	2013/14 £000	£ £000	£000 £000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(74)	(36)	(8)	(3)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	224	167		
Retirement benefits payable to pensioners			85	85
Net charge to the General Fund Summary	**150**	**131**	**77**	**82**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government		Discretionary	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Present value of the defined obligation	(10,151)	(9,299)	(1,875)	(1,647)
Fair value of plan assets	5,924	5,538	1,579	1,437
	(4,227)	**(3,761)**	**(296)**	**(210)**
Other movements in the liability (asset)				
Net liability arising from the defined benefit obligation	**(4,227)**	**(3,761)**	**(296)**	**(210)**

Reconciliation of movement in the fair value of scheme assets

	Local Government		Discretionary	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	5,538	5,659	1,437	1,457
Interest on plan assets	316	316	62	69
Remeasurements (assets)	345	(154)	97	(124)
Employer contributions	224	167	85	85
Member contributions	0	0	0	0
Benefits/transfers paid	(499)	(450)	(102)	(50)
Closing value of scheme assets	**5,924**	**5,538**	**1,579**	**1,437**

Reconciliation of movement in the fair value of scheme liabilities

	Local Government		Discretionary	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening balance at 1 April	**(9,299)**	**(9,706)**	**(1,647)**	**(1,543)**
Current service cost	0	0	0	0
Interest cost	(390)	(352)	(70)	(72)
Member contributions	0	0	0	0
Past service costs/(gains)	0	0	0	0
Remeasurements (liabilities)				
Experience (gain)/loss	22	0	(22)	(19)
(Gain)/loss on financial assumptions	(983)	309	(238)	(63)
Benefits/transfers paid	499	450	102	50
Balance as at 31 March	**(10,151)**	**(9,299)**	**(1,875)**	**(1,647)**

Scheme assets comprised:

	Fair value of scheme assets			
	2013/14		2014/15	
	LGPS £000	LAWDC £000	LGPS £000	LAWDC £000
Equities - quoted	3,433	404	3,192	403
Bonds - quoted	903	412	1,031	476
Property - unquoted	443	0	640	0
Cash - quoted	150	0	178	(7)
Other - quoted	609	621	883	707
	5,538	**1,437**	**5,924**	**1,579**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.

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

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

LGPS 2013/14 %	LAWDC Pension Scheme 2013/14 %		LGPS 2014/15 %	LAWDC Pension Scheme 2013/14 %
		Long-term expected rate of return on assets in the scheme:		
7.0	n/a	Equities	6.5	n/a
3.4	n/a	Government Bonds	2.2	n/a
4.3	n/a	Other Bonds	2.9	n/a
6.2	n/a	Property	5.9	n/a
0.5	n/a	Cash / liquidity	0.5	n/a
7.0	n/a	Other	6.5	n/a
0.3	n/a	Expenses deductions	0.3	n/a
5.9		**Overall expected rate of return**	**5.2**	

LGPS 2013/14 %	LAWDC Pension Scheme 2013/14 %		LGPS 2014/15 %	LAWDC Pension Scheme 2013/14 %
		Mortality assumptions:		
		Longevity at 65 current pensioners:		
22.3	n/a	Men	22.4	20.5
25.2	n/a	Women	25.3	n/a
		Longevity at 65 for future pensioners:		
24.7	n/a	Men	24.8	21.9
28.0	n/a	Women	28.1	n/a
		Financial assumptions:		
2.4	3.7	Rate of CPI inflation	2.0	3.3
3.9	2.7	Rate of increase in salaries	3.5	2.3
2.4	2.7	Rate of increase in pensions	2.0	2.4
4.3	4.4	Discount Rate	3.1	3.4

GLOSSARY OF FINANCIAL TERMS

Accounting policies

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

Accruals

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

Actuarial gains and losses

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

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

(ii) The actuarial assumptions have changed.

Amortisation

The equivalent of depreciation for intangible fixed assets.

Capital charges

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

Capital expenditure

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

Capital receipts

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

Current service cost (pensions)

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

Curtailment

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

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

(ii) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Deferred capital receipts

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

Defined benefit scheme

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

Defined contribution scheme

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

Depreciation

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

Expected rate of return (on pension assets)

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

Fair Value

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

Impairment

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

Interest costs (pensions)

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

Net book value

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

Net current replacement cost

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

Net realisable value

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

Non-operational assets

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

(i) Assets held for the primary purpose of investment from which a commercial rental is obtained;

(ii) Vacant property awaiting either redevelopment or disposal;

(iii) Land and buildings currently in the course of development but not yet completed and occupied for the proposed service.

Operational assets

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

Past service cost or gain

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

Projected unit method

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

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

(ii) the accrued benefits for members in service on the valuation date.

Public works loans board

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

Retirement benefits

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

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

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

Revenue expenditure

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

Scheme liabilities

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

Useful life

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

DRAFT

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 2015 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and the Authority and Group Movement in Reserves Statement and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Treasurer to the Authority and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

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 2015 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 2015 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 2014/15.

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

Respective responsibilities of the Authority the auditor

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

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. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Merseyside Waste Disposal Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

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

Royal Liver Building, Liverpool L3 1PS

2015