



MERSEYSIDE RECYCLING & WASTE AUTHORITY

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

STATEMENT OF ACCOUNTS 2017-18

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Introduction to the 2017-18 Statement of accounts by the Chairperson to the Authority

Chairperson's introduction

I am pleased to introduce the Merseyside Recycling and Waste Authority's Statement of Accounts for 2017-18. The Authority continues to place an important emphasis on the use of waste as a resource and this is reflected in the outward facing name of the Authority and our priorities.

The Members of the Authority together with the Authority's officers have a duty to ensure the effective use of resources to deliver services to Merseyside residents. The Authority's turnover is £73.7M and we report to the public on the exercise of our responsibilities annually through the statement of accounts.

The accounts show people across Merseyside how much our services have cost and how funding for those services has been provided. They help to provide reassurance to the people of Merseyside about the care we take over the public funds that have been placed at our disposal by the public through the Levy.

Once again, for the seventh year, the Levy in 2017-18 did not increase in overall terms. The

constituent District Councils continue to face significant financial pressure and the Authority sought to respond by using its reserves to mitigate the impact of its costs through the levy. This approach has been successful for a number of years but will not be possible in future as we have exhausted reserves and the gap between spending and income has started to become unsustainable, an increase was approved by Members for the 2018-19 year.

During 2017-18 the Authority has moved from mainly disposing of waste via landfill sites through interim arrangements and commissioning into disposing of waste through the new Energy from Waste plant managed by Merseyside Energy Recovery Ltd. Commissioning took longer than expected but the plant was fully operational in September 2017; it provides a long term more sustainable and economic solution for Merseyside.

At the same time the Authority has continued to work with Veolia ES who provide a network of Household Waste Recycling Centres, transfer stations for waste and two Materials Recycling

Facilities which separate and sort dry recycled waste collected by Districts from households.

The Authority continues to monitor and manage a number of closed landfill sites across Merseyside, meeting our environmental liabilities and ensuring they do not pollute the local environment.

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

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

Narrative Statement Peter Williams: Treasurer

Background: the Authority and its Functions

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

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

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

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

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

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

- a) making arrangements for the disposal of waste collected by its constituent Waste Collection Authorities (namely Knowsley MBC, Liverpool CC, St Helens MBC, Sefton MBC and Wirral MBC;
- b) providing and making arrangements (with contractors) for the provision and operation of Household Waste Recycling Centres (HWRC) for use by members of the public and the removal of wastes deposited at those sites;
- c) making arrangements for the recycling and composting of waste and meeting its statutory performance standards;
- d) discretionary payment of 'recycling credits' to third parties; and

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

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

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

MRWA is established by statute and collects its levy by statute, neither of these is a voluntary arrangement and MRWA collects monies from the constituent Merseyside councils to meet all its liabilities. This statutory right to Levy a charge on the District Councils comes from the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, SI 2006/248 and from the Environment Agency (Levies) (England and Wales) Regulations 2011 SI 2011/696. The effect of this is that the Levy

is a statutory charge on the District Councils that they have no choice over. As the Councils are also bound by statute, they are required to pay the Levy and have no power or discretion not to pay. Any Council that failed to respond to the demand for the levy would be in breach of its own statutory duties.

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

The majority of residual waste was landfilled under separate contracts, however, these have now been replaced by a thirty year Resource Recovery Contract which was let in 2013 and which commenced full operation in September 2017. The majority of Merseyside's residual household waste is transported by rail to an Energy from Waste Plant in Redcar where it is ultimately used to create electricity or high pressure steam for industrial use.

MRWA's main aim is to manage waste as a resource which means providing and promoting sustainable waste management through the waste

hierarchy where landfill is the least favourable option in environmental and financial terms.

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

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

Governance and Membership

MRWA consists of nine elected Members representing the five constituent district councils in Merseyside. The number of Members per district is set by statute and is shown in brackets against each council below alongside the membership during 2017-18:

- Knowsley (1): Councillor Graham Morgan

- Liverpool (3): Councillors Tony Concepcion, Laura Robertson-Collins and Carol Sung
- St Helens(1): Councillor Charlie Preston
- Sefton (2): Councillors Diane Roscoe and Michael O'Brien
- Wirral (2): Councillors Tony Norbury and Steve Williams

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

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

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

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

Scrutiny Arrangements

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

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

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

Management of the Authority

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

MRWA is required to appoint statutory officers, namely a Chief Finance Officer (under Section 73 of the Local Government Act 1985; equivalent to the s151 Officer in other Authorities); a Monitoring

Officer (Section 5 of the Local Government and Housing Act 1989); and a Clerk (Section 34(8) of the Local Government Act 1985).

Director of Finance role incorporates the Chief Finance Officer duties. The Assistant Director of Business Services and Strategy is appointed as Clerk and the Assistant Director Operations is appointed as the Monitoring Officer. Delegations exist to deputise in their absence.

The Contents of the Statements of Accounts

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

- The Comprehensive Income and Expenditure Statement (CIES), which shows the gains and losses of the Authority in the year;
- The Balance Sheet, which shows how resources available to the Authority are held in terms of assets and liabilities;
- The Movement in Reserves Statement (MIRS), which shows the changes in the Authority's financial resources over the year; and
- The Cash Flow, which shows how the movement in reserves has been reflected in cash flows.

- The Expenditure and Funding Analysis (a note to the accounts) which shows how the financial position reported to Members relates to the position for Statutory Financial Reporting following the Accounting Code of Practice and accounting standards.

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

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

Budget comparison

The Authority's statement of accounts should be reviewed alongside the Outturn Statement. The Outturn Statement shows for the reporting period how the Authority's planned expenditure and income, the budget, was matched by its actual expenditure and income. The outturn statement is

accompanied by a series of comments and explanations which provide further details about where expenditure and income has moved away from planned levels and why. A summary of the Outturn Statements and explanations is set out below:

Capital expenditure

The Authority did not spend any capital funds on a capital programme during the year. The capital programme development was postponed as the implementation of the City Region’s Strategic Review was delayed.

The Authority maintained a £55k capital receipt from the previous financial year in respect of the sale of the In Vessel Composting unit which was not in use for the Authority’s continuing activities. This is planned to be utilised in the current year to contribute towards proposed changes to electricity generating equipment and a flare on the Authority’s Closed Landfill sites.

When the Authority’s capital programme for 2018-19 and beyond comes to fruition the Authority will need to consider the use of additional Prudential Borrowing at that stage to cover the capital costs.

Revenue expenditure

The Revenue Outturn compares Outturn Expenditure for 2017-18 with the revised estimate and indicates where expenditure and income are higher or lower than anticipated.

The final Revenue Outturn shows that the Authority spent some £2.066M less than planned at the end of 2017-18, which is reflected in a reduction in the contribution from the General Fund to support revenue spending of £2.066M. The General Fund contribution to support revenue costs in overall terms was £7.102M rather than the £9.169M that had been expected at revised estimate. The reduction in contribution from the General Fund has been achieved through a combination of savings across the board and prudence in anticipating costs but not anticipating revenue earlier than when it becomes certain.

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

£000
(under)/over
spend

Establishment

The underspending here reflects savings across the board on the administration of the Authority including: premises (£23k), Transport (£8k), Supplies and Services (£45k), Agency (£29k) and Support (£24k). There was an increase in the cost of employees reflecting contract adjustments and back pay which had not been resolved at the time of the budget (£25k)

(80)

Contract payments

The RRC was in commissioning and then entered its fully operational phase in September 2017 the cost saving on contracts reflects well on the way that the transition to the new contract has been managed. Key cost savings include: Lower than expected transport

(1,266)



costs (£442k), Lower than expected MRF bonus payments (349k), lower than expected MRF Bonus share better performance payments (£200k), the provision set aside to pay Living Wage rates to certain Veolia employees was not called upon (£240k), additional income in respect of fly tipping in Liverpool from the previous year was agreed (£453k), the costs of landfill included in the RRC was lower than expected due to the contingencies which had been put in place (£691k). Elsewhere Ash costs increased £77k and there were other additional costs (£614k).

Closed landfill site management

(86)

The Authority has made savings on the cost of the Closed Landfill Sites it manages. There were significant savings in maintenance (£46k) and the costs of trade effluent (£43k), as a result on innovations in the way the Authority manages the discharge from the sites. There

was an increase in the cost of electricity (4k) arising from increased use of pumps as rainfall levels were relatively high.

Rent, rates & depreciation

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

175

Recycling credits

There is a saving here which reflects an overall reduction in tonnages recycled by Districts for which credits may be claimed (Liverpool +£45k; Wirral +£4k; Sefton -£17k; Knowsley -£210k; St Helens -£52k)

(230)

Strategy & Resources

On a small budget, savings on policy and research.

(1)

Behavioural Change

The Behavioural Change

(236)

Programme has developed more slowly than expected due to delays in the City Region's Strategic Review, this has led to savings across the Board, including: Communications (£23k), Education (£9k), Community Funding (£1k), Re-use (£36k), Waste Prevention (£84k) and Contracts (£82k).

Permit scheme

The savings on the scheme arise from Postage (£1k) and Stationery (£2k)..

(3)

Other costs

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

(170)

Interest costs

The combination of lower than estimated interest payable and lower than anticipated income from interest receivable has had a positive effect on the Authority's

(169)

costs.

Underspend for the year **(2,066)**

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

	£M
General Reserve	4.530
To cover risks to the Authority in carrying out its functions, and in line with the budget strategy to mitigate the impact of the Levy on constituent District Councils, there is already a commitment to utilising a very significant proportion of this reserve to subsidise the Levy in 2018-19 leaving the Authority with a very small General Fund to support unexpected contingencies.	
Capital Receipts Reserve	0.055
This represents the amount received in respect of date of the IVC; as it was income from a capital receipt it may only be used to fund capital or to pay off outstanding loan debt.	
Total Reserves	4.585

Assets

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

The Authority had no capital programme planned for 2017-18 and so added no new assets directly to its property portfolio. However, the Resource Recovery Contract for the long term disposal of residual waste became operational in September 2017. The contract includes the Authority using a Rail Transfer Loading Station in Knowsley, with waste being transported from there to an Energy from Waste Plant at Redcar for ultimate disposal. The Assets and liabilities associated with this PPP contract came onto the Authority's Balance Sheet at this point, and a valuation exercise to ensure the assets are included in the accounts at the correct carrying value has been carried out on the Authority's behalf by the District Valuer. The Authority has sought and followed external advice in accounting for the assets and liabilities associated with this long term PPP asset..

Pension liabilities

The balance sheet includes a net pension liability of £4.7M. This is a decrease of £553k on the pension liability in the prior year's accounts. The change in the liability reflect the changes in the value of the assets held by the pension fund on behalf of the Authority and the numbers of and ages of employees and former employees who are

Members of the pension schemes which the Authority has a liability to support. The values of the pension assets and liabilities are assessed periodically (every three years) by the scheme actuaries and contribution rates for employers are adjusted to ensure that the schemes liabilities are funded over time. Employee contribution rates are also reviewed periodically to further ensure liabilities are funded.

Unusual material items

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

The previously mentioned Resource Recovery Contract (RRC) and the associated assets and liabilities bring significant changes to the balance sheet and these will be highlighted both there and at note 28 of the accounts.

Changes in accounting policy

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

Changes in statutory functions

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

Current borrowing

The Authority has a portfolio of loans taken out between 1989 and 2007 to finance capital expenditure over a number of years; the

outstanding balance at 31 March 2018 was just over £16.8M. One of the was a loans was with a commercial bank, The remainder are loans from the Public Works Loans Board (PWLB). The PWLB loans are scheduled to mature at various dates up to 2058, while the final maturity on the commercial loan is 2065.

The Authority has not borrowed additional funds to finance capital expenditure since 2007, and has instead relied on utilising a capital reserve set aside from General Funds to support capital developments. In future any additional capital expenditure is likely to require further prudential borrowing.

Provisions, contingencies and write offs

The Authority carries provisions in the accounts.

One of the provisions is in respect of the Closed Landfill sites managed by the Authority. The Authority established the closed landfill provision in 2013/14 to recognise the need to provide for the potential future costs of maintaining Closed Landfill sites across Merseyside for which the Authority is responsible. In 2017-18, the calculation of the amount set aside as a provision has once again been reviewed and amended to continue to reflect the potential future costs that the Authority may face in managing its Closed Landfill sites. This has resulted in a increase to the carried forward provision of £25k (up to £4,558k), reflecting in the main, a gradual reduction to the amounts that will be spent on closed land fill sites

year on year as they begin to stabilise and settle requiring less maintenance.

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

The Authority has a 50% stake in Bidston Methane Ltd. Currently the Authority's share of the profit is £30K as at 31 March 2017 based on the latest available accounts to 31 March 2017 (which is an decrease of £3k). This in year surplus contributes to reducing the liabilities carried in the accounts from prior periods. The Authority has given a commitment to support the company financially; hence it remains valued as a going concern. The Authority therefore recognises that it has a contingent liability for its share of the potential loss.

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

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

Local economic circumstances

The statement of accounts for 2017-18 should be considered alongside the budget for 2017-18 and

the medium term financial prospects for the Authority.

The current financial environment that local government in England faces is one of continuing austerity. The Authority's constituent District Councils have faced a number of years of very significant spending reductions and that pattern is set to continue and to a degree accelerate as the Government moves from a national model of supporting local government spending to a more localised model with opportunities for funds raised locally to be retained locally. During this period of financial rebalancing the resources available to constituent District Councils have been reduced significantly. At the same time over a period of eight budget cycles the Authority has reduced or maintained the Levy on the Districts at a neutral level. The maintenance of the Levy at these levels has only been possible in the latter years with significant cushioning from the General Fund.

Financial pressure on the Authority continues to grow, and despite reductions in staffing and other subsidiary costs the main cost driver is Waste tonnages delivered by the Districts. The transition from landfill to the commissioning phase and then full operation of the new Resource Recovery Contract during 2017-18 meant that these costs stabilised for a period. However, after a period of eight years without a Levy increase the gap between the Authority's costs and its income had grown. The constituent District Councils who are required to pay the Levy were advised that the neutral levy could not continue and that the Levy

would have to increase substantially to begin to balance the financial position.

In the budget for 2018-19 the Authority recognised the need to increase the Levy and a 9% levy increase was approved, with the prospect of a 7% Levy the following year, to close the funding gap.

For 2018/19 the prospect of expenditure supported by Levy and a still with a significant contribution from General Fund balances meant that the budget is in balance, the prospect for future years relies on a further substantial Levy

increase before a balanced position can be established..

Utilising most of the remaining General Fund balances is likely to be sufficient to close the gap to the Levy, albeit with sizable increases in 2018-19 and 2019-20 . Thereafter, the prospective Levy increases may be more modest, although the financial benefits of the RRC should begin to be felt, through third party income and electricity income sharing.

As a part of the budget process the Authority agreed with the City Region to take part in a strategic review of waste disposal and collection across Merseyside, this may lead to a review of the assets managed and maintained by the Authority across Merseyside, with a view to reducing costs in the Medium Term. The outcome of the review will become clear during 2018 and the Authority's Members may be asked to consider the Authority's response to any proposals as they are made.

Certificate

I certify that this Statement of Accounts presents a true and fair view of the financial position of Merseyside Recycling and Waste Authority (the statutory Waste Disposal Authority for Merseyside) at 31 March 2018 and its income and expenditure for the year then ended. In doing so I authorise the Statement for issue and confirm that it is this date up to which events after the Balance Sheet date have been considered in preparing the Statement.

Peter Williams
Treasurer to the Authority

Date

Statement of Responsibilities

The Authority's responsibilities

The Authority is required to:

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

The Director of Finance's responsibilities

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

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

The Director of Finance has also

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

Peter Williams
Treasurer to the Authority

Date

Annual Governance Statement

Annual Governance Statement 2017/18

Scope of responsibility

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

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

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

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

This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015 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 2018 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 24th November 2017 and has a mission statement, "To contribute to the economic, environmental and social well-being of Merseyside by promoting the best use of resources and ensuring that waste is sustainably managed." The plan is delivered through the development and implementation of an annual Service Delivery Plan which reflects current corporate strategies, risks and priorities;
- performance against the Service Delivery Plan is published on a quarterly basis and circulated to Members and other stakeholders;

- there is a Joint Recycling and Waste Management Strategy for Merseyside in place which has been approved by all partner organisations and was used to inform the procurement of major waste contracts, most notably the Waste Management and Recycling Contract and the Resource Recovery Contract;
- there is a Risk Management Strategy in place which provides the Authority with a framework to identify and analyse the risks associated with its activities and ultimately supports the Authority in planning for and delivering its Corporate Plan.
- roles and responsibilities of Members and the Scheme of Delegation are reviewed and approved annually. The Authority's scrutiny function is delivered by the full Authority and communication protocols are in place;
- Codes of Conduct are in place for officers and for Members, both of which include a Register of Interests;
- The Authority's Constitution, including a comprehensive set of Procedural Rules which define its internal control mechanisms, is in place and reviewed regularly;
- the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010);
- audit functions are delivered through the full Authority with specific powers delegated to the Audit and Governance Committee;
- internal audit is provided by St Helens Council under a service level agreement and operates to Internal Auditing Standards as laid down by CIPFA;
- procedures and processes are in place to ensure that the Authority conducts its business in compliance with its legal obligations, including specialist advice where necessary;
- there is a Whistleblowing Policy and a Comments and Complaints Procedure to assist in the transparency of the Authority's business;
- training and development for Members and officers is delivered through the Member Training and Development Plan, the Staff Development Scheme and a Corporate Training Programme;
- the Authority has a Communications Strategy to deliver clear channels of communication with stakeholders and consultation processes are undertaken as necessary. The strategy is currently under review to ensure it remains fit for purpose;
- Inter Authority Agreements are being reviewed and where appropriate, put in place

to ensure effective partnership and joint working arrangements; and

- Internal Control Statements of Assurance are obtained from the Chief Executive as Chief Officer for the 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 2018/19 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:

- Contribution to the Implementation of the Strategic Review undertaken by the Merseyside Councils and the Combined Authority

- To refresh the Joint Recycling and Waste Management Strategy following completion of Strategic Review
- The development of a Data Management Strategy to enhance the Authority’s data related and data dependant capability

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
May 2018

Signed:

.....

Chair
May 2018



The Comprehensive Income and Expenditure Statement (CIES)

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

2016/17			Notes	2017/18			
<i>Expenditure</i>	<i>Income</i>	<i>Net</i>		<i>Expenditure</i>	<i>Income</i>	<i>Net</i>	
£000	£000	£000		£000	£000	£000	
76,237	(5,852)	70,385	Environment and regulatory services	5	66,620	(2,929)	63,691
182		182	Corporate and democratic core		182		182
76,419	(5,852)	70,567	Surplus/Deficit on Continuing Operations		66,802	(2,929)	63,873
		1,740	Financing and Investment Income and Expenditure				9,163
		(65,591)	Levy Income			(65,591)	(65,591)
		6,716	(Surplus) or Deficit on Provision of Services				7,445
		233	non-current assets charged to the Revaluation Reserve & CAA				(9,316)
		(16)	Revaluation of closed landfill site provision				25
		551	Remeasurements of the net defined benefit liability (asset)				(659)
		768	Other Comprehensive Income and Expenditure				(9,950)
		7,484	Total Comprehensive Income and Expenditure				(2,505)

The Balance Sheet

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

31st March 2017 £000		Notes	31st March 2018
38,257	Property, Plant & Equipment	10	294,666
5,042	Long Term Investments	13	5,042
43,299	Long Term Assets (1)		299,708
22	Inventories		22
3,426	Short Term Debtors	14	4,199
0	Cash and Cash Equivalents	15	1
3,448	Current Assets (2)		4,222
(8,874)	Short Term Creditors	16	(5,712)
(5,070)	Cash and Cash Equivalents		(16,058)
(266)	Provisions	17	(259)
(14,210)	Current Liabilities (3)		(22,029)
(5,178)	Provisions	17	(5,210)
(16,901)	Long Term Borrowing	11	(16,830)
(18,326)	Other Long Term Liabilities	31	(265,224)
(40,405)	Long Term Liabilities (4)		(287,264)
(7,868)	Net Assets (1+2+3+4)		(5,363)
(11,687)	Usable reserves (5)	MIRS	(4,585)
19,555	Unusable Reserves (6)	18	9,948
7,868	Total Reserves (5+6)		5,363

Certificate

I confirm that these accounts present fairly the position of Merseyside Recycling and Waste Authority (the statutory waste disposal authority for Merseyside) as at 31 May 2018 and are authorised for issue at that date.

Peter Williams CPFA

Treasurer to the Authority

Date 31/5/18

The Cash Flow Statement

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

2016/17 £000		Notes	2017/18 £000
(6,716)	Net surplus or (deficit) on the provision of services		(7,445)
(5,352)	Adjustment to surplus or deficit on the provision of services for non-cash movements	19	(1,950)
(1,740)	Less items included in the net surplus or deficit on the provision of services that are investing and financing activities	19	(9,163)
(55)	Less items included in the net surplus or deficit on the provision of services that are investing and financing activities	19	0
(10,273)	Net cash flows from operating activities		(232)
26	Net Cash flows from Investing Activities	20	8,060
(2,343)	Net Cash flows from Financing Activities	21	(18,816)
(12,590)	Net increase or decrease in cash and cash equivalents		(10,988)
5	In Year Adjustment		
7,514	Cash and cash equivalents at the beginning of the reporting period		(5,070)
(5,070)	Cash and cash equivalents at the end of the reporting period		(16,058)

The Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
2017/18	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2017	(11,632)	0	(55)	(11,687)	19,555	7,868
Movement in reserves during the year						
Surplus or (deficit) on the provision of services	7,445			7,445		7,445
Other Comprehensive Income and Expenditure				0	(9,950)	(9,950)
Total Comprehensive Income and Expenditure	7,445	0	0	7,445	(9,950)	(2,505)
Adjustments between accounting basis & funding basis under regulations	(343)		0	(343)	343	0
Net Increase/Decrease before Transfers to Earmarked Reserves	7,102	0		7,102	(9,607)	(2,505)
Transfers to or from earmarked reserves				0		0
Increase/Decrease in Year	7,102	0	0	7,102	(9,607)	(2,505)
Balance as at 31 March 2018	(4,530)	0	(55)	(4,585)	9,948	5,363

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

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Notes to the Accounts

Note 1

Accounting Standards issued but not yet adopted

Under the code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), the Authority is required to disclose information setting out the impact of an accounting change standard that has been issued but not yet adopted by the code. Currently there have been no such standards issued there are applicable to the Authority and its activities.

Note 2

Critical judgements made in applying accounting policies

In applying 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 maintain 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
 - Bidston Methane Ltd through a joint venture

The Authority's interests in these two companies are reflected in the Authority's Group Accounts at 74 to 86 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 the service concession arrangements (formerly known as PFI schemes and similar contracts) have been applied to these contracts and assets (valued at £16.0m for the WMRC contract and £257.7m for the Resource Recovery Contract) 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 in respect of the service concession.
- d) The Authority is deemed to control the services and the residual value of assets leased from constituent authorities. The Authority's view is both the land and

building elements of the leases are operating leases and therefore no assets 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 profit and the Authority's share of the profit is £30,000 based on the latest available accounts which are as at 31 March 2017. 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 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 6 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 service concession arrangement with Sita SempCorp now Merseyside Energy Recovery Ltd in 2013 for the design, build and operation of an energy from waste facility to be located in Redcar in Cleveland and a rail transfer loading station in Kirkby on Merseyside. The Commissioning phase of the contract ended in September 2017 with full operation from this date at which point the accounting requirements of IFRIC 4

and IFRIC 12 were taken fully into account.

NOTE 3

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

The Statement of Accounts contains a number of estimates figures that are based on assumptions made by the Authority about the future 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 made.

The items in the Authority's Balance Sheet 31 March 2018 for which there may be a risk of material adjustment in the forthcoming financial year are shown in the following

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 costs)	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. 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.
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. The Authority has engaged Mercer Ltd as its consulting actuaries to provide expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £1.1m.
Accruals of waste contract payments	The final waste data flows and settlements of the year-end costs incurred by the Authority is not completed until the end of September each year. Estimates are made of both the waste data flows and the final amounts in settlement of the costs payable by the Authority at the year-end.	If the waste data flow information is significantly different from that anticipated then the value of waste contract payments and year end creditors 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.
Gilmoor Materials Recycling Facility	The WMRC contract payment is not separated for the cost of the finance lease under IFRIC 4 for the Gilmoor MRF	An estimate of the amount payable over the life of the contract for the finance lease element of the Gilmoor MRF has been made. This is based on the value of the asset and the estimated life of the asset in the contract.
Leasing discount rate	The real discount rate for lease costs is not separated clearly within leases and the Gilmoor MRF lease	The estimated discount rate has been used to arrive at the net present value of future lease payments based on the Treasury discount rate and RPIX

<p>Long term contracts</p>	<p>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.</p>	<p>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.</p>
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Note 4 Items of Material Expense

2016/17 £000	Description	2017/18 £000
19,041	Landfill tax payments	0
30,396	Waste Management & Recycling contract payments	26,877
6,483	Landfill contract payments	0
0	RRC Contract	36,590
422	Viridor Interim Contract	0
7,307	Suez	0
63,649		63,467

The Expenditure and Funding Analysis

Note 5

This statement is designed to bring together the spending and funding basis of the Authority with the formal accounting framework and therefore help to demonstrate how the Authority has used its funds. This follows on the next page.

2016/17			2017/18			
Net expenditure chargeable to the General Fund £000	Adjustments between funding and accounting £000	Net expenditure in the CIES £000		Net expenditure chargeable to the General Fund £000	Adjustments between funding and accounting £000	Net expenditure in the CIES £000
1,655		1,655	MWDA Establishment	1,888		1,888
63,139	(770)	62,369	Waste Management contracts	26,215	(712)	25,503
0		0	Resource Recovery contract	37,413	(6,887)	30,526
259		259	Closed Landfill sites	266		266
2,101	(1,288)	813	Rents, rates & depreciation	2,038	(1,288)	750
4,965		4,965	Recycling Credits	4,610		4,610
7		7	Communications	0		0
139		139	Strategy & Resources	1		1
			Behavioural Change	178		
230		230	Contract Review	0		0
			Permit Scheme	19		
72,496	(2,058)	70,438	NET COST OF SERVICE	72,628	(8,887)	63,544
746	770	1,516	Interest (Net)	1,113	7,599	8,712
73,242	(1,288)	71,954	NET OPERATING EXPENDITURE	73,741	(1,288)	72,453
(6,621)	6,749	128	Transfers to from General Fund	(7,103)		(7,103)
(1,030)	1,046	16	Contribution to/ from CAA	(1,047)		(1,047)
65,591	6,507	72,098	TOTAL COST OF SERVICE	65,591	(1,288)	64,303
(65,591)		(65,591)	Levy Income	(65,591)		(65,591)
(0)	6,507	6,507	NET SURPLUS/ CONTRIBUTION IN YEAR	(0)	(1,288)	(1,288)
(18,055)		(18,055)	Opening GF balance at 1st April	(11,633)		(11,633)
6,422			Contributiions & use of GF Net	7,103		
(11,633)			Closing General Fund Balance 31st March	(4,530)		

Note 5(A) Note to the Income and Expenditure Funding Analysis

Adjustments between accounting and Funding basis 2016/17				
Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital purposes	Net change for the Pensions adjustments	Other Differences	Total Adjustments
Waste Disposal - Net Cost of Services	(240)			(240)
Other Income and Expenditure from the Expenditure and Funding analysis		(103)		(103)
Difference between General Fund surplus and the CIES surplus or deficit on provision of Services	(240)	(103)	0	(343)

Note 5 (B) Segmental Income

Service	2016/17 Income from Services £000	2017/18 Income from Services £000
Waste Disposal Services	(5,852)	(2,929)
Levy	(65,591)	(65,591)
	(71,443)	(68,520)

Note 6

Expenditure and Income Analysed by Nature

Service	2016/17 £000	2017/18 £000
Expenditure/ income		
Employee benefits expenses	1,278	1,496
Other services expenses	74,776	72,068
Support services recharges	0	0
Depreciation & Impairment	1,300	1,288
Interest Payments	763	1,113
Gain on Disposal of assets	(55)	0
Total expenditure	78,062	75,965
Income		
Fees, charges and other service income	(5,852)	(2,929)
Interest & investment income	(17)	
Income from Levy	(65,591)	(65,591)
Total income	(71,460)	(68,520)
Surplus or Deficit on the provision of Services	6,602	7,445

Note 7

Adjustments between accounting and funding basis under regulations

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

The General Fund balance is the statutory fund into which all the receipts of the Authority 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 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

2017/18	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	(1,288)		(1,288)
Revaluation losses on Property Plant and Equipment			0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory Provision for the Financing of Capital Investment	1,299		1,299
Historical Depreciation	(276)		(276)
Movement in CLF Provision as per GT technical	25		25
Adjustments involving the Pensions Reserve:			
	(448)		(448)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 30)			
Employer's pensions contributions and direct payments to pensioners payable in the year	345		345
Total Adjustments	(343)	0	(343)

2016/17 (Comparative year)	Usable Reserves	Capital Receipts Reserve	Movement in Unusable Reserves
	General Fund Balance		
	£000	£000	£000
Adjustments involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non current assets	(1,300)		(1,300)
Revaluation losses on Property Plant and Equipment	(233)		(233)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory Provision for the Financing of Capital Investment	1,194		1,194
Capital expenditure charged against the General Fund balance	(4)		(4)
In year movement of (CLF charges as per GT Technical)	(268)		(268)
Adjustments involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(55)	(55)
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	(358)		(358)
Employer's pensions contributions and direct payments to pensioners payable in the year	145		145
Adjustment involving the Accumulating Compensated Absences Adjustment Account			
Total Adjustments	(824)	(55)	(879)

Note 8

Financing and Investment Income and Expenditure

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

2016/17 £000		2017/18 £000
1,533	Interest payable and similar charges	8,715
358	Net interest on the defined benefit liability/(asset)	448
(152)	Interest receivable and similar income	0
1,739	Total	9,163

Note 9

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:

2016/17 £000		2017/18 £000
7,215	Knowsley	7,124
22,783	Liverpool	22,772
7,359	St Helens	7,661
12,832	Sefton	12,661
15,402	Wirral	15,373
65,591		65,591

Note 10

Property, Plant and Equipment

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

Movements in 2017-18	Property, Plant & Equipment (PP&E)					Total PP&E	Service Concession Assets included in Property, Plant and Equipment	TOTAL
	Land	Buildings	Vehicles, Plant & Equipment	Assets Under Construction				
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as at 1 April 2017	11,261	23,128	6,008	0	40,397	16,691	40,397	
Additions			257,593		257,593	0	257,593	
Balance as at 31 March 2018	11,261	23,128	263,601	0	297,990	16,691	297,990	
Depreciation and Impairment								
Balance as at 1 April 2017	626	981	672	0	2,279	690	2,279	
Depreciation Charge		699	589	0	1,288	690	1,288	
Other Movements in Depreciation or Impairment			(243)		(243)		(243)	
Balance as at 31 March 2018	626	1,680	1,018	0	3,324	1,380	3,324	
Net Book Value								
Balance as at 31 March 2018	10,635	21,448	262,583	0	294,666	15,311	294,666	
Balance as at 31 March 2017	10,635	22,846	5,936	126	38,118	16,001	38,118	

Movements in 2016/17	Property, Plant & Equipment (PP&E)					Total PP&E	Service Concession Assets included in Property, Plant and Equipment	TOTAL
	Land	Buildings	Vehicles, Plant & Equipment	Assets Under Construction				
	£000	£000	£000	£000	£000			
Cost or Valuation								
Balance as at 1 April 2016	11,261	23,128	6,007	126	40,522	16,691	40,522	
Additions			120	15	135		135	
Derecognition - Disposals				(141)	(141)		(141)	
Balance as at 31 March 2017	11,261	23,128	6,127	0	40,516	16,691	40,516	
Depreciation and Impairment								
Balance as at 1 April 2016	626	282	71		979		979	
Depreciation and impairments written out to Revaluation Reserve		699	601		1,300	690	1,300	
Balance as at 31 March 2017	626	981	672	0	2,279	690	2,279	
Net Book Value								
Balance as at 31 March 2017	10,635	22,147	5,455	0	38,237	16,001	38,237	
Balance as at 1 April 2016	10,635	22,846	5,936	126	39,543	16,691	39,543	

Valuation

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

The significant assumptions applied in estimating the fair values are:

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

The Authority has a relatively small asset base so re-values its assets periodically, currently on a three year cycle, rather than via a rolling revaluation programme. In between 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 the Authority's valuer in 2014-15, two household waste recycling centres were revalued by Mouchel.

Capital Commitments

On the 23rd of 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 of the contract (i.e. construction and then operation over the 30 year term of the contract) is expected to be £1.4bn with the initial construction phase of the contract, valued at £396m.

The contract became fully operational on 1st September 2018, which is when the associated assets and liabilities were brought on to the balance sheet.

The Authority has no other contractual commitments as at 31st March 2018.

Note 11

Financial Instruments

Carrying amount of financial assets and liabilities

2016/17			2017/18	
Current	Long-term		Current	Long-term
£000	£000		£000	£000
		Current assets		
3,426	0	Loans and receivables	4,200	0
3,426	0	Total included in current assets	4,200	0
		Liabilities		
(13,944)	(28,589)	Financial liabilities at amortised cost	(21,770)	(28,518)
(13,944)	(28,589)	Total included in liabilities	(21,770)	(28,518)

Fair Value of Assets and Liabilities

Financial liabilities and 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 2018
- For the Authority's commercial loan, the interest rate is the rate charged by the bank.

The fair values calculated are as follows:

The authority's financial assets are predominantly loans and receivables consisting of principally of trade debtors and cash (bank) deposits held 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 cash flows 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 invoice 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 value of the Authority's financial liabilities is ore 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

costs to the Authority of continuing to hold relatively high interest debt compared with current (lower interest rates.

Fair Values of Assets and Liabilities

2016/17			2017/18	
Carrying Value £000	Fair value £000		Carrying Value £000	Fair value £000
		Debtors		
3,426	3,426	Loans and receivables	4,200	4,200
		Financial assets carried at contract amounts		
3,426	3,426	Total included in Debtors	4,200	4,200
		Borrowings		
(16,901)	(26,592)	Financial liabilities at amortised cost	(16,830)	(26,592)
(16,901)	(26,592)	Total included in borrowings	(16,830)	(26,592)
		Other Long Term Liabilities		
(11,688)	(15,651)	Service concession liabilities	(11,688)	(15,651)
(28,589)	(42,243)	Total long term liabilities	(28,518)	(42,243)
		Creditors		
(13,944)	(13,944)	Financial liabilities at amortised cost	(21,770)	(21,770)
(13,944)	(13,944)	Total creditors	(21,770)	(21,770)
(42,533)	(56,187)	Total liabilities	(50,288)	(64,013)

Long-Term Borrowing

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

Balance at 31 March 2016 £000s		Balance at 31 March 2017 £000s	Fair Value Level
	Analysis by type		
(14,901)	Public Works Loans Board	(14,830)	2
(2,000)	Market Loan (Former LOBO)	(2,000)	2
(16,901)		(16,830)	
	Analysis by maturity		
(71)	1 - 2 years	0	
0	2- 5 years	0	
(300)	5 - 10 years	(300)	
(16,530)	More than 10 years	(16,530)	
(16,901)		(16,830)	

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

NOTE 12

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

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

- 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.

borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 60% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

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

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

Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;

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

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

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.

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.

Foreign exchange risk

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

NOTE 13

Investments

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

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

Note 14

Short Term Debtors

2016/17		2017/18
£000		£000
1,026	Other Local Authorities	1,152
348	Public Corporations and Trading Funds	0
2,052	Bodies External to General Government	3,047
3,426	Total	4,199

Note 15

Cash and Cash Equivalents

The balance of cash and cash equivalents comprises:

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

2016/17		2017/18
£000		£000
(5,071)	Cash equivalents	(16,831)
1	Cash held by the Authority	1
(5,070)	Total	(16,830)

Note 16

Short Term Creditors

2016/17		2017/18
£000		£000
(44)	Central Government Bodies	(7)
(708)	Other Local Authorities	(879)
(8,122)	Bodies External to General Government	(4,826)
0	Other creditors	0
(8,874)	Total Short Term Creditors	(5,712)

Note 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.

Closed landfill sites The Authority established the closed landfill provision in 2013/14 to recognise the need to provide for the potential future costs of maintaining Closed Landfill sites across Merseyside for which the Authority is responsible. There will be 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 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.

The following tables analyse the movement in those categories of provisions

Current Year Provisions

	Balance as at 1 April 2017	Increase in provision during year	Utilised during year	Balance as at 31 March 2018
	£000	£000	£000	£000
Current provisions				
Other provisions	(26)	0	0	(26)
Closed landfill sites	(240)	(345)	352	(233)
	(266)	(345)	352	(259)
Long-term provisions				
Other provisions	(885)	0	0	(885)
Closed landfill sites	(4,293)	(32)	0	(4,325)
	(5,178)	(32)	0	(5,210)

Previous Year Provisions

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

Note 18

Unusable Reserves

2016/17 £000		2017/18 £000
26,071	Capital Adjustment Account	16,740
(11,238)	Revaluation Reserve	(10,962)
4,704	Pensions Reserve	4,151
17	Accumulating Compensated Absences Adjustment Account	17
19,554	Total Unusable Reserves	9,946

Capital Adjustment Account

The Capital Adjustment account absorbs the timing difference 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 and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings with the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2016/17 £000		2017/18 £000
25,778	Balance at 1 April	26,071
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
1,300	Charges for depreciation and impairment of non current assets	1,288
1,300	Net written out amount of the cost of non current assets consumed in the year	(1,288)
	Capital financing applied in the year:	
(1,194)	Statutory provision for the financing of capital investment charged against the General Fund balance	(1,299)
16	Increase/ Reduction in Closed Landfill Site Provision	25
155	Other movements charged to the CAA	(276)
16	Capital expenditure charged against the General Fund balance (RRC 2017-18)	(9,069)
(1,007)		(10,619)
26,071	Balance at 31 March	16,740

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.

2016/17 £000		2017/18 £000
(11,290)	Balance at 1 April	(11,238)
(224)	Upward revaluation of assets	0
276	Difference between fair value depreciation and historical cost depreciation	276
(11,238)	Balance at 31 March	(10,962)

Pensions Reserve

The Pensions Reserve absorbs the timing difference 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 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.

2016/17 £000		2017/18 £000
3,940	Balance at 1 April	4,704
551	Remeasurements of the net defined benefit liability/asset	(656)
358	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	448
(145)	Employer's pension contributions and direct payments to pensioners payable in the year	(345)
4,704	Balance at 31 March	4,151

Accumulated Absences Account

The Accumulating Compensated Absences 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.

2016/17 £000		2017/18 £000
21	Balance at 1 April	17
(21)	Settlement or cancellation of accrual made at the end of the preceding year	(17)
17	Amounts accrued at the end of the current year	17
17	Balance at 31 March	17

Note 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:

2016/17 £000		2017/18 £000
1,533	Interest Payable	8,715
358	Net interest on the defined benefit liability/(asset)	448
(152)	Interest Receivable	0
1,739		9,163

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

2016/17 £000		2017/18 £000
1,300	Depreciation	1,288
(52)	Impairment & downward revaluations	
(3,890)	Increase/(Decrease) in creditors	(3,162)
0	(Increase)/Decrease in inventory	0
(1,961)	(Increase)/Decrease in debtors	(773)
15	Movement in provisions	
(764)	Movement in pension liability	553
	Contributions to Other Reserves/Provisions	144
(5,352)		(1,950)

Adjusted for the following items that are investing and financing activities:

2016/17		2017/18
(55)	Proceeds from the sale of property, plant and equipment	0
(55)		0

Note 20

Cash Flow Statement - Investing activities

2016/17 £000		2017/18 £000
0	Purchase of PP&E and investment property	(8,060)
(26)	Other outflows from Investing Activities	0
(26)	Net Cash flows from Investing Activities	(8,060)

Note 21

Cash Flow Statement - Financing activities

2016/17 £000		2017/18 £000
(961)	Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(10,030)
152	Interest receivable	0
(1,533)	Interest paid	(8,715)
0	Repayment of Short and Long Term Borrowing	(71)
(2,342)	Net Cash flows from Financing Activities	(18,816)

Note 22

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 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..

Exit packages and termination benefits

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

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

		Salary, Fees and Allowances £	Expenses and Allowances £	Pension Contribution £	Total £
Chief Executive	2017/18	84,462	1,274	10,576	96,312
	2016/17	83,625	1,249	10,788	95,662
Director of Finance	2017/18	68,166	1,239	8,301	77,706
	2016/17	67,491	1,245	8,706	77,442
Director of Operations	2017/18				0
	2016/17	48,678	846	5,944	55,468
Assistant Director - Contracts	2017/18	57,330	1,812	7,084	66,226
		31,011	730	4,108	35,849
Assistant Director - Governance and Performance	2017/18	51,180	1,275	6,239	58,694
	2016/17	33,122	777	4,581	38,480
Total	2017/18	261,138	5,600	32,200	298,938
	2016/17	263,927	4,847	34,127	302,901

- (1) The Director of Operations retired from the Authority on 6th December 2016
- (2) The Assistant Director – Governance & Performance left the Authority in October 2016
- (3) The Assistant Director – Contracts joined the Authority in September 2016

Note 23

External Audit Costs

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

2016/17		2017/18
£000		£000
29	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	34
29		34

Note 24

Related Party Transactions

Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2017/18

2016/2017	Payments	2017/18
£000		£000
1,837	Halton	2,006
591	Knowsley	562
1,475	Liverpool	1,345
1,363	St Helens	1,205
1,418	Sefton	1,259
871	Wirral	993
7,555		7,370

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 2017/18 the company's results showed a deficit of £0.112m (£0.150m in 2016/17) and net assets of £5.720m 31 March 2018 (£5.261m at 31 March 2017).

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

The Authority did not make any payments to MWHL during the year (£23.032m in 2016/17, for landfill contracts)

Bidston Methane Limited

Bidston Methane Limited is a joint venture established to manage gas production and electricity from 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 £0.06m for 2016/17 (£0.09m loss for 2015/16) and net liabilities of £.355m at 31 March 2017 (£0.415m at 31 March 2016).

There were no transactions with Bidston Methane Ltd during the year (nil in 2015/16)

2016/2017 £000		2017/18 £000
	Mersey Waste Holdings Ltd	
23,032	Payments for the disposal of waste	0
0	Dividends	
0	Bidston Methane Ltd	0
23,032		0

Note 25

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 assets 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 analysed in the second part of this Note.

2016/17 £000	Capital Expenditure and Financing	2017/18 £000
	Capital expenditure incurred in the year	
30	Property, Plant and Equipment	
14	Closed landfill sites	0
44		0
	Financing	
(14)	Direct revenue contributions:	
0	Capital receipts	0
30	Increase in underlying borrowing requirement	0
0	Supported borrowing approvals	0
30	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
2016/17 £000	Explanation of movements in the Capital Financing Requirement in the year	2017/18 £000
49,348	Opening Capital Financing Requirement	47,895
(215)	Restatement	0
49,133	Restated opening Capital Financing Requirement	47,895
0	Capital Receipts set aside for repayment of debt	
(1,238)	Charges to revenue for Minimum Revenue Provision	(1,299)
47,895	Closing Capital Financing Requirement	46,596

Note 26

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

Authority as lessee – operating leases

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

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

2016/17		2017/18
£000		£000
148	No later than one year	139
575	Later than one year and not later than five years	558
973	Later than five years	973
1,695		1,670

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

2016/17		2017/18
Land and buildings		Land and buildings
£000		£000
148	Minimum lease payments	139
148		139

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

Note 27

Service Concession

Waste Management and Recycling Contract

2017/18 was the 9th 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, maintaining and operating the Gilmoor Material Recycling Facility (MRF) which came into operation in December 2011.

This 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 Gilmoor 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 the rights to terminate the contract 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 11.

Total at 31/03/2018		Payment for Services	Interest	Total at 31/03/2018
£000		£000	£000	£000
30,067	Payable within one year	961	712	1,673
127,975	Payable within two to five years	3,843	2,262	6,105
172,495	Payable within six to ten years	4,804	1,511	6,315
82,400	Payable within eleven to fifteen years	2,082	197	2,279
412,937	Total	11,690	4,682	16,372

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the service concession contract at 31 March 2018 (excluding any estimation of inflation and availability/ performance deductions) are as follow

Resource Recovery Contract

In December 2013, the Authority entered a 30 year contract with SITA Sembcorp UK Ltd due to end in December 2043. The contract gives SITA Sembcorp responsibility for processing, treating, disposing and recycling the contract waste accepted from the Authority. The contract specifies minimum standards for the services to be provided by SITA Sembcorp with deductions if facilities are unavailable or performance is below standards set out in the contract. Under the terms of the contract, the contractor is responsible for the design, build, finance and operation of two major facilities: energy from waste (EfW) facility in Billingham Teeside and a rail transfer loading station on Merseyside.

The construction phase of the contract was completed in summer 2017 and the facilities became operational on 1 September 2017. Under the terms of the Contract and the scope of IFRIC 12/ IPSAS 32, as adapted and interpreted by the Code. At the end of the Contract period the Authority has an option to extend the contract term by 5 years on new payment terms or it can terminate and the facilities transfer to the Authority at no additional cost

Value Assets

The assets used to provide the services under the contract have been added to Property (see below) Plant and Equipment as in-year additions, see below. This is set out in Note 10

2017/18	
£000s	
Asset value	257,452
Additions	243
Less Cumulative Depreciation *	0
Value of the asset at the end of the year	257,695

*In line with the Authority’s accounting policies depreciation commences in the year after the asset becomes operational.

The Authority makes a “Unitary” payment to the operator each year based on a predetermined formula, including indexation and the ability to reduce the payment if the Operator does not meet availability and performance requirements. Payments remaining to be made at 31 March 2018 (excluding any estimate of inflation or availability/ performance deductions) are as follows:

	Service cost	Reimbursement of capital	Interest	Total
	£000s	£000s	£000s	£000s
within 1 year	11,708	15,884	11,297	38,889
2 - 5 years	53,930	60,406	38,340	152,676
6 - 10 years	89,418	59,396	34,788	183,602
11 - 15 years	106,721	46,464	25,499	178,684
16 - 20 years	122,199	51,411	17,169	190,779
21 - 25 years	141,791	59,458	7,534	208,783
26 - 30 years	20,357	11,007	166	31,530
	546,124	304,026	134,793	984,943

Although the payments made to the Operator are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The liability commitments shown, include lifecycle capital costs and therefore is different from the balance sheet liability. The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

	2017/18 £000s
Liability outstanding at onset of operations	257,452
In year lifecycle capital	243
Repayment	(9,069)
Liability outstanding at the end of the year	248,626

Liabilities

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

2016/17 £000		2017/18 £000
12,649	Balance outstanding at start of year	11,688
	Additional Items: RRC	257,695
	Payments during the year	(9,069)
(961)	Payments during the year	(961)
11,688	Balance outstanding at year-end	259,353
	Analysed between:	
(961)	Payments due within 1 year	(10,030)
(10,727)	Long term liabilities	(249,323)
(11,688)		(259,353)

NOTE 28**Defined benefit pension schemes**

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

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

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

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

Transactions relating to retirement benefits- CIES Charges

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

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

MRWA statement of Accounts 2017-18

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	221	329	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:	0	0	0	0
Net Interest expense	130	114	7	5
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	351	443	7	5
Remeasurement of the the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(1,848)	(4)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(216)	0	(4)	0
Actuarial gains and losses arising on changes in financial assumptions	3,627	(651)	28	(4)
Other	(1,039)	0	3	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	875	(212)	34	1

Movement in Reserves Statement	Local Government Pension Scheme		Discretionary Benefits	
	2016/17	2017/18	2016/17	2017/18
	£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	351	(5)	0	0
Actual amount charged against the general fund balance for pensions in the year:	0	0	0	0
Employers' contributions payable to scheme	128	0	0	0
Retirement benefits payable to pensioners	0	17	17	0
Net charge to the General Fund Summary	479	12	17	0

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Present value of the defined obligation	(17,453)	(17,261)	(208)	(192)
Fair value of plan assets	12,957	13,302	0	0
Other movements in the liability (asset)				
Net liability arising from the defined benefit obligation	(4,496)	(3,959)	(208)	(192)

Reconciliation of movements in the fair value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening fair value of scheme assets	10,990	12,957	0	0
Interest on plan assets	380	324	0	0
Remeasurements (assets)	1,853	1	0	0
Administration expenses	(5)	(5)	0	0
Employer contributions	128	328	17	17
Member contributions	73	72	0	0
Benefits/transfers paid	(462)	(375)	(17)	(17)
Closing value of scheme assets	12,957	13,302	0	0

Reconciliation of the present value of the scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening balance at 1 April	(14,739)	(17,462)	(210)	(192)
Current service cost	(221)	(329)	0	0
Interest cost	(510)	(433)	(7)	(5)
Member contributions	(73)	(72)	0	0
Past service costs/(gains)	0	0	0	0
Remeasurements (liabilities)	0	0	0	0
Experience (gain)/loss	1,039	651	(3)	(4)
(Gain)/loss on financial assumptions	(3,627)	0	7	0
(Gain)/loss on demographic assumptions	216	0	4	0
Benefits/transfers paid	462	375	17	17
Balance as at 31 March	(17,462)	(17,270)	(192)	(184)

Local Government pension scheme assets comprised

	Fair value of scheme assets			
	31/03/2017		31/03/2018	
	£000	%	£000	%
Equities - quoted	2,698	21	2,802	21
- unquoted	4,252	33	4,210	32
Bonds - quoted	1,995	15	2,133	16
- unquoted	0	0	0	0
Property - quoted	39	0	25	0
- unquoted	971	7	1,160	9
Alternatives - quoted	269	2	287	2
- unquoted	2,292	18	2,330	18
Cash - quoted	441	3	355	3
	12,957	100	13,302	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 2017.

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

Local Government Pension Scheme		
2016/17		2017/18
%		%
	Mortality assumptions:	
	Longevity at 65 current pensioners:	
21.9	Men	22.0
24.7	Women	24.8
	Longevity at 65 for future pensioners:	
24.9	Men	25.0
27.7	Women	27.8
	Financial assumptions:	
2.3	Rate of CPI inflation	2.1
3.8	Rate of increase in salaries	3.6
2.3	Rate of increase in pensions	2.2
2.5	Discount Rate	2.6

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
Longevity (increase of one year)	(349)
Rate of inflation (increase of 0.1%)	(294)
Rate of increase in salaries (increase of 1%)	(47)
Rate for discounting liabilities (increase of 0.1%)	290

Impact on the Authority’s cashflows

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

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

The Authority anticipates to pay £0.124m contributions to the scheme in 2018/2019.

NOTE 29

Contingent liabilities

The Authority has a 50% stake in Bidston Methane Ltd. Currently the company is running at a loss and the Authority's share of the loss is £170,000 as at 31 March 2016 based on the latest available accounts to 31 March 2015. The Authority has given a commitment to support the company financially; hence it remains valued as a going concern. The Authority therefore recognises that it has a contingent liability for its share of the potential loss

NOTE 30

Contingent assets

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

Note 31

Other Long Term Liabilities

2016/17 £000		Note	2017/18 £000
(4,704)	Pensions liability	31	(4,151)
(1,933)	Merseyside MCC residual debt liability		(1,720)
(11,688)	Service Concession Liability	30	(259,353)
(18,326)			(265,224)

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.

2016/17 £000s		2017/18 £000s
(2,147)	Balance b/f	(1,930)
0	In Year Adjustment	(5)
217	Repayments in year	215
(1,930)	Balance c/f	(1,720)

32 Events after the reporting period

The Statement of Accounts was authorised for issue by the Director of Finance 31/05/2018. 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 2018, the figures in the financial statements and Notes would be adjusted in all material respects to reflect the impact of this information.

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

ACCOUNTING POLICIES

General principles

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

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

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

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Levies received from the constituent authorities are recognised in the year to which they relate and are credited to the surplus / deficit on the provision of services
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

ii) Cash and cash equivalents

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

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

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

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

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

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

iv) Charges for Non-Current Assets

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

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

Minimum Revenue Provision

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

v) Employee Benefits

Benefits Payable during Employment

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

Termination benefits

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

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

Post-Employment Benefits

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

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

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

Merseyside Pension Fund
7th Floor
Castle Chambers
43 Castle Street

LIVERPOOL
L69 2NW

www.merseysidepensionfund.org.uk

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

- the liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees:
- liabilities are discounted to their value at current prices, using a discount rate based on actual corporate bond yield less an assumption for inflation.

- The assets of Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of

service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

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

- Remeasurements comprising:
 - the net return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to Merseyside Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

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

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

vi) Events after the Balance Sheet Date

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

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

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

vii) Financial Instruments

Financial Liabilities

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

payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-sale assets

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

viii) Interests in Companies and Other Entities

The Authority has material interests in companies that have the nature of subsidiaries and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity

accounts, the interests in companies are recorded as financial assets at cost, less any provision for losses.

ix) Leases

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

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

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

The Authority as Lessee

Finance Leases

The Authority has no finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services

benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

The Authority as Lessor

The Authority has no arrangements which fall into this category.

x) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient

balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

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

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

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

each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

xi) Service Concession Arrangements

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

The original recognition of these assets at fair value (based on the cost to purchase the property,

plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment for those assets provided by the operator under the service concession arrangement. For the Gillmoss Material Recycling Facility recognised under the Waste Management Recycling Contract.

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the service concession operator (the profile of write-downs is calculated using the same principles as for a finance lease)

- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xii) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less

than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Closed landfill sites provision

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xiii) Reserves

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

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

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

xiv) VAT

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

The Group Accounts

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

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

Accounting policies for the Group

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

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

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

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

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

The entities have prepared their accounts in line with IFRSs and UK GAAP rather than the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code). However there are no material areas where this conflicts with the Authority's accounting policies. Consequently no adjustments

have been required to realign the accounts of the Group entities with those of the Authority. The accounting policies applied to the Group financial statements are consistent with those set in the single entity statements.

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

Results of subsidiaries

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

Mersey Waste Holdings Limited

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

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

The financial performance of MWHL is summarised below.

2016/17		2017/18
£'000		£'000
23,032	Turnover	0
171	(Surplus)/Deficit	112
5,261	Net Assets	5,720

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.

2016/17		2017/18
£'000		£'000
(43)	Turnover	(44)
4	(Surplus)/Deficit	(30)
207	Net Assets	177

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



The Group Comprehensive Income and Expenditure statement

2016/17				2017/18		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
76,248	(5,944)	70,304	Cultural, environmental, regulatory and planning services	67,143	(3,046)	64,097
182	0	182	Corporate and democratic core	182	0	182
	0	0	Non distributed costs	0	0	0
76,430	(5,944)	70,486	Surplus/Deficit on Continuing Operations	67,325	(3,046)	64,279
		0	Other Operating Expenditure			0
		1,840	Financing and Investment Income and Expenditure			9,249
		(65,591)	Taxation and Non-Specific Grant Income			(65,591)
		0	Associates and Joint Ventures accounted for on an equity basis			0
		6,735	Group(Surplus) or Deficit			7,937
		0	Inyear General Fund Adjsutment			0
		233	Surplus or deficit on revaluation of non current assets			0
		(16)	Revaluation of closed landfill site provision			(25)
		573	Actuarial gains / losses on pension assets / liabilities			(891)
		790	Other Comprehensive Income and Expenditure			(916)
		7,525	Total Comprehensive Income and Expenditure			7,021

The Group Balance Sheet

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

31st March 2017		Notes	31st March 2018
£000			£000
39,543	Property, Plant & Equipment	1	294,666
0	Investments in associates and joint ventures		0
0	Long Term Investments		0
0	Deferred tax asset		0
39,543	Long Term Assets (1)		294,666
22	Inventories		22
1,644	Short Term Debtors	2	5,092
15,731	Cash and Cash Equivalents	3	(7,992)
1	Current tax asset		0
17,398	Current Assets (2)		(2,878)
(13,248)	Short Term Creditors	4	(5,811)
0	Short Term Lease		0
(281)	Provisions		(259)
(9)	Grants Receipts in Advance		0
(13,538)	Current Liabilities (3)		(6,070)
(4,297)	Provisions		(5,285)
(17,044)	Long Term Borrowing		(16,830)
(22,659)	Other Long Term Liabilities	6	(268,469)
(43,999)	Long Term Liabilities (4)		(290,584)
(596)	Net Assets (1+2+3+4)		(4,866)
17,851	Usable reserves (5)	MIRS	4,585
(18,447)	Unusable Reserves (6)	MIRS	(9,451)
(596)	Total Reserves (5+6)		(4,866)

The Group Cash Flow

2016/17 £000		Notes	2017/18 £000
(6,735)	Net surplus or (deficit) on the provision of services		(7,937)
(4,704)	Adjustment to surplus or deficit on the provision of services for noncash movements		(2,062)
(1,181)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(9,163)
55	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0
(12,565)	Net cash flows from operating activities		(19,162)
(1,670)	Net Cash flows from Investing Activities		(4)
(15)	Net Cash flows from Financing Activities		8,055
12,580	Net increase or decrease in cash and cash equivalents		(11,111)
5	In year adjustment		(36)
15,731	Cash and cash equivalents at the beginning of the reporting period		3,156
3,156	Cash and cash equivalents at the end of the reporting period		(7,991)

The Group Movement in Reserves Statement

2017/18	Authority Adjusted Reserves Balances						Authority's share of subsidiaries & associates £000	Total Group Reserves £000
	General Fund Balance	Capital Receipts Reserve	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves		
	£000	£000	£000	£000	£000	£000		
Balance at 1 April 2017	(11,632)	(55)	0	(11,687)	19,555	7,868	(347)	7,521
Movement in Reserves during the year								0
Surplus or (deficit) on provision of services	7,445	0	0	7,445	0	7,445	(150)	7,295
Other Comprehensive Expenditure and Income	0	0	0	0	(9,950)	(9,950)		(9,950)
Total Comprehensive Expenditure and Income	7,445	0	0	7,445	(9,950)	(2,505)	(150)	(2,655)
Adjustments between Group accounts and Authority accounts	(343)	0	0	(343)	343	0	0	0
Net Increase / Decrease before Transfers	7,102	0	0	7,102	(9,607)	(2,505)	(150)	(2,655)
Adjustments between accounting basis & funding under regulations								
Increase / Decrease before Transfers to Earmarked Reserves	7,102	0	0	7,102	(9,607)	(2,505)	(150)	(2,655)
Transfers to / from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase / Decrease in Year	7,102	0	0	7,102	(9,607)	(2,505)	(150)	(2,655)
Balance at 31 March 2018	(4,530)	(55)	0	(4,585)	9,948	5,363	(497)	4,866

2016/17 Comparative Year	Authority Adjusted Reserves Balances						Authority's	Total
	General Fund Balance	Capital Receipts Reserve	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	share of subsidiaries & associates	Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	(15,626)	0	(2,429)	(18,055)	18,447	392	204	596
Movement in Reserves during the year				0	12	12	(570)	(558)
Surplus or (deficit) on provision of services	6,716			6,716		6,716		6,716
Other Comprehensive Expenditure and Income	551			551	217	768	19	787
Total Comprehensive Expenditure and Income	7,267	0	0	7,267	229	7,496	(551)	6,945
Adjustments between Group accounts and Authority accounts	(824)	(55)		(879)	879	0	0	0
Net Increase / Decrease before Transfers	6,443	(55)	0	6,388	1,108	7,496	(551)	6,945
Adjustments between accounting basis & funding under regulations				0		0	0	0
Increase / Decrease before Transfers to Earmarked Reserves	6,443	(55)	0	6,388	1,108	7,496	(551)	6,945
Transfers to / from Earmarked Reserves	(2,449)		2,449	0	0	0		0
Increase / Decrease in Year	3,994	(55)	2,449	6,388	1,108	7,496	(551)	6,945
Balance at 31 March 2017	(11,632)	(55)	20	(11,667)	19,555	7,888	(347)	7,541

Notes to the Group Financial Statements

1 Property, plant and equipment

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

2 Cash and cash equivalents

2016/17		2017/18
£000		£000
8,217	Cash held by Subsidiary & Associate	8,066
(5,070)	Cash held/ Overdraft on behalf of the parent authority by St Helens MBC	(16,058)
3,147	Total	(7,992)

3 Other Long Term Liabilities

2016/17		2017/18
£'000		£'000
(3,702)	Pension liabilities - Mersey Waste Holdings Limited	(3,244)
(4,704)	Pension liabilities - Merseyside Recycling and Waste Authority	(4,151)
(1,933)	Merseyside MCC residual debt liability	(1,720)
(11,688)	Service concession liability	(259,353)
(22,027)	Total Other Long-Term Liabilities	(268,468)

4 Pensions

As part of the terms and conditions of employment of its qualifying officers and other employees the Authority and Mersey Waste Holdings Limited offer entrance into the Local Government Pension Scheme (LGPS) administered by Wirral Metropolitan Borough Council. Although retirement benefits will not actually 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. Disclosure in relation to the pension liabilities of the Authority are set out in Note 28 of the single entity accounts. Disclosures to the pension liabilities of Mersey Waste Holdings Limited are set out below.

Comprehensive Income and Expenditure Statement	LGPS		LAWDC	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	129	85	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment	0	0	0	0
Income and Expenditure:				
Net Interest expense	0	0	0	0
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	129	85	0	0
<i>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the the				

net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	907	0	(113)	(41)
Actuarial gains and losses arising on changes in demographic assumptions	(648)	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	1,255	231	435	43
Other	0	0	23	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	1,643	316	345	2

Movement in Reserves Statement	Local Government Pension Scheme		LAWDC	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(128)	(85)	4	0
Actual amount charged against the general fund balance for pensions in the year:	0	0	0	0
Employers' contributions payable to scheme	242	252	148	0
Retirement benefits payable to pensioners	0	(54)	(49)	0
Net charge to the General Fund Summary	114	113	103	0

Pensions Assets and Liabilities recognised in the balance sheet

	Local Government Pension Scheme		LAWDC	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Present value of the defined obligation	(10,062)	(9,596)	(2,041)	(2,021)
Fair value of plan assets	6,560	6,493	1,841	1,880
	(3,502)	(3,103)	(200)	(141)
Other movements in the liability (asset)				
Net liability arising from the defined benefit obligation	(3,502)	(3,103)	(200)	(141)

Reconciliation of Movement in the Fair Value of scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening fair value of scheme assets	5,700	6,560	1,569	1,841
Interest on plan assets	190	161	60	49
Remeasurements (assets)	907	1	113	(41)
Employer contributions	242	252	148	85
Benefits/transfers paid	(479)	(481)	(49)	(54)
Closing value of scheme assets	6,560	6,493	1,841	1,880

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		LAWDC	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening balance at 1 April	(9,615)	(10,062)	(1,577)	(2,041)
Current service cost	0	0	0	0
Interest cost	(319)	(246)	(56)	(54)
Member contributions	0	0	0	0
Past service costs/(gains)	0	0	0	0
Remeasurements (liabilities)	0	0	0	0
Experience (gain)/loss	648	0	(22)	(23)
(Gain)/loss on financial assumptions	(1,255)	231	(484)	47
(Gain)/loss on demographic assumptions	0	0	49	(4)
(Gain)/loss on curtailments	0	0	0	0
Liabilities assumed on business combinations	0	0	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits/transfers paid	479	481	49	54
Balance as at 31 March	(10,062)	(9,596)	(2,041)	(2,021)

Local Government pension scheme assets comprised

	Fair value of scheme assets			
	31/03/2017		31/03/2018	
	LGPS	LAWDC	LGPS	LAWDC
	£000	£000	£000	£000
Equities - quoted	x	544	0	293
- unquoted	x	0	0	0
Bonds - quoted	x	542	0	1,134
- unquoted	x	0	0	0
Property - quoted	x	0	0	0
- unquoted	x	0	0	0
Cash - quoted	x	0	0	0
- unquoted	x	0	0	0
Cash - quoted	x	755	0	453
	0	1,841	0	1,880

*-Comparative Data for the LGPS has not been made available

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

Local Government Pension Scheme				
2016/17			2017/18	
LGPS	LAWDC		LGPS	LAWDC
%	%		%	%
		Mortality assumptions:		
		Longevity at 65 current pensioners:		
21.9	23.4	Men	22.0	23.5
24.7	21.5	Women	24.8	21.6
		Longevity at 65 for future pensioners:		
24.9	25.2	Men	25.0	25.3
27.7	25.7	Women	27.8	25.8
		Financial assumptions:		
2.3	2.4	Rate of CPI inflation	2.1	2.4
3.8	3.4	Rate of increase in salaries	3.6	3.6
2.3	2.4	Rate of increase in pensions	2.2	2.4
2.5	2.7	Discount Rate	2.6	2.7

Glossary of Financial Terms

Accounting policies

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

Accruals

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

Actuarial gains and losses

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

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

Amortisation

The equivalent of depreciation for intangible fixed assets.

Capital charges

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

Capital expenditure

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

Capital receipts

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

Current service cost (pensions)

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

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

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

We have audited the financial statements of Merseyside Waste Disposal Authority (the "Authority") for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the

reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairperson's introduction, the Narrative Statement and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2018 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the

Chairperson's introduction, the Narrative Statement and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

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

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

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

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we

undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Certificate

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

Andrew Smith

Andrew Smith
for and on behalf of Grant Thornton UK LLP,
Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

XX July 18

