

## 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.

The Authority contributed to a regional Strategic Review of waste organised through the City Region, this confirmed that the Authority and its contracts provide good value for money. The implementation phase of the review may secure some additional efficiencies across the collection and disposal system



Chairperson

27 July 2018

Date

## MRWA statement of Accounts 2017-18

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

Financial pressure on the Authority continues to grow, and despite reductions in staffing and other subsidiary costs the main cost driver is Waste

tonnages delivered by the Districts. The transition from landfill to the commissioning phase and then full operation of the new Resource Recovery Contract during 2017-18 and onwards will eventually see an initial growth in costs.

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

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

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

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

**Certificate**

I certify that this Statement of Accounts presents a true and fair view of the financial position of Merseyside Recycling and Waste Authority (the statutory Waste Disposal Authority for Merseyside) at 31 March 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 27/7/18

## 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

27/7/18

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](http://www.merseysidewda.gov.uk) or can be obtained from:

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

This statement explains how the Authority has complied with the code and also meets the requirements of 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 24<sup>th</sup> 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  
 27 July May 2018

Signed:   
 Chair  
 27 July 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	Income		Notes	2017/18		Net
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
76,237	(5,852)	70,385	Environment and regulatory services	65,693	(2,002)	63,691
182		182	Corporate and democratic core	182		182
<b>76,419</b>	<b>(5,852)</b>	<b>70,567</b>	<b>Surplus/Deficit on Continuing Operations</b>	<b>65,875</b>	<b>(2,002)</b>	<b>63,873</b>
		1,740	Financing and Investment Income and Expenditure			7,340
		(65,591)	Levy Income		(65,591)	(65,591)
		<b>6,716</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>5,622</b>
		233	non-current assets charged to the Revaluation Reserve & CAA			(9,460)
		(16)	Revaluation of closed landfill site provision			25
		551	Remeasurements of the net defined benefit liability (asset)			(659)
		<b>768</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(10,094)</b>
		<b>7,484</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(4,472)</b>

## 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	335,215
5,042	Long Term Investments	13	5,042
<b>43,299</b>	<b>Long Term Assets (1)</b>		<b>340,257</b>
22	Inventories	22	22
3,426	Short Term Debtors	14	4,199
0	Cash and Cash Equivalents	15	1
<b>3,448</b>	<b>Current Assets (2)</b>	16	<b>4,222</b>
(8,874)	Short Term Creditors	16	(5,739)
(5,070)	Cash and Cash Equivalents	15	(16,031)
(266)	Provisions	17	(259)
<b>(14,210)</b>	<b>Current Liabilities (3)</b>		<b>(22,029)</b>
(5,178)	Provisions	17	(5,210)
(16,901)	Long Term Borrowing	11	(16,830)
(18,326)	Other Long Term Liabilities	31	(303,814)
<b>(40,405)</b>	<b>Long Term Liabilities (4)</b>		<b>(325,854)</b>
<b>(7,868)</b>	<b>Net Assets (1+2+3+4)</b>		<b>(3,404)</b>
(11,687)	Usable reserves (5)	MIRS	(4,585)
19,555	Unusable Reserves (6)	18	7,989
<b>7,868</b>	<b>Total Reserves (5+6)</b>		<b>3,404</b>

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 31/7/18

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	Notes	2017/18
£000		£000
(6,716)	<b>Net surplus or (deficit) on the provision of services</b>	(8,556)
(5,352)	Adjustment to surplus or deficit on the provision of services for non-cash movements	19 (1,923)
(1,740)	Less items included in the net surplus or deficit on the provision of services that are investing and financing activities	19 (10,274)
(55)	Less items included in the net surplus or deficit on the provision of services that are investing and financing activities	19 0
<b>(10,273)</b>	<b>Net cash flows from operating activities</b>	<b>(205)</b>
26	Net Cash flows from Investing Activities	20 8,060
<b>(2,343)</b>	<b>Net Cash flows from Financing Activities</b>	<b>21 (18,816)</b>
<b>(12,590)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(10,961)</b>
5	In Year Adjustment	
<b>7,514</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>(5,070)</b>
<b>(5,070)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(16,031)</b>