MERSEYSIDE WASTE DISPOSAL AUTHORITY

STATEMENT OF ACCOUNTS

2007-2008

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C O N T E N T S

FOREWORD BY THE TREASURER TO THE AUTHORITY

INTRODUCTION

The statements of accounts which follow, demonstrate the Authority's financial performance for the year ended 31 March 2008 and present its overall financial position at the end of that period. Each account contains an explanatory note covering the purpose of the account and more detailed notes explaining key items. The statements have been prepared in accordance with all relevant prescribed guidance, Codes of Practice and Reporting Standards.

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

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

RESERVES

The Authority's distributable Reserves at 31 March 2008 stand at £9.2M.

The Pension Reserve introduced under FRS17 requirements is matched by a Pensions Liability equating to £2.8M. A major review of the Local Government Pension Scheme (LGPS) Regulations has been undertaken at national level with subsequent amendments being introduced from April 2008 onwards. The aim of the review is to ensure that Pension Schemes are adequately funded.

REVENUE SPENDING IN 2007-2008

The Authority set its Revenue Budget for 2007-2008 at its meeting of 2 February 2007 in the sum of £54.834M. The increase in the Levy of 15.4% was in line with the Authority's financial strategy.

The actual expenditure against this budget is summarised below:-

	Original Estimate £M	Actual £M	Variance £M
Waste Disposal Contracts	42.798	42.279	-0.519
Recycling Credits	3.597	4.730	+1.133
Establishment	2.452	2.199	-0.253
Contribution to Sinking Fund	2.399	2.399	-
Other Expenditure	3,588	3.619	+0.031
	54.834	55.226	+0.392
Levy	(54,834)	(54.834)	-
Contribution (to)/from General Reserve	-	0.392	+0.392

The movement in balances is summarised as follows:-

	General £M
Opening Balance	5.9
Transfer of Balances	-
Movement in Year	(0.4)
	5.5

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

	£M
Expenditure:	
Employee Costs	1.4
Waste Disposal Contracts	42.3
Capital Financing Costs	2.0
Recycling Credit Payments	4.7
Contribution to Sinking Fund	2.4
Other Costs	3.1
Income:	
Levy	(54.8)
Investment Income	(0.7)
Contribution (to)/from Balances	0.4

CAPITAL SPENDING IN 2007-2008

The Authority spent £14.9M on capital expenditure in 2007-2008 which consisted of the following major items:-

	£M
Fairport New Technologies Demonstrator Project	12.9
Land Acquisition Costs	1.3
Bidston Integrated Site - Improvements	0.4
Billinge Landfill Site Restoration	0.1
Other Schemes - Total	0.2

The above expenditure was financed as follows:-

	£M
Government Grants	6.7
Prudential Borrowing	8.2

The Authority continues through a period of high capital spend as it plans to acquire land and buildings to enable new waste management premises to become operational.

BORROWING FACILITIES

The Authority has a portfolio of Public Works Loan Board (PWLB), Lender Option Borrower Option (LOBO) Market Loans taken in previous periods.

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

I certify that the Statement of Accounts presents fairly the financial position of the Authority at 31 March 2008.

Ian Roberts,
Treasurer to the Authority

Date: 26.9.08

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

Signed on behalf of the Merseyside Waste Disposal Authority

Kevin E Gleskey
Chair of meeting approving the Accounts

Date 26.9.08

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:-

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:-

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

Certificate

I certify that this Statement of Accounts presents fairly the financial position of Merseyside Waste Disposal Authority at 31 March 2008 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.

Ian Roberts
Assistant Chief Executive (Finance)

Date: 26.9.08

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Merseyside Waste Disposal 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.

Merseyside Waste Disposal 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 code is on our website at www.merseysidewda.gov.uk or can be obtained from the Corporate Services Manager, Merseyside Waste Disposal Authority, 6th Floor, North House, 17 North John Street, Liverpool L2 5QY. This statement explains how the Authority has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives of appropriate, cost effective services.

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 of those risks being realised, and the impact should they be 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 2008 and up to the date of approval of the Statement of Accounts.

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

- The Authority has in place a Corporate Plan and implemented through the delivery of Annual Service Plans.

- The Corporate Plan is regularly reviewed and informed by corporate strategy, in particular the Joint Municipal Waste Management Strategy.

- There is an established Performance Management Framework to deliver service improvements assisted where applicable by contractual service level agreements.

- Roles and responsibilities of Members and the Scheme of Delegation are determined 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 Members are required to comply with their host Authority's Code of Conduct.

- A comprehensive set of Procedural Rules which define the Authority's constitution.

- Audit functions are delivered through the full Authority with specific powers delegated to the Audit and Governance Committee.

- 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.

- Training and development for Members and senior officers are delivered through the Member Training and Development Plan and the Staff Development Scheme.

- The Authority has a Communications Strategy to deliver clear channels of communication with stakeholders and consultation processes are undertaken as necessary.

- Inter Authority Agreements have been established to deliver effective partnership working. Internal Control Statements of Assurance are obtained for both the Authority and its company.

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 Primary Assurance Group within the Authority 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 has reviewed its Code of Corporate Governance 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 Statement of Accounts and Annual Governance Statement.

- The scrutiny function is provided by the full Authority.

- Audit and risk issues are dealt with by the full Authority.

- The Audit and Governance Committee has delegated powers to deal with governance matters where statutory deadlines require approvals prior to scheduled full Authority meetings.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weakness and ensure continuous improvement of the system is in place.

Significant Governance Issues

Focusing on the Authority and on outcomes for the community and creating and implementing a vision for the local area:-

- The Authority's role in the District Council Local Strategic Partnerships will be strengthened.

- The roles and responsibilities of the Senior Officer Working Group will be clarified.

- A Stakeholder and Community Liaison Plan will be developed as part of the implementation of the Waste Management and Recycling Contract to ensure service delivery meets the needs of service users.

Members and officers working together to achieve a common purpose with clearly defined functions and roles:-

- Detailed sub-delegations will be developed to reflect the roles of the Assistant Directors.

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour:-

- A HR Strategy will be developed and implemented.

- Standards of conduct will be strengthened by seeking Related Party Transaction Declarations.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:-

- The format of Authority reports will be improved to provide greater clarity of risk implications.

- An annual statement summarising the Authority's scrutiny function will be included in the Annual Performance Plan.

Developing the capacity and capability of Members and officers to be effective:-

- Senior officer and statutory officer roles and responsibilities and associated job descriptions will be reviewed to improve clarity.

- Member Training and Development arrangements will be reviewed.

Engaging with local people and other stakeholders to ensure robust public accountability:-

- An Equality and Diversity Scheme will be developed and implemented.

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

Signed:

16 June 2008

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Director

________________________ 16 June 2008
Clerk

________________________ 16 June 2008
Chairman

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

TO BE PROVIDED AT CONCLUSION OF AUDIT

STATEMENT OF MAIN PRINCIPLES, ACCOUNTING POLICIES AND ESTIMATING TECHNIQUES

GENERAL

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2007) and guidance notes issued by the Chartered Institute of Public Finance and Accountancy. The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority and is based on approved accounting standards, except where these conflict with specific statutory accounting requirements.

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

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

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

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

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

The following accounting policies and estimation techniques are consistent with the accounting concepts and, where appropriate, the relevant accounting standards.

ACCRUALS OF INCOME AND EXPENDITURE

Transactions are initially recorded on an income and expenditure basis, with provision then made on an actual or estimated basis for all debtors and creditors at 31 March 2008. This accrual concept is in full accordance with FRS18 *Accounting Policies* - though the one exception which merits comment - electricity and similar periodic payments are charged at the date of the meter reading.

This policy has been consistently applied each year and has no material effect on the accounts.

BEST VALUE ACCOUNTING - CODE OF PRACTICE

The Authority has prepared its Accounts under the above Code of Practice. The Income and Expenditure Account shows expenditure under the three headings prescribed. These are:-

- Cultural, Environmental & Planning
- Corporate and Democratic Core
- Non-Distributed Costs.

CHARGES TO REVENUE FOR FIXED ASSETS

The service revenue account is debited with the following amounts to record the real cost of holding fixed assets during the year:-

(i) depreciation attributable to the assets used by the relevant service;

(ii) any impairment losses attributable to the clear consumption of economic benefits on fixed assets used by the service, and other losses where there are no accumulated gains in the Revaluation Reserve (specific to the individual asset) against which they can be written off.

The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (see “Redemption of Debt”). The items detailed above, are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

CONTINGENT LIABILITIES

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

DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised, but which does not result in, or remain matched with, tangible assets owned by the Authority. Deferred charges incurred during the year have been written off as expenditure in the relevant service revenue account in the year. Where the Authority has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance.

DEPRECIATION

Depreciation is provided for on all fixed assets with a finite useful life, which can be determined at the time of acquisition or revaluation. For fixed assets, other than non-depreciable land and non-operational assets, the only grounds for not charging depreciation is that the charge would be immaterial.

Provision for depreciation is made by allocating the asset value over the period expected to benefit from its use on a straight line basis.

The useful lives of assets are estimated on a realistic basis, reviewed on a regular basis and, where necessary, revised.

Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the service revenue account or at the foot of the Income & Expenditure Account, after Net Operating Expenditure, where the grant cannot be matched direct to a service and is for general expenditure. Capital grants used to finance capital expenditure are initially credited to a Government Grants Deferred Account.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, amounts are released from the government grants-deferred account to the relevant service in the Income and Expenditure Account over the useful life of the asset, to offset any provision for depreciation charged to the Income and Expenditure Account in respect of assets to which the grants relate.

GROUP ACCOUNTS

The Statements have been prepared with due regard to the group accounting requirements contained in the SORP, which require all Local Authorities to consider all their interests and to prepare a full set of Group Financial Statements where they have material interests in subsidiaries, associates or joint ventures. The Accounts are not primary statements but they promote transparency which enables them to be capable of comparison with other entities which have different corporate structures.

INTEREST RECEIVABLE

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

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

In the 2007-2008 account the position reflected interest paid to the Authority.

INVESTMENTS

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

LANDFILL ALLOWANCES

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

The Trading Scheme gives rise to:-

(a) an asset for allowances held;

(b) LATS grant income;

(c) a liability for actual Biodegradable Municipal Waste (BMW) usage.

SORP requires the adoption of 'the lower of cost and net realisable value' accounting policy which avoids difficulties concerning gains and losses on future years allowances.

The Authority has revalued its carrying allowances in line with the DEFRA recommended value.

LEASES

The Authority currently holds no finance leases, which would require the apportionment of rental payments between the finance charge and the principal element.

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease agreement.

PENSIONS

Employees, subject to certain criteria, are eligible to join the Local Government Superannuation Scheme. Contributions paid to the scheme are set by the Fund's Actuary in a triennial review, the last one undertaken at 31 March 2007.

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

<u>Defined Benefit Schemes</u>

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

(i) the attributable assets of each Scheme are measured at the estimated fair value at the balance sheet date. This is based on nine months actual performance of the

Pension Fund, plus an estimate for the final quarter. Any liabilities such as accrued expenses are deducted. The attributable Scheme liabilities are measured on an actuarial basis using the projected unit method. The Scheme liabilities comprise:-

(a) any benefits promised under the formal terms of the Scheme; and

(b) any constructive obligations for further benefits where a public statement or past practice by the Authority has created a valid expectation in the employees that such benefits will be granted;

(ii) the surplus/deficit in a Scheme is the excess/shortfall of the value of the assets in the Scheme over/below the present value of the Scheme liabilities. The Authority recognises assets to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the Scheme. The Authority recognises a liability to the extent that it reflects its legal or constructive obligation;

(iii) any unpaid contributions to the Scheme are presented in the balance sheet as a current liability creditor;

(iv) the change in the defined benefit asset or liability (other than that arising from contributions to the Scheme) is analysed, where appropriate, into the following components:-

(a) periodic costs:-

(1) current service cost;

(2) interest cost;

(3) expected return on assets; and

(4) actuarial gains and losses; and

(b) non-periodic costs:-

(1) past service costs; and

(2) gains and losses on settlements and curtailments;

(v) the current service cost is included within Net Cost of Services. Both the interest cost and the expected return on assets are included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Recognised Gains & Losses for the period;

(vi) past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately;

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

The provisions of the Local Government Pension Scheme were changed during 2005-2006 by the Local Government Pension Scheme (Amendment) Regulations 2006. The change allows members to opt for the payment of a higher lump sum upon retirement by commuting part of their pension and was introduced as part of cost-saving measures identified as part of pension reforms.

Commutation terms are such that it is less costly for the Scheme to provide the lump sum, so to the extent that members take up the option it will reduce employer's pension costs. Actuarial assumptions of 50% take up of this option were used in the 2005-2006 financial statements and the gains due to this change in scheme benefits recorded as a Past Service gain. That 50% assumption is retained in calculating the position in 2007-2008.

In December 2006 the Accounting Standards Board (ASB) made a number of changes to the FRS17 accounting standard. In the main, these changes related to the presentation of the figures and the disclosures rather than the underlying calculations themselves. These changes are not required to be implemented until the 2008-2009 accounting year.

The provisions of the LGPS were changed during the year following the introduction of new Regulations and will result in a "new look" LGPS with effect from 1 April 2008. In the main, the change only affect benefits accruing from 1 April 2008 onwards. However, they do give rise to some changes in death benefits in relation to accrued service - the impact of this is recognised in these Statements and classed as "part service cost".

The approach to calculating the FRS17 figures in between full actuarial valuations is approximate in nature and at each full valuation the position is re-assessed, with the assets and liabilities attributable to each employer being full re-calculated. Following each full valuation it can therefore be necessary to adjust previously disclosed figures - the net effect is shown as "Liability Gain/(Loss)" as appropriate.

Changes in actuarial assumptions will be made dependant on prevailing conditions at the time of the calculation or on the basis of experience realised. The assumptions used between periods is fully disclosed.

PENSIONS RESERVE

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular pension schemes or funds in which the Authority participates. However, accounting for employees' pensions is in accordance with generally accepted accounting practice subject to the interpretations set out in the SORP.

Where the payments made for the year in accordance with the Scheme requirements do not match the Authority's recognised operating and finance costs for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. An appropriation to or from the pensions reserve, which equals the net difference is recognised in the Statement of Movement on the General Fund Balance.

Actuarial gains and losses during the year, which impact on the net surplus or deficit of the Fund will also be subject to a corresponding appropriation to/from the Pensions Reserve.

PROVISIONS

The Authority sets aside provisions for any liabilities of uncertain timing or amount that have been incurred. The majority of provisions are disclosed as a separate balance sheet item whilst provisions for bad and doubtful debts are netted off the carrying amount of debtors.

Provisions are recognised when

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

(ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and

(iii) a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate revenue account, and where payments for expenditure are incurred to which the provision relates, they are charged direct to the provision.

Provisions are reviewed at each balance sheet date to reflect the current best estimate, taking into account the risks and uncertainties surrounding the events.

REDEMPTION OF DEBT

Capital expenditure is largely financed by borrowing. Provision for the redemption of debt is made in accordance with the minimum revenue provision (MRP) requirements as contained in the Local Authorities (Capital Finance and Accounting) Regulations 2003.

RESERVES

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

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

Capital 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 capital and revenue reserves are detailed in notes accompanying the Statement of Total Recognised Gains and Losses.

TANGIBLE FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a tangible fixed asset, provided that it yields benefit to the Authority and the services it provides are for a period of more than one year.

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

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use, dependant upon whether the asset is of a specialised nature and whether there is market evidence available to support the value;

- non-operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.

All of the Authority's complete assets were revalued on the above basis at 1 April 2006 and the Bidston Integrated Waste Facility was completed and has been revalued as at 1 April 2006. An impairment review of the other assets was completed at 31 March 2008.

Subsequent revaluations of fixed assets are planned at five-yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. Additions during the year are included in the accounts at their cost of acquisition pending any required valuation. Any surplus arising on the revaluation of assets is credited to the Revaluation Reserve whereas a loss is debited to the Income and Expenditure Account.

The value at which each category of assets is included in the balance sheet is reviewed at the end of each accounting period and where there is reason to believe that its value has changed materially, by impairment or other in the period, the valuation is adjusted accordingly.

All valuations are net of depreciation, where appropriate.

Any impairment losses on tangible fixed assets are recognised within the accounting statements.

Upon disposal, the net book value of the asset disposed of is written off to the Income & Expenditure Account as part of the gain/loss on disposal. Receipts from disposals are credited to the Income & Expenditure Account as part of the gain or loss on disposal.

Receipts are subsequently required to be credited to the Usable Capital Receipts Reserve, and are appropriated to that Reserve from the Statement of Movement on the General Fund Balance.

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.

VALUE ADDED TAX

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

CHANGES IN ACCOUNTING POLICY/TREATMENT

A number of changes in accounting treatment have arisen in recent years to reflect the Authority's obligations to keep the accounts in accordance with 'proper practices'. This is defined, for the purpose of Local Government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom, prepared by the CIPFA/LASAAC Joint Committee, and recognised by the Accounting Standards Board (ASB) as a Statement of Recommended Practice.

The continuous review and annual update of the Code of Practice have introduced a number of revised or additional requirements for the Authority's Financial Statements in those years. The changes introduced into the 2007 Code of Practice have had significant implications on the preparation of these Financial Statements, and those main changes are identified as:-

(i) the introduction of:-

- FRS25 : Financial Instruments : Presentation and Disclosures;
- FRS26 : Financial Instruments : Recognition and Measurement;
- FRS 29 : Financial Instruments : Disclosures.

The policies 'Financial Assets' and 'Financial Liabilities' provide more detail on these substantial changes introduced by the SORP, whilst the additional disclosure notes contained in the statements are as a direct consequence. In making the transition to these new requirements changes in accounting policy would normally be implemented with full prior period adjustments, such that comparative figures for the previous year and opening balances are restated as if the policy had always applied. However, CIPFA have recognised that such a treatment is unrealistic for financial instruments where the complexity of unravellig the consequences of some transactions could make recalculation impossible. The new policies are therefore applied in full to new transactions arising in 2007-2008. The 2006-2007 comparative figures are brought forward unchanged from the 2006-2007 Statement of Accounts. Any adjustments to balances that might be needed as a result of recognition/derecognition and re-measurement will be made as at 1 April 2007 i.e. as adjustments to be accounted for in 2007-2008;

(ii) the replacement of the Fixed Asset Restatement Account (FARA) and the Capital Financing Account (CFA) by a Revaluation Reserve and Capital Adjustment Account. This change of policy, allied with related transactions detailed in the policy 'Charges to Revenue for Fixed Assets' would normally require prior year adjustment which would comprise determining and disclosing the opening balances on the two reserves and full restatement of 2006-2007 comparatives. However, CIPFA have prescribed that the Revaluation Reserve is to be applied from 1 April 2007, with a nil opening balance, and therefore restatement and comparatives are not needed;

Other issues that need to be disclosed are:-

(i) those legislative and actuarial developments relating to Pensions as contained in the policies previously stated; and

(ii) a correction to an error in the Group Accounts for 2006-2007 and a mis-presented balance sheet which affected the reserves shown for the Group has been effected. The 2006-2007 Group Accounts have therefore been restated and are included in the 2007-2008 accounts comparative figures. Additional detail is provided in the Disclosures to the Group Accounts.

There have been no other changes in Merseyside Waste Disposal Authority's accounting policy in preparing the Financial Statements.

INCOME AND EXPENDITURE ACCOUNT

This Account summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day-to-day expenses and related income on an accrual basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits carried by employees in the year.

2006-2007 Net Expenditure £000		Gross Expenditure £000	Gross Income £000	2007-2008 Net Expenditure £000
	Continuing Operations			
	Cultural, Environmental & Planning Services			
37,735	Waste Disposal Contracts	48,145	(5,866)	42,279
4,003	Recycling Credit Payments	4,730	-	4,730
891	Client Function	1,847	(60)	1,787
35	Landfill Allowances	2,713	-	2,713
1,886	Other Services	2,764	(456)	2,308
44,550		60,199	(6,382)	53,817
981	Corporate & Democractic Core Costs	376	-	376
21	Non-Distributed Costs	36	-	36
45,552	Net Cost of Services	60,611	(6,382)	54,229
(300)	Dividends			(300)
1,229	Interest Payable			1,444
(24)	Interest & Investment Income			(434)
428	Pensions Interest Cost			466
(395)	Expected Return on Pensions Assets			(450)
46,490	Net Operating Expenditure			54,955
(47,516)	Levy			(54,834)
(1,026)	(Surplus)/Deficit for the Year			121

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to set its Levy on a different accounting basis, the main differences being:-

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- retirement benefits are charged as amounts become payable to Pension Fund and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Authority's spending against the Levy that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. Inclusion of items of statute and non-statutory proper practices enable the reader to reconcile the Income & Expenditure Account with the Authority's levy and therefore its general balances.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Balance.

2006-2007 £000		2007-2008 £000
(1,026)	(Surplus)/Deficit for the year on the Income & Expenditure Account	121
2,971	Net additional amount required by Statute and Non-Statutory Proper Practices to be Debited or Credited to the General Fund Balance for the Year (see Note 6)	271
1,945	(Increase)/Decrease in General Fund Balance for the Year	392
(7,872)	General Fund Balance Brought Forward	(5,927)
(5,927)	General Fund Balance Carried Forward	(5,535)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the surplus/deficit generated on the Income & Expenditure Account, it includes gains relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2006-2007		2007-2008 £000
(1,026)	(Surplus)/Deficit for the year on the Income & Expenditure Account	121
6,279	(Surplus)/Deficit arising on Revaluation of Fixed Assets	-
(398)	Actuarial (gains)/losses on Pension Fund Assets and Liabilities	1,080
4,855	Total recognised (gains)/losses for the year	1,201

BALANCE SHEET AS AT 31 MARCH 2008

The Balance Sheet is fundamental to the understanding of the Authority's financial position at the year end. It shows its balances and reserves and its long term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

NOTES	31 March 2007 £000		31 March 2008 £000
		Fixed Assets	
		Tangible Fixed Assets	
		Operational Assets	
7	3,414	- Land & Buildings	3,027
7	3,448	- Vehicles, Plant, Furniture & Equipment	3,337
		Non-Operational Assets	
7	2,181	- Assets under Construction	16,997
	9,043	Total Fixed Assets	23,361
13	5,138	Long Term Investments	5,138
14	730	Long Term Debtors	-
	14,911	Total Long Term Assets	28,499
		Current Assets	
16	8,494	Debtors	12,797
15	10,560	Landfill Allowances	-
	10,749	Cash and Bank	5,167
	44,714	Total Assets	46,463
		Current Liabilities	
	(143)	Short Term Borrowing	(143)
18	-	Provision for Legislation Claims	(5,801)
17	(7,847)	Provision for Landfill Usage	-
19	(11,091)	Creditors	(8,822)
	25,633	Total Assets less Current Liabilities	31,697
		Long Term Liabilities	
20	(21,187)	Long Term Borrowing	(21,294)
25	(6,517)	Government Grants Deferred	(12,863)
21	(4,086)	Deferred Liabilities	(3,871)
29	(1,745)	Liability related to Defined Benefits Pension Scheme	(2,772)
	(7,902)	Total Assets less Liabilities	(9,103)

NOTES	31 March 2007 £000		31 March 2008 £000
		Financed by:	
	-	Revaluation Reserve	-
23	-	Capital Adjustment Account	(15,578)
24	(25,508)	Fixed Asset Restatement Account	-
22	9,363	Capital Financing Account	-
29	(1,745)	Pensions Reserve	(2,772)
26	5,927	General Reserve Balance	5,535
27	4,061	Earmarked Reserves	3,712
	(7,902)	Total Net Worth	(9,103)

In preparing this Statement, events up to 20 June 2008 have been considered. This is the date on which the Treasurer to the Authority authorised the Statement for issue.

CASH FLOW STATEMENT

This consolidated Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this Statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

2006-2007		2007-2008	
£000		£000	£000
	Revenue Activities		
	Cash Outflows:		
1,163	Cash paid to and on behalf of Employees	1,429	
45,823	Other operating cash payments	61,530	62,959
	Cash Inflows:		
(990)	Cash received for goods and services	(985)	
(47,516)	Levy Income	(54,834)	
(534)	Government Grants	(779)	
(4,809)	Other operating cash receipts	(8,644)	(65,242)
			(2,283)
	Dividends from Joint Ventures		
	Cash Inflow:		
(300)	Dividends received		(300)
	Returns on Investments and Servicing of Finance		
	Cash Outflows:		
1,229	Interest Paid		1,418
	Cash Inflow:		
(74)	Interest received		(324)
	Capital Activities		
	Cash Outflows:		
4,253	Purchase of Fixed Assets		9,579
	Cash Inflows:		
(1,643)	Capital Grants received		(2,651)
(3,398)	Net Cash (Inflow)/Outflow before Financing		5,439

2006-2007		2007-2008	
£000		£000	£000
	Financing		
	Cash Outflows:		
143	Repayments of Amounts Borrowed		143
	Cash Inflows:		
(6,000)	New Loans Raised		-
(9,255)	Net (Increase)/Decrease in Cash		5,582

NOTES TO THE CORE FINANCIAL STATEMENTS

1. FINANCIAL INSTRUMENTS NOTE

(a) Financial Assets and Liabilities

The Authority's Treasury Management function is carried out by St. Helens Council Officers.

The following Table details the categories of financial assets and liabilities held by the Authority as at 31 March 2008.

	Balance as at 31/03/08	
	Current £000	Long Term £000
Assets		
Loans and Receivables	12,798	-
Available for Sale	-	5,138
Liabilities		
Financial Liabilities held at amortised cost	(8,960)	(21,294)

Figures for loans and receivables are shown net of any impairment.

Loans and Receivables

Loans and receivables are predominantly cash (bank) deposits held by the Authority and debtors of the Authority where there is a contractual obligation to receive future economic benefits. These assets are initially valued at fair value and held on the Balance Sheet at amortised cost. The amortised cost is calculated by reference to the Effective Interest Rate (EIR) which is the rate which exactly discounts the forecasted cashflows over their expected life to their carrying amount. For most short term assets (such as trade receivables) the carrying value is deemed to be the invoiced amount.

Available for Sale

Available for Sale financial assets are those that are not required by the SORP to be classified by another category and generally include equity investments and other investments traded in an active market. These assets are carried on the Balance Sheet at their fair value. In the case of the equity investment held on the Authority's Balance Sheet, these are measured at cost (in accordance with the SORP guidance notes) as the investment is not traded in any marked and therefore it is not possible to make a reliable estimate of fair value.

Amortised Cost

This categorisation includes all financial liabilities that are not held for trading or are derivatives. The items classified as Amortised Cost financial liabilities include the Authority's PWLB debt, its Lender Option Borrower Option (LOBO) loans and all trade creditors. These liabilities are carried at amortised cost using the EIR method. In accordance with the EIR method, any premiums, discounts or material transaction costs are included within the calculation to determine the charge to be made to the Income and Expenditure Account in respect of interest payable.

The figures provided for 2006-2007 do not provide a direct comparison for Note 1(a). This is as a consequence of the fact that the prior period adjustment for 20072008 accounts required disclosure at the total level and did not require comparative figures to be disclosed. As a consequence of this requirement, to provide comparative figures in respect of 2006-2007 would be misleading as the respective years figures have been calculated on different bases using different accounting treatment.

(b) Gains and Losses Recognised in the Income and Expenditure Account and STRGL

The Table below outlines the gains and losses that have been charged to the Income and Expenditure Account and the STRGL in relation to financial instruments.

	Financial Liabilities £000	Financial Assets £000	Available for Sale £000	Total £000
Interest expense	(1,444)	0	0	(1,444)
Losses on de-recognition	0	0	0	0
Impairment losses	175	0	0	175
Interest payable and similar charges	**(1,269)**	**0**	**0**	**(1,269)**
Interest income	0	0	300	300
Gains on de-recognition	0	0	0	0
Interest and investment income	**0**	**0**	**300**	**300**
Net gains/(loss) for the year	**(1,269)**	**0**	**300**	**(969)**

(c) Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables carried on the Balance Sheet at amortised cost. The 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. In calculating the fair value of the Authority's financial assets and liabilities, the following assumptions have been used:-

- the fair value of trade receivables and payables 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 as at 31 March 2008;
- for the Authority's LOBO's, the interest rate used is the rate quoted provided by Sector;

- No early repayment or impairment is recognised.

The Table below outlines the fair value of assets and liabilities as at 31 March 2008:-

	Carrying Amount £000	Fair Value £000	Variance £000
Financial Liabilities – PWLB Loans	19,414	21,689	2,275
Financial Liabilities – Market Loans	2,023	1,920	(103)
Total Financial Liabilities	21,437	23,609	2,172
Available for Sale Assets	5,138	5,138	0

The fair value of the Authority's financial liabilities is more for its PWLB loan but less for its market loan. The higher fair value occurs because the Authority's PWLB portfolio 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 commitment to pay interest above the current market rate increases the amount that the Authority would have to pay if the lender requested or agreed to the early repayment of the loans. The converse is true of the market loan.

The PWLB have provided calculations for the fair value of loans outstanding as at 31 March 2008 based on the new rates introduced for the early repayment of loans. Based on these rates, the fair value of loans outstanding as at 31 March 2008 is £22,836k, a variance of £1,147k from that provided by the Authority's Treasury Management Advisors.

(d) Nature and Extent of Risks Arising from Financial Instruments

The Authority’s financial instruments include financial assets (cash and cash equivalents and loans and receivables) and financial liabilities (trade payables arising from day to day operations and borrowings). The main purposes of the Authority’s financial instruments are to raise finance to support the Authority’s day to day operations (by investing surplus cash balances where appropriate) and finance investment undertaken through the capital programme.

As part of the ongoing activities, the Authority is exposed to credit risk liquidity risk and market risk. 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 Assistant Chief Executive (Finance), St. Helens with day-to-day responsibility delegated to the Chief Accountant and the Business Support Manager (Corporate Finance) at St. Helens under the policies approved by St. Helens Council in the annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk is the risk that a third party will default on its obligations with the Authority. The Authority's exposure is limited as its only assets are held in the form of un-traded equity investments. Any surplus cash balances are invested through St. Helens Council and are subject to their policies as detailed in the Treasury Management Strategy.

Liquidity Risk

Liquidity risk is the risk arising from unmatched cashflows to maturities. At the present time the Authority has ready access to borrowing from the Public Works Loan Board (PWLB) so there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To this extent rates will be monitored to ensure that new loans and where applicable, restructuring can be used to negate against having a significant proportion of the debt portfolio repayable at any one time.

The maturity analysis of financial liabilities (including accrued interest) is as follows:-

	Principal £000	Accrued Interest £000	Total £000
Less than one year	143	0	143
Between one and two years	143	0	143
Between two and five years	428	0	428
Five to fifteen years	3,643	73	3,716
Fifteen to twenty five years	300	0	300
Twenty five to fifty years	13,835	147	13,982
Over fifty years	2,695	29	2,724
Total	**21,187**	**249**	**21,436**

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

Market Risk

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

- Borrowings at variable rates – the interest expensed charged to the Income and Expenditure Account will rise;
- Borrowing at fixed rates – the fair value of the liabilities borrowing will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings and investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings and loans would not impact on the Income and Expenditure Account or the STRGL. The Authority is risk averse and seeks to minimise exposure arising from its treasury activities and does not undertake any unnecessary borrowing or investment activity. The Authority seeks to manage its interest rate risk by constantly reviewing the ratio of borrowing and investments between fixed and variable interest rates.

The Table below shows the impact on existing investments and borrowings had interest rates been 1% higher with all other variables being held constant.

	£000
Increase/(Decrease) in the fair value of fixed rate investment assets	N/A
Increase/(Decrease) in the fair value of fixed rate borrowing liabilities	(3,239)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Authority's equity shareholding is not traded in an active market and as a consequence the Authority is not currently exposed to price risk arising from movements in the price of shares.

Foreign Exchange Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Authority does not have financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

2. EXPENDITURE ON PUBLICITY

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

	2007-2008 £000	2006-2007 £000
Recruitment Advertising	17	1
Other Advertising	21	22
	38	23

3. OFFICERS' EMOLUMENTS

	2007-2008 No.	2006-2007 No.
Remuneration		
£50,000 - £60,000	-	-
£60,000 - £70,000	-	-
£70,000 - £80,000	1	1

4. RELATED PARTIES

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

Central Government	-	has effective control over the general operation of the Authority. Details of transactions with Government Departments are set out in Notes relating to the Cash Flow Statement. Central Government also operates the Landfill Allowances Trading Scheme (LATS) which may have significant financial repercussions on the Authority.
Members of the Authority	-	No Disclosures
Officers	-	No Disclosures
Pension Fund	-	No Disclosures

The following disclosures are made:-

	Receipts		Payments	
	2007-2008 £000	2006-2007 £000	2007-2008 £000	2006-2007 £000
Local Authorities				
Levies				
Knowsley	6,057	4,994		
Liverpool	17,729	14,801		
St. Helens	7,109	6,161		
Sefton	11,140	10,131		
Wirral	12,799	11,429		
	54,834	47,516		

	Receipts		Payments	
	2007-2008	2006-2007	2007-2008	2006-2007
	£000	£000	£000	£000
Disposal of Commercial Waste				
Knowsley	197	182		
Liverpool	347	330		
St. Helens	238	220		
Sefton	119	276		
Recycling Credit Payments				
Knowsley			528	469
Liverpool			962	949
St. Helens			920	742
Sefton			1,524	1,142
Wirral			796	701
Residuary Body Debt				
Wirral			524	546
Subsidiaries				
Payments for the Disposal of Waste (inclusive of Landfill Tax) - Mersey Waste Holdings Ltd.			42,110	39,140
Dividends - Mersey Waste Holdings Ltd.	300	300		
Gas Rights - The Authority's share out of profits generated by - Bidston Methane Ltd.	111			50

5. AUDIT FEES

The analysis of fees payable to the Audit Commission is shown below:-

	2007-2008	2006-2007
	£000	£000
External Audit Service	67	45
Grant Claims & Returns Work	-	4
	67	49

6. RECONCILING ITEMS FOR STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006-2007 £000	2006-2007 £000		2007-2008 £000	2007-2008 £000
		Amounts included in the Income & Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the Year		
(367)		Depreciation of Fixed Assets	(412)	
-		Impairment of Fixed Assets	(138)	
311		Government Grants Deferred Amortisation	311	
(179)	(235)	Net Charges made for Retirement Benefits in accordance with FRS17	(202)	(441)
		Amounts not included in the Income & Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the Year		
539		Minimum Revenue Provision for Capital Financing	806	
151	690	Employer's Contributions payable to the Merseyside Pension Fund and Retirement Benefits payable direct to Pensioners	255	1,061
		Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the Year		
	2,516	Net transfer to or from Earmarked and Other Balances		(349)
	2,971	Net additional amount to be credited/ debited to the General Fund Balance for the Year		271

7. SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS

The movement in Tangible Fixed Assets is shown below:-

	Land & Buildings 2007-2008 £000	Vehicles, Plant & Equipment 2007-2008 £000	Total 2007-2008 £000
(i) Operational Assets Gross Book Value at 1 April	3,762	3,694	7,456
Accumulated Depreciation & Impairment	(348)	(246)	(594)
Net Book Value at 31 March	3,414	3,448	6,862
Movement in Year			
Additions	441	157	598
Disposals	-	-	-
Revaluations	-	-	-
Depreciation	(144)	(268)	(412)
Impairment	(138)	-	(138)
Transfers (Re-classified)	(546)	-	(546)
Net Book Value at 31 March	3,027	3,337	6,364
(ii) Non-Operational Assets Gross Book Value at 1 April	2,181		
Movement in Year			
Additions	14,270		
Revaluations	-		
Transfers (Re-classified)	546		
Net Book Value at 31 March	16,997		

The following Table shows the progress of the Authority's rolling programme for the revaluation of fixed assets:-

	Operational Land & Buildings £000	Vehicles, Plant & Equipment £000	Non-Operational Assets £000
Valued at current value in:-			
Current Year	-	-	-
Previous Year	3,027	3,337	16,997
TOTAL	3,027	3,337	16,997

Depreciation

For all assets subject to depreciation, that depreciation has been charged in accordance with the requirements of FRS15 *Tangible Fixed Assets* on a straight-line basis. Each assets useful life is assessed as the basis of calculating the annual depreciation charge. A summary of depreciation charged during the year is provided below:-

2006-2007 Average Asset Life (Years)	2006-2007 Depreciation Charged in Year £000	Asset Classification	2007-2008 Average Asset Life (Years)	2007-2008 Depreciation Charged in Year £000
25	121	Operational Land & Buildings	25	145
15	246	Vehicles, Plant & Equipment	15	267
		Non-Operational Assets		
	367	TOTAL		412

Financing Capital Expenditure

	2007-2008 £000	2006-2007 £000
Opening Capital Financing Requirement	18,670	15,265
Capital Investment		
- Operational	598	2,486
- Non-Operational	14,270	2,156
Sources of Finance		
- Government Grants	(6,658)	(699)
Minimum Revenue Provision	(806)	(538)
Closing Capital Financing Requirement	26,074	18,670

Explanations of Movements in Year

	2007-2008 £000	2006-2007 £000
Prudential Borrowing (unsupported)	8,210	3,943
Less Minimum Revenue Provision	(806)	(538)
Increase in Capital Financing Requirement	7,404	3,405

8. CAPITAL SPENDING IN 2007-2008

The Authority spent £14.9M on capital expenditure in 2007-2008 which comprised the following major items:-

	£M
Fairport New Technologies Demonstrator Project	12.9
Land Acquisition	1.3
Bidston Integrated Site - Improvement	0.4
Billinge Landfill Site Restoration	0.1
Other Schemes - Total	0.2
	14.9

9. COMMITMENTS UNDER CAPITAL CONTRACTS

The Authority has the following contractual commitments:-

Fairport New Technologies Demonstrator Project	£1M

N.B. Sefton Meadows HWRC Improvements
Although a formal contract has not yet been entered into, tenders for the works have been received. Consequently, it is proposed to enter into a formal contract in the very near future (estimated value £0.47m). In addition, the Authority has approved a Capital Programme for 2008-2009 with a further £21m to be spent primarily on site acquisition.

10. INFORMATION ON ASSETS HELD

The Authority has use of the following assets:-

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

11. COMMITMENTS UNDER OPERATING LEASES

The Authority has the following leasing payment commitments:-

Land & Buildings	£000
Before 31 March 2009	-
Between 1 April 2009 and 31 March 2013	60
After 31 March 2013	-

The Authority has no other operating lease commitments.

12. VALUATION INFORMATION

The current in-house valuer is S. Littler, M.R.I.C.S.

The properties have been valued on bases in accordance with the Statement of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

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

13. LONG TERM INVESTMENTS

The Authority holds the following investments:-

	£000
Mersey Waste Holdings Ltd. This Company was formed as the Authority's Disposal Company and as such receives waste from the five Districts of Merseyside and from other customers at its Transfer Stations and Landfill Sites. It disposes that waste and also manages the disposal of other household wastes through Waste Reception Centres.	
The Authority owns the total shareholding in its company.	
5,138,002 Ordinary Shares @ £1	5,138
Bidston Methane Ltd. This Company was formed as a joint venture with Coal Products Ltd. (subsequently acquired by Novera Energy Generation No. 1 Ltd.) to collect methane gas from the Landfill Sites at Billinge and at Bidston. It uses methane gas to generate electricity which is sold to the Regional Electricity Companies.	
The Authority holds 299,000 Ordinary 'B' Shares out of a total of 600,000 Shares. The called up value is £0.001 per Share.	
The setting up of the Company incorporated the capital financing of the engines through a non-voting share issue to the Finance Company user ('C' Shares). This removed the need to generate finance through the 'A' Shares owned by Coal Products or 'B' Shares owned by the Authority and hence a nominal called up proportion. The uncalled share elements provide the necessary guarantees for the 'C' shareholder.	
299,000 Ordinary 'B' Shares @ £0.001	-
	5,138

These financial instruments have been valued with a fair value equal to original cost as there is no active market for these unquantified shares.

MWHL Financial Information

The Company's financial year runs from October to September and the statutory accounts are produced on this basis. For the purpose of the Group Accounts consolidation, the Company's management accounts as at 31 March, are used for this purpose.

	30/9/2007 £000	30/9/2006 £000
The Company's net assets as shown in the statutory accounts	8,562	5,893
Profit/(Loss) - Before Tax - After Tax	888 922	1,627 1,085
The Authority has no commitment to meet accumulated deficits or losses		
Amounts received as Dividends	300	300
No amounts have been written down by the Authority		
MWDA as Creditor (contractual discounts)	8,256	9,400
MWDA as Debtor (contractual payments	8,833	8,311

A copy of the Company's latest accounts can be obtained from MWHL, 2nd Floor, Port of Liverpool Building, Pier Head, Liverpool, L3 1BY

The only significant financial implication for the Authority arising from Company affairs is the sale of its landfill site and the follow on effect on shareholder funds as a result of the price achieved.

BML Financial Information

BML's financial year runs from January to December and its statutory accounts are produced on that basis. For the purpose of the Group Account consolidation, the Company's management accounts as at 31 March, are used for that purpose.

	30/9/2007 £000	30/9/2006 £000
The Company's net assets as shown in the statutory accounts	423	577
Profit/(Loss) - Before Tax - After Tax	(164) (145)	98 92
The Authority has no commitment to meet accumulated deficits or losses		
No amounts have been received as Dividends in either year		
No amounts have been written down by the Authority		
Gas Rights payment due to MWHL (Creditor)	36	31

A copy of the Company's latest accounts can be obtained from Bidston Methane Limited, c/o Novera Energy Operations Centre, 1030 Centre Park, Slutchers Lane, Warrington, WA1 1QR

There is no other financial information that is material to the affairs of MWDA.

14. LONG TERM DEBTOR

In 2003-2004 the Authority agreed to defer the payment of discounts by Merseyside Waste Holdings Limited in order that the Company could build up cash reserves and acquire a new landfill site. This decision was taken to restore the landfill capacity which would be lost by the closure of the Bromborough Dock Landfill site in August 2005. A report to the Authority in January 2003 included a schedule of intended payment dates for the deferred discounts. A revised schedule of repayments has now been prepared. The debtor outstanding in 2006-2007 has been cleared.

15. LANDFILL ALLOWANCES ASSET

The Authority has received its allocation of Landfill Allowances from DEFRA in 2007-2008. The value of the allowances in 2007-2008 was nil.

	2007-2008 £000	2006-2007 £000
Balance b/f	10,560	11,990
Acquired without charge from DEFRA	-	8,252
Purchased in Year	-	-
Derecognition of Usage	(7,953)	(9,341)
Written down to realisable value	(2,607)	(341)
Balance c/f	-	10,560

16. DEBTORS

	31 March 2008 £000	31 March 2007 £000
Subsidiaries	7,100	6,207
Government Departments	5,006	2,143
Other Local Authorities	289	299
Employees	3	7
Sundry	402	16
	12,800	8,672
Less Provision for Doubtful Debts	(3)	(178)
	12,797	8,494

17. LIABILITY FOR LANDFILL USAGE

The Authority needs to recognise its use of Landfill Allowances in the landfill disposal of biodegradable municipal waste. The following are the estimated usage of Landfill Allowances which has been set at nil for 2007-2008.

	2007-2008 £000	2006-2007 £000
Allowances	-	7,847

18. PROVISION FOR LEGISLATION CLAIMS

As a result of legislative changes there is a potential for increased costs to be borne by the Authority resulting from two outstanding claims from landfill operators.

	31 March 2008 £000	31 March 2007 £000
Balance b/f	-	-
In Year - Site 1	801	-
- Site 2	5,000	-
Balance c/f	5,801	-

19. CREDITORS

	31 March 2008 £000	31 March 2007 £000
Subsidiaries & Associated Companies	5,292	8,899
Government Departments	28	353
Other Local Authorities	1,190	807
Employees	58	40
Sundry	2,254	992
	8,822	11,091

20. LONG TERM BORROWING

Analysis by Type

	31 March 2008 £000	31 March 2007 £000
Public Works Loan Board	19,271	19,187
Market Loan	2,023	2,000
	21,294	21,187

Analysis by Maturity

	2008	2007
	£000	£000
1-2 Years	143	143
2-5 Years	429	429
5-10 Years	3,715	3,714
Over 10 Years	17,007	16,901
	21,294	21,187

21. DEFERRED LIABILITIES (MRDF DEBT)

These are liabilities which are payable over a period of time:-

Analysis	31 March 2008 £000	31 March 2007 £000
Balance b/f	4,086	4,301
Repaid in Year	(215)	(215)
Balance c/f	3,871	4,086

22. CAPITAL FINANCING ACCOUNT

The Capital Financing Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans. It is not 'cash backed' and therefore it cannot be called upon to support spending:-

	2007-2008 £000	2006-2007 £000
Balance at 1 April	9,363	8,880
MRP charge	-	539
Depreciation	-	(367)
Government Grants Deferred - amortised	-	
Transfer to Capital Adjustment Account	(9,363)	311
Balance at 31 March	-	9,363

23. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account records the consumption of historic cost over the life of the asset and deferred charges over the period that the Authority benefits from the expenditure. It also records the resources set aside to finance capital expenditure:-

	2007-2008 £000	2006-2007 £000
Balance at 1 April 2007	-	-
Transfer in from Capital Financing Account	(9,363)	-
Transferred in from Fixed Asset Restatement Account	25,508	-
Depreciation and Impairment	550	-
Government Grants Deferred - amortised	(311)	-
MRP charge in year	(806)	-
Balance at 31 March 2008	15,578	-

24. FIXED ASSET RESTATEMENT ACCOUNT

The Fixed Asset Restatement Account represents principally the balance of surpluses and deficits arising from the periodic revaluation of assets. It is not 'cash backed' and therefore cannot be called upon to support spending:-

	2007-2008 £000	2006-2007 £000
Balance at 1 April	25,508	19,229
Add:		
Expenditure on operational Landfill Sites with no value	-	325
Adjustments on Revaluation	-	5,954
Net Book Value of Assets disposed	-	-
Transfer to Capital Adjustment Account	(25,508)	-
Balance at 31 March	-	25,508

25. GOVERNMENT GRANTS DEFERRED ACCOUNT

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

	2007-2008 £000	2006-2007 £000
Balance at 1 April	6,517	6,129
Financing of Capital Expenditure - Grants	6,657	699
Amortised during the year	(311)	(311)
Balance at 31 March	12,863	6,517

26. GENERAL RESERVE

This Reserve represents the accumulated balances available to the Authority:-

	2007-2008 £000	2006-2007 £000
Balance at 1 April	5,927	7,872
Transfer to Earmarked (LATS)	-	(2,748)
Transfer to Earmarked (Procurement)	(1,472)	(1,000)
In Year Surplus/(Deficit)	1,080	1,803
Balance at 31 March	5,535	5,927

27. EARMARKED RESERVES

This Reserve represents the accumulated balances available to the Authority to cover:-

- the Landfill Allowances Reserve established to cover expenditure that the Authority makes in acquiring landfill allowances;
- allowing for expenditure on professional advisors employed on the Contract Procurement project;
- to allow for the creation of a 'Sinking Fund' to meet future large increases in cost as a result of new contracts involving more expensive waste management processes.

	2007-2008 £000	2006-2007 £000
Balance at 1 April	4,061	1,545
Transfer from General Reserve	3,871	3,748
Utilised In Year	(4,220)	(1,232)
Balance at 31 March	3,712	4,061

28. CONTINGENT LIABILITIES

Relating to Mersey Waste Holdings Limited

Mersey Waste Holdings Limited (MWHL) were originally intended to cease trading on 30 September 2008 when the Authority's new Waste Management Recycling Contract was due to become operational. Delays in letting that contract has required the Authority to make use of its contingency arrangements of placing a new contract with MWHL for six months commencing 1 October 2008. The new contract is capable of being terminated on a month's notice.

On ceasing trading, the Company will need to meet its external liabilities and internal ones with the Authority. These latter liabilities are contractual and negotiable discounts due to the Authority up to 30 September 2007 totalling £6.7M, and its shareholding of £5.1M.

The contingent liability surrounds MWHL's ability to meet those liabilities.

In attempting to mitigate the liability, MWHL has sought to assess the market value of its property assets (transfer stations) and its landfill sites. It has a reasonably certain valuation of those assets and currently the forecast is that the Company will meet its liabilities at close of trading.

Relating to Bidston Methane Limited

As stated at Note 13, the called-up value of the 299,000 ordinary £1 shareholding in Bidston Methane Limited is £299 (£0.001 each), the contingent liability therefore is £298,701 (£0.999 each).

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

29. NET PENSIONS ASSET/LIABILITY

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

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

In 2007-2008 pension costs amounting to £53k were charged to the Income and Expenditure Account. The following disclosures are required in accordance with FRS 17 "Retirement Benefits".

Assets & Liabilities Attributable to the Authority	31 March 2008 £M	31 March 2007 £M
Estimated liabilities in the scheme	(9.6)	(8.7)
Estimated assets in the scheme	6.8	7.0
Net liability in the scheme	(2.8)	(1.7)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc. As part of the 2007 actuarial valuations the actuary has analysed the mortality experience of Local Authority Client Funds over the three year period to 31 March 2007 and changes have been made to life expectancy assumptions. As a result, the 'medium cohort' mortality projections often used for funding and expressing UK pension schemes generally have been used in forecasting liabilities at 31 March 2008. The assets and liabilities have been assessed by Mercer Human Resource Consulting Ltd., an independent firm of actuaries. The main assumptions used in their calculations are:-

The main assumptions used in the calculations are:-

	31/3/2008	31/3/2007
Rate of inflation	3.6%	3.1%
Rate of increase in salaries	4.9%	4.4%
Rate of increase in pensions	3.6%	3.1%
Rate of discounting scheme liabilities	6.1%	5.4%
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%
Life expectancy of male future pensioner aged 65 in 20 years time	21.3 years	18.6 years
Life expectancy of female future pensioner aged 65 in 20 years time	24.0 years	21.6 years
Life expectancy of male current pensioner aged 65	20.3 years	16.9 years
Life expectancy of female current pensioner aged 65	23.1 years	19.9 years

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

	31/3/2008	31/3/2007
Rate of return on equities	7.5%	7.5%
Rate of return on Government Bonds	4.6%	4.7%
Rate of return on other Bonds	6.1%	5.4%
Rate of return on Property Investments	6.5%	6.5%
Rate of return on Cash/Liquidity	5.3%	5.3%
Rate of return on Other Assets	7.5%	7.5%

Valuations of pension assets, prepared under FRS17 guidelines, were based on nine months actual performance of the Pension Fund, plus an estimate for the final quarter, representing a combined performance of -3.0%. Final calculations indicated that the actual performance was -1.3%, less an allowance for 0.2% administration expenses. The figures included in the Balance Sheet are therefore understated by some 1.5% to 1.6%. However, as stock markets generally have deteriorated since 31 March 2008, a recalculation of the asset value has not been considered appropriate. The figures included in the Balance Sheet consist of the following categories by value and proportion:-

	31/3/2008		31/3/2007	
	£000	%	£000	%
Equities	3,898	57.5	4,055	58.3
Government Bonds	1,091	16.1	1,169	16.8
Other Bonds	400	5.9	410	5.9
Property	590	8.7	682	9.8
Cash/Liquidity	305	4.5	376	5.4
Other Assets	495	7.3	264	3.8

The movement in the net pension liability for the year to 31 March 2008 was as follows:-

	£000	£000
Net Pension Liability at 1 April 2007		(1,745)
Movements in the Year		
- Current Service Cost	(139)	
- Employer Contributions	255	
- Past Service/Curtailment Costs	(47)	
- Net Interest/Return on Assets	(16)	
- Actuarial Gain/(Loss)	(1,080)	
Net Pension Liability at 31 March 2008		(2,772)

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

Year	%
2003-2004	6.3
2004-2005	5.4
2005-2006	4.9
2006-2007	5.4
2007-2008	6.1

It should be noted that for 2007-2008 the actuary has used what they consider to be a more sophisticated approach, by calculating the discount rate as a weighted average of “spot yields” on AA rated corporate bonds. These weightings are considered to more accurately reflect the duration of pension liabilities of LGPS employers when compared to use of the yields on Sterling AA corporate bonds (over 15 years) index previously used.

The actuarial loss can be analysed into the following categories measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2008:-

	2007-2008		2006-2007		2005-2006		2004-2005		2003-2004	
	£000	%	£000	%	£000	%	£000	%	£000	%
Asset Gain/(Loss)	(659)	9.7% of Assets	(1)	0% of Assets	901	13.5% of Assets	278	4.9% of Assets	620	11.9% of Assets
Liability Gain/(Loss)	(51)	0.5% of Liabilities	-	0% of Liabilities	(97)	1.1% of Liabilities	6	0.1% of Liabilities	-	0% of Liabilities
Change in Assumptions	(370)	3.9% of Liabilities	399	4.6% of Liabilities	(637)	7.2% of Liabilities	(1,202)	15.1% of Liabilities	-	0% of Liabilities
Net Gain/(Loss)	(1,080)		398		167		(918)		620	

30. NOTES TO THE CASHFLOW STATEMENT

1. RECONCILIATION OF THE NET SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO THE MOVEMENT IN CASH

			2007-2008	2006-2007
		£000	£000	£000
NET (SURPLUS)/DEFICIT FOR THE YEAR			121	(1,026)
Adjustments for:-				
(i)	Dividends		300	300
(ii)	Servicing of Finance Items			
	- Interest Paid	(1,418)		(1,229)
	- Interest Receivable	324	(1,094)	74
(iii)	Non-Cash Items			
	- Landfill Allowances	-		(34)
	- Use of Reserves	(4,675)		-
	- Depreciation & Impairment	(550)		(367)
	- FRS 17	53		(28)
	- Grants Amortised	311	(4,861)	311
(iv)	Movement in:-			
	- Debtors	(434)		(1,603)
	- Creditors	3,328		(3,476)
	- Deferred Liabilities	215		215
	- PWLB	142	3,251	-
REVENUE ACTIVITIES NET CASHFLOW			(2,283)	(6,863)

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

Balance Sheet Movements	Balance 31.3.2008 £000	Balance 31.3.2007 £000	Movement in Year £000
Borrowing - Long Term	(21,294)	(21,187)	(107)
- Short Term	(143)	(143)	-
Accrued interest on Long Term Borrowing	249	-	249
Cash in Hand/(Overdrawn)	5,167	10,749	(5,582)
	(16,021)	(10,581)	(5,440)
CASHFLOW STATEMENT BALANCES			
Financing			142
(Decrease)/Increase in Cash & Cash Equivalents			(5,582)

3. ANALYSIS OF GOVERNMENT GRANTS SHOWN IN THE CASH FLOW STATEMENT

	£000
DEFRA Grant towards New Technologies (Capital)	2,651
DTI WEEE Grant (Revenue)	779

GROUP ACCOUNTS

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

THE GROUP INCOME AND EXPENDITURE ACCOUNT

As Restated 2006-2007 Net Expenditure £000		Gross Expenditure £000	Gross Income £000	2007-2008 Net Expenditure £000
	Continuing Operations			
593	Cultural, Environmental & Planning Services	67,802	(68,865)	(1,063)
981	Corporate & Democratic Core Cost	376	-	376
21	Non-Distributed Costs	36	-	36
(25)	Share of Associates & Joint Venture Operating Results	285	(198)	87
-	Other Operating Income	-	-	-
-	Exceptional Items	-	-	-
-	Share of Associates & Joint Venture Exceptional Items	-	-	-
1,570	Net Cost of Services	68,499	(69,063)	(564)
-	Gain/Loss on Disposal of Fixed Assets			-
1,229	Interest Payable			1,444
2	Share of Associates & Joint Venture Interest Payable			2
(899)	Interest & Investment Income			(1,063)
-	Share of Associates & Joint Venture Interest & Investment Income			-
(76)	Pensions Interest Cost and Expected Return on Pensions Assets			(170)
-	Share of Associates & Joint Venture Pensions Interest Cost and Expected Return on Pensions Assets			-

As Restated 2006-2007 Net Expenditure £000		Gross Expenditure £000	Gross Income £000	2007-2008 Net Expenditure £000
563	Taxation			541
-	Share of Associates & Joint Ventures Taxation			-
-	Minority Interest Share of Profit of Subsidiaries			-
-	Extraordinary Items			-
2,389	(Surplus)/Deficit for Year			190

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

As Restated 2006-2007 £000		2007-2008 £000
(1,026)	(Surplus)/deficit for the year on the Authority Income & Expenditure Account	121
(38,367)	Adjustment for transactions with other group entities	(42,642)
(39,393)	(Surplus)/Deficit in the Group Income & Expenditure Account attributable to the Authority	(42,521)
	(Surplus)/Deficit in the Group Income & Expenditure Account attributable to group entities (adjusted for intra-group transactions)	
41,805	- Subsidiaries	42,622
(23)	- Joint Ventures	89
2,389	(Surplus)/Deficit for the year on the Group Income & Expenditure Account	190

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

As Restated 2006-2007 £000		2007-2008 £000
2,389	(Surplus)/Deficit for the Year on the Group Income & Expenditure Account	190
6,279	(Surplus)/Deficit arising on Revaluation of Fixed Assets	-
(1,811)	Actuarial (gains)/losses on Pension Fund Assets and Liabilities	2,407
-	Other (gains)/losses required to be included	317
6,857	Total Group Recognised (gains)/losses for the Year	2,914

The amount shown as 'Other(gains)/losses required to be included' relates to items of adjustment to figures included but having no effect on net worth.

GROUP BALANCE SHEET AS AT 31 MARCH 2008

As Restated 2006-2007 £000		2007-2008 £000	£000
	Fixed Assets		
257	Intangible Assets	403	
	Tangible Assets		
	Operational Assets		
20,732	Land & Buildings	20,721	
3,844	Vehicles, Plant & Equipment	3,682	
	Non-Operatonal Assets		
2,181	Assets under Construction	16,997	41,803
-	Long Term Investments		-
-	Long Term Debtors		-
	Current Assets		
10,560	Landfill Allowances	-	
9,083	Debtors	12,656	
14,572	Cash at Bank	11,456	24,112
	Current Liabilities		
(143)	Short Term Borrowing	(143)	
(7,847)	Landfill Allowance Usage	-	
-	Provision for Legislative Claim	(5,801)	
(17,930)	Creditors	(20,067)	(26,011)
(21,187)	Long Term Borrowing		(21,294)
(4,459)	Deferred Liabilities		(4,183)
(6,517)	Deferred Grants		(12,863)
(1,889)	Assets & Liabilities relating to Defined Benefit Pension Schemes		(4,198)
(977)	Pension Scheme Liability		-
280			(2,634)
	Financed by		
(24,743)	Fixed Asset Restatement Account		(765)
-	Revaluation Reserve		-
9,363	Capital Financing Account		-
0	Capital Adjustment Account		(15,578)
(1,889)	Pension Fund		(4,198)
17,549	Profit & Loss Reserve		17,907
280	TOTAL NET WORTH		(2,634)
-	MINORITY INTEREST		-
280	TOTAL RESERVES		(2,634)

THE GROUP CASH FLOW STATEMENT

As Restated 2006-2007 £000		2007-2008 £000	£000
(15,285)	NET CASH (INFLOW)/OUTFLOW FROM REVENUE ACTIVITIES		(5,306)
	DIVIDENDS FROM JV's		
	Cash Inflows		
-	Dividends Received		-
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Cash Outflows		
1,231	Interest Paid		1,420
	Cash Inflows		
(637)	Interest Received	(1,064)	
-	Dividends received from Investments	-	(1,064)
563	TAXATION		995
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Cash Outflows		
15,954	Purchase of Fixed Assets		9,579
	Cash Inflows		
(699)	Capital Grants Received		(2,651)
-	EQUITY DIVIDENDS PAID		-
	ACQUISITION AND DISPOSALS		
-	Cash Outflows		-
-	Cash Inflows		-
1,127	NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		2,973
-	MANAGEMENT OF LIQUID RESERVES		-
	FINANCING		
	Cash Outflows		
643	Repayment of Borrowing		143
	Cash Inflows		
(8,000)	New Loans Raised		-
(6,230)	NET (INCREASE)/DECREASE IN CASH		3,116

DISCLOSURES TO THE GROUP ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The following changes to the Statement of Accounting Policies shown in Pages 10-19 have been made for compliance with the preparation of the Group Accounts:-

- profits or losses on disposal of assets are shown as a separate line after Net Cost of Services;

- the total of all profits or losses on disposal of assets are reversed out as an appropriation and are transferred to the appropriate capital reserves;

- capital charges have been removed and replaced with the depreciation charge which is charged to services;

- Government grants amortised in the year are included in the gross income of services;

- adjustments are made to include any assets or liabilities (and any associated income and expenditure) that are directly controlled by and generate benefits for Merseyside Waste Disposal Authority.

2. DETAILS OF COMBINING ENTITIES

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

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

The Authority's transactions are all with the holding company. The combination has been accounted for by the acquisition method on the 31 March 2008. The financial year for Mersey Waste Holdings Limited ends on 30 September but a second 'year end' has been produced to provide the statutory accounts as at 31 March 2008. The Company's main operational activity is in the disposal of waste.

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

The joint venture has been accounted for by the gross equity method as at 31 March 2008. Bidston Methane Limited has 31 December for its year end but has also prepared a second ‘year end’ at 31 March 2008.

3. RESTATEMENT OF OPENING BALANCES

The Group Accounts were identified as containing some errors after publication of the Statement of Accounts 2006-2007. As a result the comparative figures for 2006-2007 have been restated in this year's Accounts. The effect of these on the relevant Accounts are highlighted below:-

(a) Group Income and Expenditure Account

	Original 2006-2007 £000	Restated 2006-2007 £000	Variance £000
Net Expenditure on Cultural, Environmental & Planning Services	(3,876)	593	4,469
Net Cost of Services	(2,899)	1,570	4,469
(Surplus)/Deficit for Year	(2,080)	2,389	4,469

(b) Reconciliation of the Single Entity Surplus/Deficit to the Group Surplus/Deficit

	Original 2006-2007 £000	Restated 2006-2007 £000	Variance £000
Adjustment for transactions with other Group Entities	(42,836)	(38,367)	4,469
(Surplus)/Deficit on the Group Income & Expenditure Account attributable to the Authority	(43,862)	(39,393)	4,469
(Surplus)/Deficit for the Year on the Group Income & Expenditure Account	(2,080)	2,389	4,469

(c) Group Statement of Total Recognised Gains and Losses

	Original 2006-2007 £000	Restated 2006-2007 £000	Variance £000
(Surplus)/Deficit for the Year on the Group Income & Expenditure Account	(2,080)	2,389	4,469
Total Group Recognised (Gains)/Losses for the Year	2,388	6,857	4,469

(d) Group Balance Sheet as at 31 March 2007

	Original 2006-2007 £000	Restated 2006-2007 £000	Variance £000
Operational Assets: - Land & Buildings	20,733	20,732	(1)
Cash at Bank	15,081	14,572	(509)
Creditors	(17,929)	(17,930)	(1)
Distributable Reserves (see Note below)	(18,060)	(17,549)	511

(e) Group Cash Flow Statement

	Original 2006-2007 £000	Restated 2006-2007 £000	Variance £000
Net Cash Inflow from Revenue Activities	(3,761)	(15,285)	(11,524)
Taxation	336	563	227
Net Cash Outflow before Financing	12,424	1,127	(11,297)
Net (Increase)/Decrease in Cash	5,067	(6,230)	(11,297)

Distributable Reserves

The original 2006-2007 figures analysed these Reserves as:-

	£000
Revaluation Reserve	(24,743)
P & L Reserves	6,683
	(18,060)

The Revaluation Reserve was included twice on the Balance Sheet and the net figure of £18,060k should have been attributed entirely to P & L Reserves.

4. NOTES TO THE GROUP INCOME AND EXPENDITURE ACCOUNT

4.1 Pensions

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

	MWDA Merseyside Scheme £000	MWHL Merseyside Scheme £000	MWHL LAWDC Scheme £000
Current Service Cost*	(139)	(301)	(228)
Past Service/Curtailment/ Settlement Gain	(47)	(140)	-
Interest Cost on Pension Liabilities	(466)	(837)	(157)
Expected Return on Assets	450	987	193
Actual Amount Charged to Income & Expenditure Account in the Period	255	229	299
Actuarial Gain/(Loss) in the Year	(1,080)	(1,688)	361

*This cost should not increase substantially as the age profile shows no significant increase.

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

5. EMPLOYEE REMUNERATION OVER £50,000

	2007-2008		2006-2007	
	MWDA No.	MWHL No.	MWDA No.	MWHL No.
Remuneration				
£50,000 - £60,000	-	1	-	-
£60,000 - £70,000	-	2	-	1
£70,000 - £80,000	1	1	1	1
£80,000 - £90,000	-	-	-	2
£140,000 - £150,000	-	1	-	1

NOTES TO THE GROUP BALANCE SHEET

FIXED ASSETS

1. ASSET VALUES - OPERATIONAL ASSETS

	Land & Buildings				Vehicles, Plant & Equipment				Total			2007-2008	2006-2007
	MWDA £000	MWHL £000	BML £000	Total £000	MWDA £000	MWHL £000	BML £000	Total £000	MWDA £000	MWHL £000	BML £000	Total £000	Total £000
Net Book Value at 1 April	3,414	17,319	-	20,733	3,448	4	392	3,844	6,862	17,323	392	24,577	18,795
Movement in Year													
Additions	441	2,072	-	2,513	157	-	16	173	598	2,072	16	2,686	14,750
Disposals	-	(715)	-	(715)	-	-	-	-	-	(715)	-	(715)	-
Revaluations	-	-	-	-	-	-	-	-	-	-	-	-	(6,279)
Accounting Policy Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairments	(138)	-	-	(138)	-	-	-	-	(138)	-	-	(138)	-
Depreciation	(144)	(982)	-	(1,126)	(268)	(4)	(63)	(335)	(412)	(986)	(63)	(1,461)	(2,689)
Re-claimed	(546)	-	-	(546)	-	-	-	-	(546)	-	-	(546)	-
Net Book Value at 31 March	3,027	17,694	-	20,721	3,337	-	345	3,682	6,364	17,694	345	24,403	24,577

2. INFORMATION ON ASSETS HELD

MWDA

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

MWHL

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

BML

2 Generators

3. DEBTORS

				2008	31 March				2007
	MWDA £000	MWHL £000	BML £000	Total £000		MWDA £000	MWHL £000	BML £000	Total £000
Government Departments	5,006	-	-	5,006		2,143	-	-	2,143
Other LA's	289	248	-	537		299	867	-	1,166
Employees	3	-	-	3		7	-	-	7
Sundry	402	6,680	31	7,113		16	5,707	48	5,771
	5,700	6,928	31	12,659		2,465	6,574	48	9,087
Less Provision for Bad Debts	3	-	-	3		4	-	-	4
	5,697	6,928	31	12,656		2,461	6,574	48	9,083

4. CREDITORS

				2008	31 March				2007
	MWDA £000	MWHL £000	BML £000	Total £000		MWDA £000	MWHL £000	BML £000	Total £000
Government Departments	28	1,092	-	1,120		353	781	-	1,134
Other LA's	1,190	345	-	1,535		807	45	-	852
Employees	58	-	-	58		40	-	-	40
Sundry	2,254	14,861	239	17,354		992	14,844	67	15,903
	3,530	16,298	239	20,067		2,192	15,670	67	17,929

5(A) MERSEYSIDE PENSION SCHEME

NET PENSIONS ASSET/LIABILITY

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

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

In 2007-2008 the following payments were made to the Fund comprising pension costs charged in accordance with the former triennial valuation and amounts paid to retired officers:-

	£M
MWDA	255
MWHL	229

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

	31 March 2008		31 March 2007	
Assets & Liabilities Attributable to	MWHL £M	MWDA £M	MWHL £M	MWDA £M
Estimated liabilities in the scheme	(16.4)	(9.6)	(15.5)	(8.7)
Estimated assets in the scheme	14.4	6.8	15.3	7.0
Net liability in the scheme	(2.0)	(2.8)	(0.2)	(1.7)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. As part of the 2007 actuarial valuations the actuary has analysed the mortality experience of Local Authority Client Funds over the three year period to 31 March 2007 and changes have been made to life expectancy assumptions. As a result, the ‘medium cohort’ mortality projections often used for funding and expressing UK pension schemes generally have been used in forecasting liabilities at 31 March 2008. The assets and liabilities have been assessed by Mercer Human Resource Consulting Ltd., an independent firm of actuaries. The main assumptions used in their calculations are:-

31 March 2007		31 March 2008
3.1%	Rate of inflation	3.6%
4.35%	Rate of increase in salaries	4.85%
3.1%	Rate of increase in pensions	3.6%
5.4%	Rate of discounting scheme liabilities	6.1%
50%	Proportion of employees opting to take a commuted lump sum	50%
18.6 years	Life expectancy of male future pensioner aged 65 in 20 years time	21.3 years
21.6 years	Life expectancy of female future pensioner aged 65 in 20 years time	24.0 years
16.9 years	Life expectancy of male current pensioner aged 65	20.3 years
19.9 years	Life expectancy of female current pensioner aged 65	23.1 years

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

	31/3/2008	31/3/2007
Rate of return on equities	7.5%	7.5%
Rate of return on Government Bonds	4.6%	4.7%
Rate of return on other Bonds	6.1%	5.4%
Rate of return on Property Investments	6.5%	6.5%
Rate of return on Cash/Liquidity	5.3%	5.3%
Rate of return on Other Assets	7.5%	7.5%

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

	31/3/2008			31/3/2007		
	MWDA £000	MWHL £000	%	MWDA £000	MWHL £000	%
Equities	3,898	8,286	57.5	4,055	8,896	58.3
Government Bonds	1,091	2,320	16.1	1,169	2,563	16.8
Other Bonds	400	850	5.9	410	900	5.9
Property	590	1,254	8.7	682	1,495	9.8
Cash/Liquidity	305	648	4.5	376	824	5.4
Other Assets	495	1,052	7.3	264	580	3.8

The movement in the net pension liability for the year to 31 March 2008 was as follows:-

	MWHL		MWDA	
	£000	£000	£000	£000
Net Pension Liability at 1 April 2007		(236)		(1,745)
<u>Movements in the Year</u>				
- Current Service Cost	(301)		(139)	
- Employer Contributions	229		255	
- Past Service/Curtailment Costs	(140)		(47)	
- Net Interest/Return on Assets	150		(16)	
- Actuarial Gain/(Loss)	(1,688)		(1,080)	
Net Pension Liability at 31 March 2008		(1,986)		(2,772)

The actuarial loss can be analysed into the following categories measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2008:-

	MWHL		MWDA	
	£000		£000	
Asset Gain/(Loss)	(1,450)	10.1% of Assets	(659)	9.7% of Assets
Liability Gain/(Loss)	354	2.2% of Liabilities	(51)	0.5% of Liabilities
Change in Assumptions	(592)	3.6% of Liabilities	(370)	3.9% of Liabilities
Net Gain				

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

Year	% Discount Rate at end of Year
2003-2004	6.3
2004-2005	5.4
2005-2006	4.9
2006-2007	5.4
2007-2008	6.1

It should be noted that for 2007-2008 the actuary has used what they consider to be a more sophisticated approach, by calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. These weightings are considered to more accurately reflect the duration of pension liabilities of LGPS employers when compared to use of the yields on Sterling AA corporate bonds (over 15 years) index previously used.

5(B) LAWDC PENSION SCHEME

NET PENSION/ASSET LIABILITY

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

The LAWDC Scheme is similar in nature to the Merseyside Pension Scheme as a defined benefit scheme. In 2007-2008 MWHL paid into the Scheme the sum of £299k.

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

Assets & Liabilities Attributable to MWHL	2007-2008 £M	2006-2007 £M
Estimated liabilities in the scheme	(2.3)	(2.8)
Estimated assets in the scheme	2.9	2.9
Net assets in the scheme	0.6	0.1

Liabilities have been assessed on an actuarial basis.

CONTRIBUTIONS DISCLOSURES OUTSTANDING

The full actuarial valuations of the defined benefit schemes were updated to 31 March 2008 by a qualified Independent Actuary on a FRS 17 basis. The major assumptions at 31 March 2008 used by the Actuary were:-

	2008	2007
Rate of increase in salaries	4.6%	4.2%
Rate of increase in pensions in payment	3.6%	3.2%
Discount rate	6.9%	5.4%
Inflation assumption	3.6%	3.2%

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

	Long Term Rate of Return expected at 31 March 2008 %	Value at 31 March 2008 £000	Long Term Rate of Return expected at 31 March 2007 %	Value at 31 March 2007 £000
Equities	7.0	2,179	7.0	2,515
Government Bonds	4.5	348	4,5	152
Corporate Bonds	6.9	232	5.4	97
Cash	5.3	143	5.3	107
Total Market Value of Assets		2,902		2,871
Present Value of Scheme Liabilities		2,343		2,779
Surplus/(Deficit)in the Scheme		559		92
Related Deferred Tax Asset		-		-
Net Pension Asset/ (Liability) on a FRS 17 basis		559		92

	31 March 2008 £000	31 March 2007 £000
Movement in deficit during the period		
(Deficit) in scheme at 1 April	92	(549)
Operating Cost	(228)	(276)
Other Finance Costs	36	3
Actuarial Gains and Losses	361	688
Contributions Paid	299	226
Surplus/(Deficit) in scheme at end of year	560	92

	31 March 2008 £000	31 March 2007 £000
Analysis of the amount charged to Operating Profit		
Current service cost	(228)	(276)

	31 March 2008 £000	31 March 2007 £000
Analysis of the amount credited to other Finance Income		
Expected return on pension scheme assets	193	158
Interest on pension scheme liabilities	(157)	(155)
Total other finance (costs)/gains	36	3

	31 March 2008 £000	31 March 2007 £000
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses		
Actual return less expected return on pension scheme asset	(491)	26
Experience losses arising on the scheme liabilities	70	305
Changes in assumptions underlying the present value of the scheme liabilities	782	357
Actuarial loss recognised in statement of total recognised gains and losses	361	688

	31 March 2008	31 March 2007
History of experience gains and losses		
Difference between the expected and actual return on scheme assets amount £000	(491)	26
Percentage of scheme assets	16.91%	0.91%
Total amount recognised in statement of total recognised gains and losses : amount £000	361	688
Percentage of the present value of the scheme liabilities	15.42%	24.76%

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

		2007-2008		As Restated 2006-2007
		£000	£000	£000
Net (Surplus)/Deficit for Year			190	2,389
Adjustments for:-				
(i)	Taxation		(933)	(563)
(ii)	Servicing of Finance Items			
	- Interest Paid	(1,420)		(1,231)
	- Interest Received	1,064	(356)	637
(iii)	Landfill Allowances		-	(35)
(iv)	Non-Cash			
	- Depreciation	(1,583)		(2,815)
	- Contribution to Capital Adjustment Account	311		-
	- FRS 17	53	(1,219)	120
(v)	Movement in			
	- Tfr to/(from) Reserves	(4,675)		571
	- Debtors	(3,646)		(10,987)
	- Creditors	4,979		(4,937)
	- Deferred Liabilities	212		215
	- Pensions	-		977
	- PWLB & Other	142	(2,988)	374
Revenue Activities Net Cash Flow			(5,306)	(15,285)

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

	Balance 31/3/2008 £000	Balance 31/3/2007 £000	Movement in Year £000
Balance Sheet Movements			
Borrowing			
- Long Term	(21,294)	(21,187)	(107)
- Short Term	(143)	(143)	-
Accrued interest on Long Term Borrowing	249	-	249
Cash in Hand/Overdrawn	11,456	14,572	(3,116)
	(9,732)	(6,758)	(2,974)

	£000
Cashflow Statement Balances	
Financing	142
Increase/(Decrease) in Cash and Cash Equivalent	(3,116)

8. CONTINGENT ASSETS AND LIABILITIES

Mersey Waste Holdings Limited have lodged a claim against Wrexham Borough Council amounting to £5.6M relating to sterilised minerals at Hafod Quarry. The success of the claim will be dependant upon potential legal action.

Mersey Waste Holdings Limited have received a claim from one of its contractors involved in Hafod Quarry for breach of contract in the amount of £2.1M. Mersey Waste Holdings Limited have denied the claim and are awaiting the contractor's response.

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

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

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

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

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

(ii) the actuarial assumptions have changed.

BALANCES AND RESERVES

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

CAPITAL EXPENDITURE

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

CAPITAL ADJUSTMENT ACCOUNT

The account will record the consumption of historic cost over the life of the asset and deferred charges over the period that the Authority benefits from the expenditure. It will also record the resources set aside to fincance capital expenditure.

CAPITAL FINANCING ACCOUNT

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

The account disappears at 1 April 2007.

CAPITAL RECEIPTS

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

CONTINGENT LIABILITY

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

CORPORATE AND DEMOCRATIC CORE

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

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

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

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

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

DEFERRED CHARGES

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

DERECOGNITION

The discharge of verified Biodegradable Municipal Waste landfill usage liability at the end of the reconciliation period (i.e. the following year).

DISCONTINUED OPERATIONS

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

DISCRETIONARY BENEFITS

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

EMOLUMENTS

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

ESTIMATION TECHNIQUES

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

EXTRAORDINARY ITEMS

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

FINANCE LEASE

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

FIXED ASSETS

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

FIXED ASSET RESTATEMENT ACCOUNT

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

This account disappears at 1 April 2007.

GOVERNMENT GRANTS

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSIONS FUND)

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISABLE VALUE

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

NON-DISTRIBUTED COSTS

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASES

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

OPERATIONAL ASSETS

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

PAST SERVICE COST

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

PRIOR YEAR ADJUSTMENTS

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

PROJECTED UNIT METHOD

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

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

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

PROVISIONS

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

RELATED PARTIES

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

(i) one party has direct or indirect control of the other party; or

(ii) the parties are subject to common control from the same source; or

(iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or

(iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Authority include:-

(i) central government;

(ii) local authorities and other bodies precepting or levying demands on the Council Tax;

(iii) its subsidiary and associated companies;

(iv) its joint ventures and joint venture partners;

(v) its members;

(vi) its chief officers; and

(vii) its pension fund.

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

(i) administering authority and its related parties;

(ii) scheduled bodies and their related parties; and

(iii) trustees and advisers.

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

(i) members of the close family, or the same household; and

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

RELATED PARTY TRANSACTION

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

(i) the purchase, sale, lease, rental or hire of assets between related parties;

(ii) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;

(iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;

(iv) the provision of services to a related party, including the provision of pension fund administration services; and

(v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund.

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

RETIREMENT BENEFITS

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

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

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

REVALUATION RESERVE

This Reserve accounts for amounts wehre the current value net book value of an asset is above its historic cost net book value. It also represents the accumulated amount of valuation gains less amounts written off owing to depreciation and impairment.

REVENUE EXPENDITURE

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

SCHEME LIABILITIES

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

USEFUL LIFE

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