APPENDIX 3

MERSEYSIDE WASTE DISPOSAL AUTHORITY

STATEMENT OF ACCOUNTS

2006-2007

C O N T E N T S

	Page
FOREWORD BY TREASURER TO THE AUTHORITY	1
STATEMENT OF RESPONSIBILITIES	5
STATEMENT ON INTERNAL CONTROL	6
AUDITOR'S REPORT TO THE AUTHORITY	9
STATEMENT OF MAIN PRINCIPLES ACCOUNTING POLICIES AND ESTIMATING TECHNIQUES	13
INCOME AND EXPENDITURE ACCOUNT	21
STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	22
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	23
BALANCE SHEET	24
CASH FLOW STATEMENT	26
NOTES TO THE CORE FINANCIAL STATEMENTS	28
GROUP ACCOUNTS	46
GLOSSARY OF FINANCIAL TERMS	61

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 2007 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 2007 stand at £10.0M.

The Pension Reserve introduced under FRS17 requirements is matched by a Pensions Liability equating to £1.7M. A major review of the Local Government Pension Scheme (LGPS) Regulations is being 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.

One of the critical amendments resulting is the introduction of tiered employee contribution rates based on the employee's earnings. It is estimated that these will increase the average employee's contribution rate by approximately 0.5%. In addition the Authority's employer contributions rises to 23.8% from 15.9% in 2007-2008.

REVENUE SPENDING IN 2006-2007

Revenue expenditure in 2006-2007 exceeded that in the preceding year by £5.5M.

The main increases are as follows:-

	£M
Increase in Waste Disposal Contract Payments	+2.4
WEEE (Waste Electrical & Electronic Equipment) Grant Received	-0.5
Increase in Landfill Tax paid	+1.6
Increase in Recycling Credits paid to District Councils	+0.7
Increase in Establishment Costs (Contract Procurement)	+0.4
Other Net Increases (including Landfill Allowances)	+0.9
	+5.5

The Authority's original budget for 2006-2007 amounted to £47.5M and the final outturn expenditure was £45.7M. The financial position is monitored on a quarterly cycle and savings were identified in the course of the year. Those recognised at the end of the third quarter were included in the Authority's Revised Estimate for 2006-2007 which was approved at the Budget meeting.

The changes to the financial position are shown below:-

	2006-2007 ORIGINAL BUDGET £M	2006-2007 REVISED BUDGET £M	2006-2007 ACTUAL NET EXPENDITURE £M
Net Spending on Services	47.9	46.7	46.0
Investment Income and Interest Received	(0.4)	(0.2)	(0.3)
Total	47.5	46.5	45.7
Levy Income	(47.5)	(47.5)	(47.5)
Net Deficit/(Surplus) for the Year	0	(1.0)	(1.8)

The main reasons for variations were:-

Original to Revised Budgets	£M
Reduction of waste tonnages (41k) dealt with in the Waste Collection Authority Contract and consequent savings on Contract Payments, Discounts and Landfill Tax	-1.9
Increase in Contract Payments - WCA Contract	+0.6
Legislative Claim - Bromborough Dock	+0.4
Other minor net reductions	-0.1
	-1.0
Revised Budget to Actual Expenditure	
Hazardous WEEE (Waste Electrical & Electronic Equipment) Grant received	-0.5
Reduced level of interest paid as a result of capital expenditure slippage	-0.3
Reduction in recycling credits paid to District Councils	-0.1
Other minor net increases	0.1
	-0.8

The total underspend of £1.8M increased general balances by that amount but reserves of £3.8M were earmarked to meet expenditure in support of the Contract Procurement Project and Landfill Allowances. Subsequently £1.2M of Contract Procurement Reserve was used in the year.

The movement in balances is summarised as follows:-

	General £000	Earmarked £000	Total £000
Opening Balance	7.9	1.5	9.4
Transfer of Balances	-3.8	3.8	-
Movement in Year	1.8	-1.2	0.6
	5.9	4.1	10.0

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

	£M
Expenditure:	
Employee Costs	1.2
Waste Disposal Contracts	38.7
Capital Financing Costs	1.2
Recycling Credit Payments	4.0
Other Costs	0.9
Income:	
Levy	(47.5)
Investment Income	(0.3)
Contribution to Balances	(1.8)

CAPITAL SPENDING IN 2006-2007

The Authority spent £4.6M on capital expenditure in 2006-2007 which included the following major items:-

	£M
Bidston Integrated Waste Management Facility	1.8
New Technology Demonstrator Project	2.0
Land Acquisition	0.5
Billinge Landfill Site Restoration	0.3
	4.6

The above expenditure was financed as follows:-

	£M
Government Grants	0.7
Prudential Borrowing	3.9
	4.6

BORROWING FACILITIES

The Authority has a portfolio of Public Works Loan Board (PWLB), Lender Option Borrower Option (LOBO) and Market Loans taken in previous periods. The Authority took out an additional loan of £6M from PWLB in 2006-2007 to cover the prudential borrowing in that year and also further prudential borrowing required for 2007-2008.

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 2007.

Ian Roberts,
Treasurer to the Authority   Date: 11 June 2007

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

....
Chair of meeting approving the Accounts

Date

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.

The Chief Finance Officer should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

Certificate

I certify that this Statement of Accounts presents fairly the financial position of Merseyside Waste Disposal Authority at 31 March 2007 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: 11 June 2007

STATEMENT ON INTERNAL CONTROL 2006/07

1. Scope of Responsibility

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

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 system of internal control has been in place at the Authority for the year ended 31 March 2007 and, subject to the changes as a result of the review process, up to the date of approval of the Statement of Internal Control.

3. The Internal Control Environment

The Authority has a Code of Corporate Governance which ensures the following are embedded within the Authority's governance arrangements:-

- Decision Making Process:

  The current decision making process enables the Authority to concentrate on the key issues that it faces, with the less serious and important decisions dealt with in an expanded scheme of delegations.

- Member Training:

  The Authority continues its programme of Member training and development which involves awareness and participation in the development of key strategies and policies.

- Specific Member roles and responsibilities:

  The Authority has developed the roles of Lead Members, specifically in relation to procurement, risk management and audit. The remaining Portfolio areas are the responsibility of the Chairperson as Lead Member. All Members are responsible for scrutiny and public consultation.

- Procedural Rules:

  The Authority continues to operate within and review its procedural rules.

  The Authority prepared a Corporate Plan 2006/07 which identified the Authority's Aims and Objectives and the key projects which would be undertaken to deliver the plan. Projects are continuously managed and regularly monitored and the Corporate Plan is reviewed annually.

  The compliance with established policies, procedures, laws and regulations has been ensured by a Chief Officer structure, consisting of the Director, Treasurer, Solicitor and Clerk, who vet reports presented to the Authority. A further monitoring function incorporates an independent view given by both external and internal audit.

  The Authority has an approved Risk Management Policy and Strategy. The strategy ensures that risk management is embedded within the Authority's systems thereby identifying corporate risks which may have an impact on the achievement of the Authority's objectives.

  An Annual Review and Best Value Performance Plan was prepared for 2006/2009. The plan identifies improvements planned and achieved in the previous three years, with details of plans for 2006/07 and the following two years.

  The Authority has prepared a three year budget from 2006/2007 which was approved by the Authority and incorporates infrastructure developments and projected future Levy levels. The budget is monitored on a three monthly cycle with financial reports prepared for Member information. At year end, an outturn report is also prepared and presented to Members. All other reports presented to Members incorporate a Financial Implications section which is approved by the Treasurer to the Authority.

  The Authority continued to develop its performance management framework drawing together its corporate planning, project management, risk management and corporate governance processes.

4. <u>Review of Effectiveness</u>

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the external and internal auditors and the Primary Assurance Group within the Authority who have responsibility for the development and maintenance of the internal control environment, and other review agencies and inspectorates.

The main areas of review in 2006/07 were the continuing development of the performance management framework and strengthening links between the Authority's corporate objectives and those of its partners by the development of the Merseyside Waste Partnership. Other areas of improvement included a review of the Authority's Comments and Complaints procedures and the development of an Employee Handbook to disseminate governance and other information to staff.

5. Significant Internal Control Issues

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control within the Authority. We are satisfied that a suitable system of internal control is operative and effective within the Authority to ensure the proper management of principal risks to the achievement of the Authority's objectives. On this basis we can report that there are no significant internal control issues that require addressing by the Authority.

However, the Authority is committed to a process of continuous improvement and will continue to review and strengthen the control environment wherever and whenever appropriate.

Signatures: Date:

Clerk to the Authority

Director

Chairman

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

Opinion on the Financial Statements

I have audited the financial statements of Merseyside Waste Disposal Authority [and its Group] for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Statement of Movement on the General Reserve Balance, the Statement of Reconciling Items for Statement of Movement on the General Reserve Balance, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Balance Sheet and the Group Accounts along with related Notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Merseyside Waste Disposal Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in Paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material Inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority [and its Group] as at 31 March 2007 and its income and expenditure for the year then ended.

Signature:

Name:	Ms. J. Tench District Auditor

Date:

Address:	Audit Commission, The Heath Business & Technical Park, Runcorn, Cheshire, WA7 4QF

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for Waste Disposal Authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by Section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:-

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in Section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for Waste Disposal Authorities specified by the Audit Commission and published in July/August 2005, in all significant respects, Merseyside Waste Disposal Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 30 June 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Auditors' Responsibilities

Auditors have a duty under the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to their attention in the course of the audit in order for it to be considered by the body concerned or brought to the attention of the public. No such matter has arisen in 2006/2007.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Name: Ms. J. Tench
District Auditor

Date:

Address: Audit Commission,
The Heath Business & Technical Park,
Runcorn,
Cheshire,
WA7 4QF

<u>STATEMENT OF MAIN PRINCIPLES ACCOUNTING POLICIES AND ESTIMATING TECHNIQUES</u>

GENERAL

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2006) 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.

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.

ACCRUALS OF INCOME AND EXPENDITURE

<u>Customer and Client Receipts</u>

Any such receipts are accrued and accounted for in the period to which they relate.

Employee Costs

Full employee costs are charged to the accounts of that period in which the employee works. Accrual is made for wages earned but unpaid at year end.

Interest

Interest payable on external borrowings is accounted for in the accounts of the period in which it relates.

Supplies and Services

The cost of supplies and services is accrued and accounted for in the period during which they were consumed or received. Accruals are made on all material sums unpaid at the year end for goods and services received or works completed.

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.

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.

DEBTORS AND CREDITORS

Transactions are recorded on an income and expenditure basis. Provision has been made on an actual or estimated basis for all debtors and creditors at 31 March 2007. This accrual concept is in accordance with FRS18 but there are, however, a few exceptions which merit comment:-

- electricity and similar periodic payments are charged at the date of the meter reading.

The policy relating to those payments is consistently applied each year, is not a significant sum and therefore has no material effect on the accounts.

DEBT REDEEMED

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. The minimum amount required to be repaid each year is calculated as a proportion of the Authority's Capital Financing Requirement, which under Statute equated to 4% during 2006-2007.

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) according to the following policy:-

- newly acquired assets are depreciated from the mid-point of the year, although assets in the course of construction are not depreciated until they are brought into use;

- depreciation is calculated using the straight line method;

- assets are depreciated over the appropriate life of the asset.

The Service Revenue Account is charged with depreciation and, where required, any related impairment loss (due to a clear consumption of economic benefit) for all fixed assets used in the service.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a Government capital grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. 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.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

GROUP ACCOUNTS

The Authority prepares Group Accounts to provide an overall picture of the Group as a whole showing the totality of operations and available resources. The Accounts are not primary statements but they provide 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 2006-2007 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 2004.

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 pensions 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.

Defined Benefit Schemes

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

(i) the attributable assets of each Scheme are measured at their fair value at the balance sheet date. Scheme assets include current assets as well as investments. 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 creditor due within one year;

(iv) the change in the defined benefit asset or liability (other than that arising from contributions to the Scheme) is analysed 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 Recognised Gains and 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.

PROVISION FOR BAD AND DOUBTFUL DEBTS

The carrying amount of debtors is adjusted for doubtful debts, which are provided for, and known uncollectable debts should be written off.

PROVISIONS

The Authority sets aside provisions in order to meet likely future losses or liabilities.

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 reviewed at each balance sheet date to reflect the current best estimate.

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.

Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. Two of these (the Fixed Asset Restatement Account and Capital Financing Account) are non-distributable reserves and therefore referred to as 'Accounts'.

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;

- 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 2005. The Bidston Integrated Waste Facility has now been completed and this has been revalued as at 1 April 2006. An impairment review of the other assets was completed at 31 March 2007 but expenditure incurred during 2006-2007 did not affect property valuations. 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. Any surpluses or deficits arising on the revaluation of assets are credited to the Fixed Asset Restatement Account.

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.

VAT

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 2006 Code of Practice have had significant implications on the preparation of these Financial Statements, and those main changes are identified as:-

(i) changes to the Statement of Accounts, comprising the replacement of the Consolidated Revenue Account and Statement of Total Movement on Reserves with an Income & Expenditure Account, Statement of Movement on the General Fund Balance, and Statement of Total Recognised Gains and Losses. Each of these new Statements have their own purpose and objective:-

    <u>Income & Expenditure Account</u> - a summary of the resources generated and consumed by the Authority in the year;

    <u>Statement of Movement on the General Fund Balance</u> - a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising the levy;

Statement of Total Recognised Gains and Losses - a demonstration of how the movement in net worth in the Balance Sheet is identified to the Income & Expenditure Account surplus/deficit and to other unrealised gains and losses.

To comply with proper accounting practices the 2006-2007 Statement of Accounts requires the performance statements in the 2005-2006 accounts to be restated to follow the new format. In doing so, consequential or other changes introduced in the 2006 SORP (as detailed in (ii) to (iv) below) must also be taken into account;

(ii) the removal of the requirement to make a capital financing charge;

(iii) the requirement to require amortisation of credits to the relevant service account instead of the now defunct Asset Management Revenue Account;

(iv) the requirement to disclose gains and losses on the disposal of fixed assets in the Income & Expenditure Account;

(v) a requirement to group the ‘core’ financial statements together, followed by the notes to those core statements and thereafter to present the ‘supplementary’ statements and related notes.

There have been no other changes in the 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.

NOTES	2005-2006 Net Expenditure £000		Gross Expenditure £000	Gross Income £000	2006-2007 Net Expenditure £000
		Continuing Operations Cultural, Environmental & Planning Services			
1	34,323	Waste Disposal Contracts	43,605	(5,870)	37,735
	3,301	Recycling Credit Payments	4,003	-	4,003
	1,037	Client Function	942	(51)	891
	(548)	Landfill Allowances	8,287	(8,252)	35
	1,032	Other Services	2,199	(313)	1,886
	39,145		59,036	(14,486)	44,550
	445	Corporate & Democractic Core Costs	981	-	981
	-	Non-Distributed Costs	21	-	21
	39,590	Net Cost of Services	60,038	(14,486)	45,552
	(300)	Dividends			(300)
	1,180	Interest Payable			1,229
	(121)	Interest & Investment Income			(24)
	423	Pensions Interest Cost			428
	(358)	Expected Return on Pensions Assets			(395)
	40,414	Net Operating Expenditure			46,490
	(45,225)	Levy			(47,516)
	(4,811)	Surplus for the Year			(1,026)

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.

2005-2006 £000		2006-2007 £000
(4,811)	Surplus for the year on the Income & Expenditure Account	(1,026)
1,781	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)	2,971
(3,030)	(Increase)/Decrease in General Fund Balance for the Year	1,945
(4,842)	General Fund Balance Brought Forward	(7,872)
(7,872)	General Fund Balance Carried Forward	(5,927)

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 and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2005-2006 £000		2006-2007 £000
(4,811)	(Surplus)/Deficit for the year on the Income & Expenditure Account	(1,026)
579	(Surplus)/Deficit arising on Revaluation of Fixed Assets	6,279
(167)	Actuarial (gains)/losses on Pension Fund Assets and Liabilities	(398)
1,836	Other (gains)/losses required to be included	-
(2,563)	Total recognised (gains)/losses for the year	4,855

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

BALANCE SHEET AS AT 31 MARCH 2007

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 2006 £000		31 March 2007 £000
		Fixed Assets	
		Tangible Fixed Assets	
		Operational Assets	
	7,573	- Land & Buildings	3,414
	3,448	- Vehicles, Plant, Furniture & Equipment	3,448
		Non-Operational Assets	
	25	- Assets under Construction	2,181
7	11,046	Total Fixed Assets	9,043
13	5,138	Long Term Investments	5,138
14	3,237	Long Term Debtors	730
	19,421	Total Long Term Assets	14,911
		Current Assets	
16	8,534	Debtors	8,494
15	11,990	Landfill Allowances	10,560
	1,494	Cash and Bank	10,749
	41,439	Total Assets	44,714
		Current Liabilities	
	(143)	Short Term Borrowing	(143)
17	(9,242)	Provision for Landfill Usage	(7,847)
18	(7,226)	Creditors	(11,091)
	24,828	Total Assets less Current Liabilities	25,633
		Long Term Liabilities	
19			
23	(15,330)	Long Term Borrowing	(21,187)
20	(6,129)	Government Grants Deferred	(6,517)
	(4,301)	Deferred Liabilities	(4,086)
28	(2,115)	Liability related to Defined Benefits Pension Scheme	(1,745)
	(3,047)	Total Assets less Liabilities	(7,902)

NOTES	31 March 2006 £000		31 March 2007 £000
		Financed by:	
22	(19,229)	Fixed Asset Restatement Account	(25,508)
21	8,880	Capital Financing Account	9,363
28	(2,115)	Pensions Reserve	(1,745)
24	7,872	General Reserve Balance	5,927
25 & 26	1,545	Earmarked Reserves	4,061
	(3,047)	Total Net Worth	(7,902)

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.

2005-2006 £000		2006-2007 £000
	Revenue Activities	
	Cash Outflows:	
1,087	Cash paid to and on behalf of Employees	1,163
52,753	Other operating cash payments	45,823
	Cash Inflows:	
(802)	Cash received for goods and services	(990)
(45,225)	Levy Income	(47,516)
-	Government Grants	(534)
(11,231)	Other operating cash receipts	(4,809)
	Dividends from Joint Ventures	
	Cash Inflow:	
(300)	Dividends received	(300)
	Returns on Investments and Servicing of Finance	
	Cash Outflows:	
1,087	Interest Paid	1,229
	Cash Inflow:	
(22)	Interest received	(74)
	Capital Activities	
	Cash Outflows:	
8,289	Purchase of Fixed Assets	4,253
2,200	Purchase of Landfill Allowances	-
	Cash Inflows:	
(4,140)	Capital Grants received	(1,643)
3,696	Net Cash (Inflow)/Outflow before Financing	(3,398)

2005-2006 £000		2006-2007 £000
	Financing	
	Cash Outflows:	
143	Repayments of Amounts Borrowed	143
	Cash Inflows:	
(7,000)	New Loans Raised	(6,000)
(3,161)	Net (Increase)/Decrease in Cash	(9,255)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. CONVERSION OF 2005-2006 CONSOLIDATED REVENUE ACCOUNT

As detailed in the Statement of Main Principles, Accounting Policies and Estimation Techniques, in drafting the 2006-2007 Statement of Accounts the changes introduced into the 2006 Code of Practice have necessitated the performance statements for 2005-2006 to be restated in the new format. To assist in understanding, the following Table provides detail as to how figures reported in the 2005-2006 CRA have been translated into the new Income & Expenditure Account and Statement of Movement on the General Fund Balance:-

	Consolidated Revenue Account in 2005-2006 Statement of Accounts £000	Removal of Capital Financing Charges £000	Relocation of Government Grants Deferred Credits £000	Other Changes arising from Re-Formatting £000	2005-2006 Comparatives in Income & Expenditure Account £000
Cultural, Environmental & Planning Services	39,235	(57)	(33)	0	39,145
Corporate & Democractic Core	445	0	0	0	445
NET COST OF SERVICES	39,680	(57)	(33)	0	39,590
Interest & Investment Income	(421)				(421)
Interest Payable	0			1,180	1,180
Pensions Interest Cost	423				423
Expected Return on Pensions Assets	(358)				(358)
Transfer to/(from) Asset Management Revenue Account	1,090	57	33	(1,180)	0
NET OPERATING EXPENDITURE	40,414	0	0	0	40,414
Contribution to/(from) Revenue Reserves	1,545			(1,545)	0
Contribution to/(from) Pension Reserve	(11)			11	0
Contribution to/(from) Capital Reserves	247			(247)	0
AMOUNT TO BE MET FROM LEVY	42,195	0	0	(1,781)	40,414
Levy Income	(45,225)				(45,225)
(SURPLUS)/DEFICIT FOR YEAR	(3,030)	0	0	(1,781)	(4,811)
Net additional amount required by Statute and Non-Statutory Proper Practices to be Debited/ Credited for the Year	0			1,781	1,781

	Consolidated Revenue Account in 2005-2006 Statement of Accounts £000	Removal of Capital Financing Charges £000	Relocation of Government Grants Deferred Credits £000	Other Changes arising from Re-Formatting £000	2005-2006 Comparatives in Income & Expenditure Account £000
(INCREASE)/DECREASE IN GENERAL FUND BALANCE FOR THE YEAR	(3,030)	0	0	0	(3,030)

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:-

	2006-2007 £000	2005-2006 £000
Recruitment Advertising	1	15
Other Advertising	22	30
	23	45

3. OFFICERS' EMOLUMENTS

	2006-2007 No.	2005-2006 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.
Members of the Authority	-	No Disclosures
Officers	-	No Disclosures
Pension Fund	-	No Disclosures

The following disclosures are made:-

	Receipts		Payments	
	2006-2007 £000	2005-2006 £000	2006-2007 £000	2005-2006 £000
Local Authorities				
Levies				
Knowsley	4,994	4,506		
Liverpool	14,801	13,723		
St. Helens	6,161	5,818		
Sefton	10,131	9,988		
Wirral	11,429	11,190		
	47,516	45,225		
Disposal of Commercial Waste				
Knowsley	182	157		
Liverpool	330	270		
St. Helens	220	190		
Sefton	276	238		
Recycling Credit Payments				
Knowsley			469	358
Liverpool			949	822
St. Helens			742	576
Sefton			1,142	879
Wirral			701	671
Residuary Body Debt				
Wirral			546	546
Subsidiaries				
Payments for the Disposal of Waste (inclusive of Landfill Tax) - Mersey Waste Holdings Ltd.			39,140	35,036
Dividends - Mersey Waste Holdings Ltd.	300	300		
Gas Rights - The Authority's share out of profits generated by - Bidston Methane Ltd.		100	50	

5. AUDIT FEES

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

	2006-2007 £000	2005-2006 £000
External Audit Service	45	34
Grant Claims & Returns Work	4	1
	49	35

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

2005-2006 £000	£000		2006-2007 £000	£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		
(126)		Depreciation and Impairment of Fixed Assets	(367)	
-		Government Grants Deferred Amortisation	311	
(98)	(224)	Net Charges made for Retirement Benefits in accordance with FRS17	(179)	(235)
		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		
373		Minimum Revenue Provision for Capital Financing	539	
87	460	Employer's Contributions payable to the Merseyside Pension Fund and Retirement Benefits payable direct to Pensioners	151	690
		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		
	1,545	Net transfer to or from Earmarked and Other Balances		2,516
	1,781	Net additional amount to be credited/ debited to the General Fund Balance for the Year		2,971

7. SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS

The movement in Tangible Fixed Assets is shown below:-

	Land & Buildings	Vehicles, Plant & Equipment	Total
	2006-2007 £000	2006-2007 £000	2006-2007 £000
(i) Operational Assets			
Gross Book Value at 1 April	7,801	3,448	11,249
Accumulated Depreciation & Impairment	(228)	-	(228)
Net Book Value at 31 March	7,573	3,448	11,021
Movement in Year			
Additions	2,240	246	2,486
Disposals	-	-	-
Revaluations	(6,278)	-	(6,278)
Depreciation	(121)	(246)	(367)
Transfers (Re-classified)	-	-	-
Net Book Value at 31 March	3,414	3,448	6,862

(ii) Non-Operational Assets	
Gross Book Value at 1 April	25
Movement in Year	
Additions	2,156
Revaluations	-
Transfers (Re-classified)	-
Net Book Value at 31 March	2,181

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	2,274	3,694	2,156
Previous Year	1,489	0	25
TOTAL	3,763	3,694	2,181

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:-

2005-2006 Average Asset Life (Years)	2005-2006 Depreciation Charged in Year £000	Asset Classification	2006-2007 Average Asset Life (Years)	2006-2007 Depreciation Charged in Year £000
25	126	Operational Land & Buildings	25	121
15	0	Vehicles, Plant & Equipment	15	246
	0	Non-Operational Assets		0
	126	TOTAL		367

Financing Capital Expenditure

	2006-2007 £000	2005-2006 £000
Opening Capital Financing Requirement	15,265	11,118
Capital Investment		
- Operational	2,486	8,310
- Non-Operational	2,156	350
Sources of Finance		
- Government Grants	(699)	(4,140)
Minimum Revenue Provision	(538)	(373)
Closing Capital Financing Requirement	18,670	15,265

Explanations of Movements in Year

	2006-2007 £000	2005-2006 £000
Prudential Borrowing (unsupported)	3,943	4,520
Less Minimum Revenue Provision	(538)	(373)
Increase in Capital Financing Requirement	3,405	4,147

8. CAPITAL SPENDING IN 2006-2007

The Authority spent £4.6M on capital expenditure in 2006-2007 which comprised the following major items:-

	£M
Bidston Integrated Waste Management Facility	1.8
New Technology Demonstrator Project	2.0
Land Acquisition	0.5
Billinge Landfill Site Restoration	0.3
	4.6

9. COMMITMENTS UNDER CAPITAL CONTRACTS

The Authority has the following commitments:-

	£M
Huyton (New Technology Project)	6.9
Sefton Meadows HWRC Conversion	0.4
Bidston/Gillmoss Integrated Facility	0.9
Billinge LFS Restoration	0.2
	8.4

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 2008	10
Between 1 April 2008 and 31 March 2012	-
After 31 March 2012	75

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 except that not every property has been inspected.

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 'arms length' 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

Mersey Waste Holdings Limited are a subsidiary company and the results for the fourth year of trading ending on 30 September 2006 are summarised as follows:-

	30.9.2006	30.9.2005 As Restated
	£000	£000
Balance Sheet		
Fixed Assets	18,317	6,404
Add Net Assets/Deduct Net Liabilities	(12,424)	(495)
	5,893	5,909
Called-up Share Capital	5,138	5,138
Retained Profit less Minority Interest	755	771
	5,893	5,909

Profit and Loss Account	Year to 30.9.2006	Year to As Restated 30.9.2005
	£000	£000
Turnover	46,750	39,838
Less: Operating Expenditure	(45,124)	(39,088)
Profit before Tax and Distribution	1,626	750
Tax and Distribution	(541)	(333)
Retained Profit for the Year	1,085	417

The Balance Sheet now includes Mersey Waste Associates which it controls.

The Company have prepared a set of accounts as at 31 March 2007 for purposes of inclusion in the Group Accounts.

Bidston Methane Limited's results for 2006-2007 can be summarised as follows:-

	2006-2007	2005-2006
	£000	£000
Balance Sheet		
Fixed Assets	784	901
Less: Net Liabilities	(252)	(418)
	532	483
Called-up Share Capital	3	3
Retained Profit	529	480
	532	483
Profit and Loss Account		
Turnover	439	527
Less: Operating Expenditure	(393)	(598)
Retained Profit/(Loss) for the Year	46	(71)

The published accounts for both companies are available from the Treasurer to the Authority, Chief Executive's Finance Division, Town Hall, St. Helens, WA10 1HP.

The Authority is not committed to meeting losses arising from either Mersey Waste Holdings Limited or Bidston Methane Limited.

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 to date is made up of:-

	31 March 2007 £000	31 March 2006 £000
Deferred Discounts 2005-2006	0	3,237
Deferred Discounts 2006-2007	730	0
	730	3,237

15. LANDFILL ALLOWANCES ASSET

The Authority has received its allocation of Landfill Allowances from DEFRA in 2006-2007:-

	2006-2007 £000	2005-2006 £000
Balance b/f	11,990	-
Acquired without charge from DEFRA	8,252	9,869
Purchased in Year	-	2,200
Derecognition of Usage	(9,341)	-
Written down to realisable value	(341)	(79)
Balance c/f	10,560	11,990

16. DEBTORS

	31 March 2007 £000	31 March 2006 £000
Subsidiaries	6,207	6,020
Government Departments	2,143	2,222
Other Local Authorities	299	252
Employees	7	11
Sundry	16	48
	8,672	8,553
Less Provision for Doubtful Debts	(178)	(19)
	8,494	8,534

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:-

	2006-2007 £000	2005-2006 £000
Allowances	7,847	9,242

18. CREDITORS

	31 March 2007 £000	31 March 2006 £000
Subsidiaries & Associated Companies	8,899	4,620
Government Departments	353	240
Other Local Authorities	807	838
Employees	40	39
Sundry	992	1,489
	11,091	7,226

19. LONG TERM BORROWING

Analysis by Type	31 March 2007 £000	31 March 2006 £000
Public Works Loan Board	19,187	13,330
Market Loan	2,000	2,000
	21,187	15,330
Analysis by Maturity		
1-2 Years	143	143
2-5 Years	429	429
5-10 Years	3,714	3,714
Over 10 Years	16,901	11,044
	21,187	15,330

20. DEFERRED LIABILITIES (MRDF DEBT)

Analysis	31 March 2007 £000	31 March 2006 £000
Balance b/f	4,301	4,516
Repaid in Year	(215)	(215)
Balance c/f	4,086	4,301

21. CAPITAL FINANCING ACCOUNT

	2006-2007 £000	2005-2006 £000
Balance at 1 April	8,880	8,633
MRP charge	539	373
Depreciation	(367)	(126)
Government Grants Deferred - amortised	311	-
Balance at 31 March	9,363	8,880

22. FIXED ASSET RESTATEMENT ACCOUNT

	2006-2007 £000	2005-2006 £000
Balance at 1 April	19,229	18,650
Add:		
Expenditure on operational Landfill Sites with no value	325	351
Adjustments on Revaluation	5,954	228
Net Book Value of Assets disposed	-	-
Balance at 31 March	25,508	19,229

23. 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.

	2006-2007 £000	2005-2006 £000
Balance at 1 April	6,129	1,989
Financing of Capital Expenditure - Grants	699	4,173
Amortised during the year	(311)	(33)
Balance at 31 March	6,517	6,129

24. GENERAL RESERVE

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

	2006-2007 £000	2005-2006 £000
Balance at 1 April	7,872	4,842
Transfer to Earmarked (LATS)	(2,748)	-
Transfer to Earmarked (Procurement)	(1,000)	-
In Year Surplus/(Deficit)	1,803	3,030
Balance at 31 March	5,927	7,872

25. EARMARKED RESERVE - LATS

This Reserve was established to make allowance for expenditure on Landfill Allowances:-

	2006-2007 £000	2005-2006 £000
Balance at 1 April	-	-
Transfer from General Reserve	2,748	-
Utilised In Year	(35)	-
Balance at 31 March	2,713	-

26. EARMARKED RESERVE - PROCUREMENT

This Reserve was established to make allowance for the expenditure on professional advisors for the Procurement Contract:-

	2006-2007 £000	2005-2006 £000
Balance at 1 April	1,545	-
Transfer from General Reserve	1,000	-
Utilised In Year	(1,197)	1,545
Balance at 31 March	1,348	1,545

27. CONTINGENT LIABILITIES

Mersey Waste Holdings Limited has acquired a new landfill site by short term borrowing by the Company. In financing by this method, payment of discounts would be deferred and a long term debtor established (see Note 14 above).

The investment was undertaken after considering a sound business case for the acquisition which should add to the profit making capability of the Company. It should therefore generate additional benefits to the Authority by way of increased dividends and discounts.

The contingent liability scenario with this proposal is the event of failure as an operational entity whereby there would be a possibility that if short term borrowing were to be selected as the financing option, future repayments could ultimately fall on the Authority if the Company failed.

Mersey Waste Holdings Limited is intended to cease trading operations after 30 September 2008. The position as it is known indicates that the Company should be capable of meeting its liabilities at that time. There is a risk that should this not be the case any liabilities not covered could fall to be met by the Authority.

It is not appropriate to give an estimated value of any potential liability due to uncertainties and timing of such events.

There is a potential legislation claim on Mersey Waste Holdings Limited in respect of a contract for the disposal of waste at a Landfill Site. The claim is being resisted but if it becomes payable could cost the Company around £2M per year. The follow-on from that is that either a second claim may be made by the Company on the Authority or the profitability of the Company would be effected with a reduction in annual discounts. The Authority has sufficient balances to cover any likely costs arising for 2004-2005 (a part year claim) and up to 2006-2007. It would be aware of subsequent liability and therefore would include it in the Budget and the Levy for future years.

As stated at Note 14, 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.

28. 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 2006-2007 pension costs amounting to £179k were charged to the Income and Expenditure Account. The following disclosures are required in accordance with FRS 17 "Retirement Benefits" and although attributable to the Authority they do not form part of the Accounting Statements.

Assets & Liabilities Attributable to the Authority	31 March 2007 £M	31 March 2006 £M
Estimated liabilities in the scheme	(8.7)	(8.8)
Estimated assets in the scheme	7.0	6.7
Net liability in the scheme	(1.7)	(2.1)

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. Assumptions have been made that the average age of membership has not risen significantly since the latest actuarial valuation.

The valuation has been prepared on a market related basis by Mercer Human Resource Consulting, the Fund actuaries.

The main assumptions used in the calculations are:-

	31/3/2007	31/3/2006
Rate of inflation	3.1%	2.9%
Rate of increase in salaries	4.4%	4.2%
Rate of increase in pensions	3.1%	2.9%
Rate of discounting scheme liabilities	5.4%	4.9%
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%

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

	31/3/2007	31/3/2006
Rate of return on equities	7.5%	7.0%
Rate of return on Government Bonds	4.7%	4.3%
Rate of return on other Bonds	5.4%	4.9%
Rate of return on Property Investments	6.5%	6.0%
Rate of return on Cash/Liquidity	5.3%	4.5%
Rate of return on Other Assets	7.5%	7.0%

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

	31/3/2007		31/3/2006	
	£000	%	£000	%
Equities	4,055	58.3	4,075	61.0
Government Bonds	1,169	16.8	1,122	16.8
Other Bonds	410	5.9	321	4.8
Property	682	9.8	334	5.0
Cash/Liquidity	376	5.4	568	8.5
Other Assets	264	3.8	261	3.9

The movement in the net pension liability for the year to 31 March 2007 was as follows:-

	£000	£000
Net Pension Liability at 1 April 2006		(2,115)
Movements in the Year		
- Current Service Cost	(146)	
- Employer Contributions	151	
- Past Service/Curtailment Costs	0	
- Net Interest/Return on Assets	(33)	
- Actuarial Gain/(Loss)	398	370
Net Pension Liability at 31 March 2007		(1,745)

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 2007:-

	2006-2007		2005-2006		2004-2005		2003-2004		2002-2003	
	£000	%	£000	%	£000	%	£000	%	£000	%
Asset Gain/(Loss)	(1)	0% of Assets	901	13.5% of Assets	278	4.9% of Assets	620	11.9% of Assets	(1,206)	26.2% of Assets
Liability Gain/(Loss)	0	0% of Liabilities	(97)	1.1% of Liabilities	6	0.1% of Liabilities	0	0% of Liabilities	0	0% of Liabilities
Change in Assumptions	399	4.6% of Liabilities	(637)	7.2% of Liabilities	(1,202)	15.1% of Liabilities	0	0% of Liabilities	0	0% of Liabilities
Net Gain	398		167		(918)		620		(1,206)	

29. NOTES TO THE CASHFLOW STATEMENT

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

	£000	£000
NET SURPLUS FOR THE YEAR		(1,026)
Adjustments for:-		
(i) Dividends		300
(ii) Servicing of Finance Items		
- Interest Paid	(1,229)	
- Interest Receivable	74	(1,155)
(iii) Non-Cash Items		
- Landfill Allowances	(34)	
- Depreciation	(367)	
- FRS 17	(28)	
- Grants Amortised	311	(118)
(iv) Movement in:-		
- Debtors	(1,603)	
- Creditors	(3,476)	
- Deferred Liabilities	215	(4,864)
REVENUE ACTIVITIES NET CASHFLOW		(6,863)

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

Balance Sheet Movements	Balance 31.3.2007 £000	Balance 31.3.2006 £000	Movement in Year £000
Borrowing - Long Term	(21,187)	(15,330)	(5,857)
- Short Term	(143)	(143)	-
Cash in Hand/(Overdrawn)	10,749	1,494	9,255
	(10,581)	(13,979)	3,398

CASHFLOW STATEMENT BALANCES	
Financing	(5,857)
Increase in Cash & Cash Equivalents	9,255
	3,398

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

	£000
DEFRA Grant towards Bidston Facility (Capital)	944
DEFRA Grant towards New Technologies (Capital)	699
DTI WEEE Grant (Revenue)	534
DEFRA Landfill Allowances (Revenue)	8,252

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

2005-2006 Net Expenditure £000		Gross Expenditure £000	Gross Income £000	2006-2007 Net Expenditure £000
	Continuing Operations			
(7,364)	Cultural, Environmental & Planning Services	65,078	(68,954)	(3,876)
445	Corporate & Democratic Core Cost	981	-	981
-	Non-Distributed Costs	21	-	21
38	Share of Joint Venture Operating Results	194	(219)	(25)
-	Other Operating Income	-	-	-
-	Exceptional Items	-	-	-
-	Share of Joint Venture Exceptional Items	-	-	-
(6,881)	Net Cost of Services	66,274	(69,173)	(2,899)
-	Gain/Loss on Disposal of Fixed Assets			-
1,179	Interest Payable			1,229
-	Share of Joint Venture Interest Payable			2
(651)	Interest & Investment Income			(899)
(3)	Share of Joint Venture Interest & Investment Income			-
23	Pensions Interest Cost and Expected Return on Pensions Assets			(76)
-	Share of Joint Venture Pensions Interest Cost and Expected Return on Pensions Assets			-
596	Taxation			563
-	Share of Joint Ventures Taxation			-
-	Minority Interest Share of Profit of Subsidiaries			-
-	Extraordinary Items			-
(5,737)	(Surplus)/Deficit for Year			(2,080)

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

2005-2006 £000		2006-2007 £000
(4,811)	(Surplus)/deficit for the year on the Authority Income & Expenditure Account	(1,026)
(33,777)	Adjustment for transactions with other group entities	(42,836)
(38,588)	(Surplus)/Deficit in the Group Income & Expenditure Account attributable to the Authority	(43,862)
	(Surplus)/Deficit in the Group Income & Expenditure Account attributable to group entities (adjusted for intra-group transactions)	
32,816	- Subsidiaries	41,805
35	- Joint Ventures	(23)
(5,737)	(Surplus)/Deficit for the year on the Group Income & Expenditure Account	(2,080)

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2005-2006 £000		2006-2007 £000
(5,737)	(Surplus)/Deficit for the Year on the Group Income & Expenditure Account	(2,080)
(186)	(Surplus)/Deficit arising on Revaluation of Fixed Assets	6,279
(512)	Actuarial (gains)/losses on Pension Fund Assets and Liabilities	(1,811)
(6,435)	Total Group Recognised (gains)/losses for the Year	(2,388)

GROUP BALANCE SHEET AS AT 31 MARCH 2007

2005-2006		2006-2007	
£000		£000	£000
	Fixed Assets		
0	Intangible Assets	257	
	Tangible Assets		
	Operational Assets		
14,897	Land & Buildings	20,733	
3,898	Vehicles, Plant & Equipment	3,844	
	Non-Operatonal Assets		
25	Assets under Construction	2,181	27,015
0	Long Term Investments		0
0	Long Term Debtors		0
	Current Assets		
11,990	Landfill Allowances	10,560	
20,070	Debtors	9,083	
84,009	Cash at Bank	118,586	138,229
	Current Liabilities		
(143)	Short Term Borrowing	(143)	
(9,242)	Landfill Allowance Usage	(7,847)	
(12,993)	Creditors	(17,929)	
(75,520)	Bank Overdraft	(103,505)	(129,424)
(15,330)	Long Term Borrowing		(21,187)
(4,668)	Deferred Liabilities		(4,459)
(6,129)	Deferred Grants		(6,517)
(3,580)	Assets & Liabilities relating to Defined Benefit Pension Schemes		(1,889)
0	Pension Scheme Liability		(977)
18,464	Fixed Asset Restatement Account		24,743
(8,880)	Capital Financing Account		(9,363)
3,580	Pensions Reserve		1,889
20,448			18,060
	Reserves		
18,464	Revaluation Reserve	24,743	
1,984	P & L Reserves	(6,683)	
20,448	GROUP BALANCES & RESERVES		18,060
0	MINORITY INTEREST		0
20,448	TOTAL BALANCES & RESERVES		18,060

THE GROUP CASH FLOW STATEMENT

2005-2006		2006-2007	
£000		£000	£000
3,864	NET CASH INFLOW FROM REVENUE ACTIVITIES		(3,761)
	DIVIDENDS FROM JV's		
	Cash Inflows		
0	Dividends Received		0
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Cash Outflows		
1,176	Interest Paid		1,231
	Cash Inflows		
(555)	Interest Received	(637)	
0	Dividends received from Investments	0	(637)
367	TAXATION		336
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Cash Outflows		
8,686	Purchase of Fixed Assets	15,954	
2,200	Purchase of Landfill Allowances	0	15,954
	Cash Inflows		
(4,140)	Capital Grants Received		(699)
0	EQUITY DIVIDENDS PAID		0
	ACQUISITION AND DISPOSALS		
0	Cash Outflows		0
0	Cash Inflows		0
11,598	NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		12,424
0	MANAGEMENT OF LIQUID RESERVES		0
	FINANCING		
	Cash Outflows		
143	Repayment of Borrowing		643
	Cash Inflows		
(7,000)	New Loans Raised		(8,000)
4,741	NET (INCREASE)/DECREASE IN CASH		5,067

DISCLOSURES TO THE GROUP ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The following changes to the Statement of Accounting Policies shown in Pages 13-20 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 2007. 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 2007. 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 2007. Bidston Methane Limited has 31 December for its year end but has also prepared a second ‘year end’ at 31 March 2007.

3. NOTES TO THE GROUP INCOME AND EXPENDITURE ACCOUNT

3.1 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*	(146)	(336)	(276)
Past Service/Curtailment/ Settlement Gain	0	0	0
Interest Cost on Pension Liabilities	(428)	(755)	(155)
Expected Return on Assets	395	861	158
Actual Amount Charged to Income & Expenditure Account in the Period	151	185	226
Actuarial Gain in the Year	398	725	688

*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.

4. EMPLOYEE REMUNERATION OVER £50,000

	2006-2007		2005-2006	
	MWDA No.	MWHL No.	MWDA No.	MWHL No.
Remuneration				
£50,000 - £60,000	-	-	-	2
£60,000 - £70,000	-	1	-	2
£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			2006-2007	2005-2006
	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	7,573	7,324	0	14,897	3,448	0	450	3,898	11,021	7,324	450	18,795	8,701
Movement in Year													
Additions	2,241	12,252	0	14,493	246	6	5	257	2,487	12,258	5	14,750	10,157
Disposals	0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluations	(6,279)	0	0	(6,279)	0	0	0	0	(6,279)	0	0	(6,279)	(228)
Accounting Policy Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	765
Impairments	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	(121)	(2,257)	0	(2,378)	(246)	(2)	(63)	(311)	(367)	(2,259)	(63)	(2,689)	(600)
Net Book Value at 31 March	3,414	17,319	0	20,733	3,448	4	392	3,844	6,862	17,323	392	24,577	18,795

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)

MWHL

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

BML

3 Generators

3. DEBTORS

				2007	31 March				2006
	MWDA £000	MWHL £000	BML £000	Total £000		MWDA £000	MWHL £000	BML £000	Total £000
Government Departments	2,143	-	-	2,143		2,222	-	-	2,222
Other LA's	299	867	-	1,166		252	173	-	425
Employees	7	-	-	7		11	-	-	11
Sundry	16	5,707	48	5,771		176	17,224	75	17,475
	2,465	6,574	48	9,087		2,661	17,397	75	20,133
Less Provision for Bad Debts	4	-	-	4		19	44	-	63
	2,461	6,574	48	9,083		2,642	17,353	75	20,070

4. CREDITORS

				2007	31 March				2006
	MWDA £000	MWHL £000	BML £000	Total £000		MWDA £000	MWHL £000	BML £000	Total £000
Government Departments	353	781	-	1,134		240	534	-	774
Other LA's	807	45	-	852		838	17	-	855
Employees	40	-	-	40		39	-	-	39
Sundry	992	14,844	67	15,903		1,489	9,564	273	11,326
	2,192	15,670	67	17,929		2,606	10,115	273	12,994

5. FIXED ASSET RESTATEMENT ACCOUNT

	2006-2007			2005-2006		
	MWDA £000	MWHL £000	Total £000	MWDA £000	MWHL £000	Total £000
Balance at 1 April	19,229	(765)	18,464	18,650	0	18,650
Add Expenditure on Operational Assets or those with Nil Value	325	0	325	351	0	351
Adjustments on Revaluations	5,954	0	5,954	228	0	228
Accounting Policy Adjustments	0	0	0	0	(765)	(765)
Net Book Value of Assets Disposed	0	0	0	0	0	0
Balance at 31 March	25,508	(765)	24,743	19,229	(765)	18,464

6(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 2006-2007 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	151
MWHL	185

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 2007		31 March 2006	
Assets & Liabilities Attributable to	MWHL £M	MWDA £M	MWHL £M	MWDA £M
Estimated liabilities in the scheme	(15.5)	(8.7)	(15.3)	(8.8)
Estimated assets in the scheme	15.3	7.0	14.4	6.7
Net liability in the scheme	(0.2)	(1.7)	(0.9)	(2.1)

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. Assumptions have been made that the average age of membership has not risen significantly since the latest actuarial valuation.

The valuation has been prepared on a market related basis by Mercer Human Resource Consulting, the Fund actuaries.

The main assumptions used in the calculations are:-

	31/3/2007	31/3/2006
Rate of inflation	3.1%	2.9%
Rate of increase in salaries	4.4%	4.2%
Rate of increase in pensions	3.1%	2.9%
Rate of discounting scheme liabilities	5.4%	4.9%
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%

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

	31/3/2007	31/3/2006
Rate of return on equities	7.5%	7.0%
Rate of return on Government Bonds	4.7%	4.3%
Rate of return on other Bonds	5.4%	4.9%
Rate of return on Property Investments	6.5%	6.0%
Rate of return on Cash/Liquidity	5.3%	4.5%
Rate of return on Other Assets	7.5%	7.0%

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

	31/3/2007			31/3/2006		
	MWDA £000	MWHL £000	%	MWDA £000	MWHL £000	%
Equities	4,055	8,896	58.3	4,075	8,807	61.0
Government Bonds	1,169	2,563	16.8	1,122	2,426	16.8
Other Bonds	410	900	5.9	321	693	4.8
Property	682	1,495	9.8	334	722	5.0
Cash/Liquidity	376	824	5.4	568	1,227	8.5
Other Assets	264	580	3.8	261	563	3.9

The movement in the net pension liability for the year to 31 March 2007 was as follows:-

	MWHL		MWDA	
	£000	£000	£000	£000
Net Pension Liability at 1 April 2006		(916)		(2,115)
Movements in the Year				
- Current Service Cost	(336)		(146)	
- Employer Contributions	185		151	
- Past Service/Curtailment Costs	0		0	
- Net Interest/Return on Assets	106		(33)	
- Actuarial Gain/(Loss)	725	680	398	370
Net Pension Liability at 31 March 2007		(236)		(1,745)

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 2007:-

	MWHL		MWDA	
	£000		£000	
Asset Gain/(Loss)	(5)	0% of Assets	(1)	0% of Assets
Liability Gain/(Loss)	0	0% of Liabilities	0	0% of Liabilities
Change in Assumptions	730	4.7% of Liabilities	399	4.6% of Liabilities
Net Gain	725		398	

6(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 2006-2007 MWHL paid into the Scheme the sum of £226k.

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	2006-2007	2005-2006
	£M	£M
Estimated liabilities in the scheme	(2.8)	(3.0)
Estimated assets in the scheme	2.9	2.4
Net assets in the scheme	0.1	(0.6)

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 2007 by a qualified Independent Actuary on a FRS 17 basis. The major assumptions at 31 March 2007 used by the Actuary were:-

	2007	2006
Rate of increase in salaries	4.2%	4.1%
Rate of increase in pensions in payment	3.2%	3.1%
Discount rate	5.4%	4.9%
Inflation assumption	3.2%	3.1%

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

	Long Term Rate of Return expected at 31 March 2007 %	Value at 31 March 2007 £000	Long Term Rate of Return expected at 31 March 2006 %	Value at 31 March 2006 £000
Equities	7.0	2,515	6.6	2,235
Government Bonds	4,5	152	4.1	111
Corporate Bonds	5.4	97	4.8	75
Cash	5.3	107	4.4	17
Total Market Value of Assets		2,871		2,438
Present Value of Scheme Liabilities		2,779		2,987
Surplus/(Deficit)in the Scheme		92		(549)
Related Deferred Tax Asset		0		165
Net Pension Liability on a FRS 17 basis		92		(384)

Due to significant deficit in the schemes, the Directors are due to hold discussions with the Group's Actuaries to determine the best course of action. It is likely that contributions will have to increase over the next few years to make good this deficit.

	31 March 2007 £000	31 March 2006 £000
Movement in deficit during the period		
Deficit in scheme at 1 April	(549)	(480)
Operating Cost	(276)	(160)
Other Finance Costs	3	(2)
Actuarial Gains and Losses	688	(15)
Contributions Paid	226	108
Deficit in scheme at end of year	92	(549)

	31 March 2007 £000	31 March 2006 £000
Analysis of the amount charged to Operating Profit		
Current service cost	276	160

	31 March 2007 £000	31 March 2006 £000
Analysis of the amount credited to other Finance Income		
Expected return on pension scheme assets	158	64
Interest on pension scheme liabilities	(155)	(66)
Total other finance (costs)/gains	3	(2)

	31 March 2007 £000	31 March 2006 £000
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses		
Actual return less expected return on pension scheme asset	26	201
Experience losses arising on the scheme liabilities	305	13
Changes in assumptions underlying the present value of the scheme liabilities	357	(229)
Actuarial loss recognised in statement of total recognised gains and losses	688	(15)

	31 March 2007	31 March 2006
History of experience gains and losses		
Difference between the expected and actual return on scheme assets amount £000	26	201
Percentage of scheme assets	0.91%	8.23%
Total amount recognised in statement of total recognised gains and losses : amount £000	688	(15)
Percentage of the present value of the scheme liabilities	24.76%	(0.51%)

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

		2006-2007		2005-2006
		£000	£000	£000
Net (Surplus)/Deficit for Year			(2,080)	(5,737)
Adjustments for:-				
(i)	Taxation		(336)	(596)
(ii)	Servicing of Finance Items			
	- Interest Paid	(1,231)		(1,176)
	- Interest Received	637	(594)	555
(iii)	Landfill Allowances		(35)	548
(iv)	Non-Cash			
	- Depreciation	(2,815)		(600)
	- Minimum Revenue Provision	(172)		(247)
	- Revaluations	6,279		(186)
	- FRS 17	(1,446)	1,846	(512)
(v)	Movement in			
	- Tfr to Earmarked Reserves	0		0
	- Debtors	(466)		4,991
	- Creditors	(2,311)		6,609
	- Deferred Liabilities	215	(2,562)	215
Revenue Activities Net Cash Flow			(3,761)	3,864

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 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.

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.

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.

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.