



agenda

MERSEYSIDE WASTE DISPOSAL AUTHORITY

Date: Friday, 13 August 2004

Time: 2.00 pm

Venue: North House

Membership:- **Knowsley Borough Council** - **Councillor B Swann**
Liverpool City Council - **Councillors**
R Oglethorpe
P Keaveney
N Small
St Helens Borough Council - **Councillor J Fletcher**
Sefton Borough Council - **Councillors**
D Tattersall
K Cluskey
Wirral Borough Council - **Councillors**
J Salter
S Moseley

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Merseyside Waste Disposal Authority

**At a meeting of the Authority
held on Friday 7th May 2004**

Present: Councillor Fletcher
Councillor Nock
Councillor Swann
Councillor Tattersall
Councillor Oglethorpe
Councillor Lewis
Councillor Booth

89. **Apologies for Absence**

An apology for absence was received from Councillor Coyne.

90. **Declaration of Interests by Members and Officers**

There were no declarations of interest.

91. **Minutes of the Appeals Committee Meeting held on 8th March 2004**

Councillor Coyne forwarded his belated apologies for this meeting.

Resolved that the minutes of the Appeals Committee meeting held on 8th March 2004 be approved and signed as a correct record.

92. **Minutes of the Meeting held on 19th March 2004**

Resolved that the minutes of the meeting held on 19th March 2004 be approved and signed as a correct record.

93. **Forward Plan of Key Decisions
April – June 2004**

The latest version of the Authority's Forward Plan was presented to Members for information.

94. **Urgent Action Taken under Delegated Powers Officer Protocol
WDA/31/04**

A report was submitted to the Authority which detailed urgent action taken under delegated powers by the Director of Waste Disposal, in consultation with the Chairman and Deputy Chairman of the Authority as follows:-

1. To give shareholder approval to Mersey Waste Holdings Limited to incur capital expenditure to undertake the demolition of the Bidston Moss Incinerator Chimney and Building in preparation for the redevelopment of the site.

Resolved that the action taken be noted.

95. **Best Value Performance Plan 2004/05**
WDA/27/04

Members were presented with a draft Best Value Performance Plan for 2004/05 for their consideration. Members were informed that performance data was currently being completed and a request was made to grant delegated powers to the Director.

Resolved that:

1. the draft Best Value Performance Plan 2004/05 be approved; and
2. delegated powers of the Authority be granted to the Director to approve any future amendments as required prior to the publication of the plan.

96. **Exclusion of the Public**

Resolved that the public be excluded from the meeting during consideration of the following items for the reasons stated.

<u>Minute</u>	<u>Reason (under the Local Government Act 1972)</u>
97 & 98	Exempt information relating to the proposed expenditure under a particular contract to acquire property or obtain goods or services (Paragraph 8 of Schedule 12A)

97. **Service Delivery Plan**
Bidston Redevelopment
WDA/34/04

A report was submitted seeking Members' approval to the overall project plan for the development of waste management facilities at the Bidston Moss and Gillmoss sites.

Resolved that the overall project plan be approved.

98. **Capital Programme 2004/05**
WDA/35/04

A report was submitted detailing the proposed Capital Programme for 2004/05 which reflected the present circumstances and needs of the Authority.

Resolved that:

1. the programme of capital expenditure for 2004/05 be approved;
2. the Authority gives continuing commitment to expenditure in 2005/06 for ongoing projects; and
3. the saving on the Revenue contribution to capital expenditure for the Billinge Landfill Site project in 2003/04 be earmarked to partially fund ongoing expenditure on that project in 2005/06.

MEMBERSHIP OF THE AUTHORITY
WDA/43/04

Recommendation

That the membership of the Authority for 2004/05 be noted.

MEMBERSHIP OF THE AUTHORITY
WDA/43/04

Report of the Director

1. Purpose of the Report

To inform Members of the changes in membership to the Authority for 2004/05.

2. Background

2.1. The constituent district councils of Merseyside appoint Members to this Authority each year as a result of their respective Annual Meetings.

2.2. The Authority has received notice of all appointments for 2004/05.

3. Membership of the Authority

3.1. A summary of the changes in membership is as follows:

	Previous Membership	June 2004 Membership
St Helens	John Fletcher (Labour)	John Fletcher (Labour)
Sefton	David Tattersall (Lib Dem)	David Tattersall (Lib Dem)
	Paul Tweed (Labour)	Kevin Cluskey (Labour) e/f 28/7/04
Liverpool	Gary Booth (Labour)	Nick Small (Labour) e/f 14/7/04
	Richard Oglethorpe (Lib Dem)	Richard Oglethorpe (Lib Dem)
	John Coyne (Lib Dem)	Paula Keaveney (Lib Dem) e/f 1/8/04
Wirral	Bill Nock (Labour)	John Salter (Labour) e/f 2/8/04
	Ian Lewis (Conservative)	Suzanne Moseley (Conservative) e/f 2/8/04
Knowsley	Bob Swann (Labour)	Bob Swann (Labour)

e/f – Effective From

4. Conclusion

The Authority is asked to note the revised membership of the Authority.

The contact officer for this report is Miss A Valentine, Merseyside Waste Disposal Authority, 6th Floor, 17 North John Street, Liverpool L2 5QY Tel: 0151 255 1444 Fax: 0151 227 1848
E-mail mandy.valentine@merseysidewda.gov.uk

The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.

SCHEME OF DELEGATION
WDA/37/04

Recommendation

That the Authority adopts the current Scheme of Delegations for the 2004/05 Municipal Year.

SCHEME OF DELEGATION
WDA/37/04

Report of the Director

1. Purpose of the Report

To seek Members' approval to the current Scheme of Delegation for the coming year.

2. Background

- 2.1. At a meeting of the Authority on 19th March 2004, Members approved a new decision-making system as part of its Modernisation Programme. This was in response to an Audit Commission review of the Authority's Corporate Governance Arrangements and included a revised Scheme of Delegation.
- 2.2. Current Procedural Rules require the Scheme of Delegation to be considered at the Authority's Annual Meeting each year.2004/05.
- 2.3. The Audit Commission has included a review of the new Corporate Governance arrangements as part of the Authority's Audit Plan for 2004/05.

3. Scheme of Delegation

- 3.1. The Authority has three levels of decisions, which form its decision-making system: Administrative, Executive and Key Decisions.
- 3.2. Key Decisions may only be considered at Authority meetings. Administrative and Executive Decisions are delegated decisions, the limitations of which are defined in the Scheme of Delegation.
- 3.3. Administrative Decisions may be dealt with by Officers whilst Executive Decisions require the Officer to consult with Members and is subject to the provisions of scrutiny.
- 3.4. The current Scheme of Delegation defines the limitations of delegated decisions and is attached at Appendix 1.

4. Conclusion

Given that the scheme is relatively new and will be the subject of a review by the Audit Commission, it is proposed that the current scheme be adopted for the 2004/05 Municipal Year and subject to the outcome of the Audit Commission's findings.

The contact officer for this report is Miss A Valentine, Merseyside Waste Disposal Authority, 6th Floor, 17 North John Street, Liverpool L2 5QY Tel: 0151 255 1444 Fax: 0151 227 1848

The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.

SCHEME OF DELEGATION

1. Introduction

- 1.1 The Authority will meet to consider key decisions, as defined in the Forward Plan, and scrutiny issues with regard to delegated decisions, which have been called-in in accordance with the Procedure Rules and the provisions of this Scheme.
- 1.2 This Scheme delegates to specific Officers all the powers and duties of the Authority necessary for the discharge of the specified functions. Administrative Decisions, as defined by the Scheme, may be dealt with by the Officer. Executive Decisions are those decisions which do not fall within the definition of Administrative Decisions and are not key decisions. Executive decisions may be dealt with by the Officer, following consultation with the relevant Portfolio Holder and all the Members of the Authority, and subject to the scrutiny provisions identified in the Scheme.

2. Overall Limitations

- 2.1 This Scheme does not delegate to Officers:
- (a) any matter reserved by law, or by the Authority, to the Authority itself, or to a committee or sub-committee of the Authority;
 - (b) any matter which by law may not be delegated to an Officer;
 - (c) any key decision, as defined in the Authority's Forward Plan.
- 2.2 Officers may only exercise delegated powers in accordance with:
- (a) the established policies of the Authority;
 - (b) the budget approved by the Authority;
 - (c) the Authority's Procedure Rules, Contract Procedure Rules and Financial Procedure Rules;
 - (d) any statutory restrictions, guidance or codes of practice and guidelines given from time to time by the Authority.

- 2.3 In exercising delegated powers, Officers shall not incur expenditure, which is not provided for in the Authority's approved Capital and Revenue Budgets.

2.4 Sub-Delegation

This Scheme includes the power for Officers further to delegate any function which has been delegated by them under this Scheme to another Officer or to other Officers. Every such sub-delegation shall be in writing, setting out the terms and conditions upon which that function is to be performed and accountability for the performance of the sub-delegated function. The Officer

making such sub-delegation shall record the sub-delegation in a register maintained for the purpose by the Proper Officer.

- 2.5 In exercising any delegated function, Officers shall have regard to the requirement to comply with the restrictions set out in paragraph 2.2 above and shall be responsible for undertaking any appropriate consultation with the Authority's Statutory Officers before making any decision.
- 2.6 In exercising any delegated function, Officers shall have regard to any professional standards or operational policies of the Authority.
- 2.7 There are two types of decisions which may be taken by Officers under this scheme of delegation:
 - (a) Executive Decisions
 - (b) Administrative Decisions

3. Executive Decisions

3.1 Consultation

- (a) Before taking any Executive decision, the Officer shall prepare a report, setting out
 - (i) the Officer preparing to take the decision;
 - (ii) the issue to be decided;
 - (iii) any restriction upon the publication of the report as if the decision were a decision falling to be made by a committee or sub-committee of the Authority in accordance with Sections 100 and 100A to 100K of the Local Government Act 1972;
 - (iv) any facts upon which any decision must be based;
 - (v) any legislative requirements;
 - (vi) any Authority policy relating to the issue;
 - (vii) any relevant national or regional guidance;
 - (viii) the alternative options available to the Officer;
 - (ix) the staffing and financial implications of the issue;
 - (x) any consultations undertaken; the view of any consultees;
 - (xi) any implications for any other areas of the Authority's activities;
 - (xii) the portfolio which the issue falls within;
 - (xiii) the Officer's proposed decision and the reasons supporting the Officer's proposed decision.

- (b) The Officer shall, following consultation with the relevant Portfolio Holder, send a copy of the report to:
 - (i) all Members of the Authority;
 - (ii) the Proper Officer, the Director, the Treasurer, the Solicitor.

3.2 Call-in

Two or more Members may object to the proposed decision, within 5 working days of receiving it, by notifying the Officer of their objection and requesting that it be referred to the next meeting of the Authority for determination.

If a Member has no objection to the proposed decision he will return the report to the Officer within 5 working days of receiving it.

3.3 Determination

Where no objection has been received from two Members within the timescale outlined above, the Officer may proceed to make a final decision as indicated in the report.

Where two Members have requested that the report be referred to a meeting of the Authority, the Officer shall no longer have the power to take the final decision. The Proper Officer shall include the report for decision to the next meeting of the Authority and the Officer's proposed decision shall form the recommendation to the Authority.

3.4 Urgent Decisions

Where an Officer is of the opinion that an Executive decision for which he/she is responsible should be made urgently in order to prevent or reduce the risk of damage to persons or property, or to the interests of the Authority, and that the urgency of the decision is such that it is not practicable to complete the Executive decision-making process set out above, the Officer shall

- (a) use his/her best endeavours, as far as the urgency of the matter permits, to consult those persons whom he/she would have been required to consult had the full Executive decision-making process been followed; and
- (b) have the full power to take that Executive decision, notwithstanding that the full procedure has not been followed;
- (c) as soon as practicable after taking the decision, ensure that a report set out as in paragraph 3.1(a) is prepared, setting out also the reasons for the urgency and the final decision which has been taken, and that report shall go to the next convenient meeting of the Authority for information.

3.5 Recording of Executive Decisions

Upon making an Executive decision, the Officer shall provide the Proper Officer with a written statement of the decision, signed by the Officer, within 2 working days of the date of the decision.

The Proper Officer shall publish all Executive decisions within 5 working days of the date of the decision and shall ensure that a record of these decisions, including a copy of the report, subject to any requirement for confidentiality, is available for public inspection during normal office hours, and that the public shall have a right to copy or to be provided with a copy, of any part of that record upon payment of a reasonable copying and administrative charge.

3.6 Accountability

Officers are accountable for any decision which they make and may be required to report to and to attend and answer questions at an Authority meeting in respect of such decisions.

4. Administrative Decisions

4.1 A decision shall not comprise an Administrative Decision if:

- (a) it is not within an approved budget;
- (b) it is in conflict with the established policies of the Authority;
- (c) it raises new issues of policy;
- (d) it will result in any staff being displaced or TUPE transferred;
- (e) it requires the acquisition or disposal of any interest in land;
- (f) it requires a virement of funding of above £50,000;
- (g) it requires the acceptance of a tender for a contract in excess of £100,000;
- (h) it proposes the payment of an ex-gratia payment or payment of a sum in settlement of a complaint against the Authority;
- (i) it proposes the write-off of a debt to the Authority of more than £1,000;
- (j) the Officer is of the opinion that it should be treated as an Executive Decision.

4.2 Consultation and Publicity

- (a) Officers do not have to produce or publish a formal written report in respect of an Administrative Decision, but they must undertake appropriate consultation with the relevant Officers, before making the decision.

- (b) Where the decision proposes the write-off of a debt owed to the Authority, the Treasurer must be consulted and the matter must be dealt with in accordance with the Financial Procedure Rules.

4.3 Recording and Reporting of Administrative Decisions

There is no requirement to maintain a record of Administrative Decisions for the purpose of Member or public access, but Officers are responsible for retaining a record of the Administrative Decisions which they take, and the reasons for such decisions, sufficient for audit and evidential purposes, and for ensuring that all those who need to know are informed promptly of the decision.

QUESTIONS ON THE DISCHARGE OF FUNCTIONS
WDA/36/04

Recommendation

That the Authority indicates its five nominations for the forthcoming year in accordance with Section 41 of the Local Government Act 1985.

QUESTIONS ON THE DISCHARGE OF FUNCTIONS
WDA/36/04

Report of the Director

1. Purpose of the Report

To seek nominations from the Authority as to which Members shall be responsible for answering questions on behalf of the Authority at their respective constituent council proceedings.

2. Background

2.1. Section 41 of the Local Government Act 1985 requires that arrangements shall be made for enabling questions on the discharge of functions by a Joint Authority to be put by a Member of a constituent council, for answer by another Member of the constituent council, who is also a Member of the Joint Authority and has been nominated by the Authority for that purpose.

2.2. In other words, the Authority must nominate one of its Members from each of the five constituent councils as the person who will answer questions put in the course of council proceedings by another council member, about the discharge of the Waste Disposal Authority's functions.

2.3. The Authority nominates Members at its Annual Meeting each year and the Members previously nominated were:

Knowsley	Councillor Swann
Liverpool	Councillor Booth
St Helens	Councillor Fletcher
Sefton	Councillor Tweed
Wirral	Councillor Nock

3. Conclusion

The Authority is asked to indicate its five nominations for the forthcoming year in accordance with Section 41 of the Local Government Act 1985.

The contact officer for this report is Miss A Valentine, Merseyside Waste Disposal Authority, 6th Floor, 17 North John Street, Liverpool L2 5QY Tel: 0151 255 1444 Fax: 0151 227 1848

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Merseyside Waste Disposal Authority
13th August 2004

APPOINTMENTS AND REPRESENTATIONS
WDA/38/04

Recommendation

That the following be determined for the 2004/05 Municipal Year:

- 1 the appointment of Lead Members and their portfolios;
- 2 the approval of the Terms of Reference and delegations for the Appeals Committee and the appointment of its Members;
- 3 the appointment of an Employment Committee and a Contracts Committee not be made;
- 4 the establishment of a Governance and Audit Committee be considered and should it be accepted, that its Terms of Reference and delegations be approved and Members appointed; and
- 5 representatives be appointed to the Board of Bidston Methane Limited and North West Local Authorities' Employers' Organisation (NWLAEO).

APPOINTMENTS AND REPRESENTATIONS
WDA/38/04

Report of the Director

1. Purpose of the Report

To seek nominations for a Lead Member, the appointment of the Authority's Committees and representations on other bodies for the 2004/05 Municipal Year.

2. Background

- 2.1. The Authority appoints its committees and determines Member representation on certain boards at its Annual Meeting each year.
- 2.2. At its meeting on 31st October 2003, the Authority approved a new decision-making system which identified specific portfolios for two Members, these being the Chairman of the Authority and a Lead Member.
- 2.3. The appointment of the Chairman is dealt with elsewhere on this agenda, whilst the appointment of the Lead Member is to be considered as part of this report.

3. Appointment of a Lead Member

- 3.1. The current Decision-Making System identifies areas of responsibility for its Members. In summary, these responsibilities are:

Member	Area of Responsibility
Chairman	Strategy and Forward Planning Finance Performance Management Best Value Communications and PR
Lead Member	Procurement Risk Management Audit
All Members	Scrutiny Public Consultation

- 3.2. In practice, where a Member has specific responsibility, they will be involved in the development of that area and will be the initial Member consulted when a relevant Executive Decision is being considered prior to full consultation with all Members.
- 3.3. At its meeting on 31st October 2004, Councillor Oglethorpe was appointed Lead Member for Procurement, Risk Management and Audit.
- 3.4. Members have the opportunity to review the roles and responsibilities of Members and allocate portfolios as appropriate for the 2004/05 Municipal Year.

4. Appointment of Committees

- 4.1. The Authority appointed three committees in 2003/4, these being the Appeals, Employment and Contracts.

- 4.2. **Appeals Committee**

- 4.2.1. Terms of Reference:

To hear and adjudicate upon:-

1. appeals relating to disciplinary matters; and
2. any matters of grievance, including grading referrals or appeals brought by an employee, in accordance with the Authority's established grievance procedure.

- 4.2.2. Delegation:

To have delegated to it all the powers of the Authority to hear and adjudicate upon appeals relating to disciplinary matters and to determine grievance cases.

- 4.2.3. Quorum:

2 Members

- 4.2.4. 2003/04 Membership:

Councillors Nock, Coyne, Swann and Booth

4.2.5. Members are asked to approve the current Terms of Reference and Delegations to the Appeals Committee and to consider its Membership.

4.3. **Employment Committee**

4.3.1. The role of the Employment Committee has essentially become redundant under the new Decision-Making System with its Terms of Reference now being dealt with as Administrative and Executive Decisions and as such, delegated to Officers, or as Key Decisions where policy is being determined.

4.3.2. Furthermore, the role of the committee was to make recommendations to the Authority as it did not have delegated powers to make decisions and for this reason it was rarely called.

4.3.3. It is therefore proposed that an Employment Committee not be adopted this year.

4.4. **Contracts Committee**

4.4.1. The Contracts Committee was established to deal specifically with the extension of the Waste Disposal Contract and the reletting of the Household Waste Recycling Contract, both of which were due to expire in October 2003.

4.4.2. These contracts have now been completed and therefore it is not necessary to appoint a Contracts Committee in the current Municipal Year.

4.5. **Proposed Committee – Governance and Audit**

4.5.1. The Authority took the decision to modernise its corporate governance arrangements with only Key Decisions being considered by the Authority. This has resulted in the number of meetings being reduced to only four scheduled meetings per year.

4.5.2. However, there are certain matters which need to be considered by the Authority within statutory timeframes which makes it difficult to timetable meetings to satisfy all of these constraints. This includes the approval of the Authority's Statement of Accounts and the ensuing audit process.

- 4.5.3. There are two main options available to Members. The Authority may wish to hold special meetings on an ad hoc basis or delegate its powers to a committee.
- 4.5.4. Should Members wish to appoint a Governance and Audit Committee, it is proposed that the committee would only be called upon where the matter could not be considered at a scheduled Authority meeting due to time constraints. The following is therefore proposed:

Terms of Reference:

To deal with:-

1. the Authority's Statement of Accounts and other statutory financial determinations with the exception of Revenue and Capital Budget approval; and
2. the consideration of audit plans and reviews and receipt of the Annual Audit Letter.

Delegations:

To approve, only in those instances where an Authority Meeting is not scheduled within the timeframes required, the Statement of Accounts, Prudential Indicators, SAS 610 Report, Audit Plans, Action Plans resulting from Audit Reviews and Inspections and the Annual Audit Letter.

Membership:

4 Members (Quorum being 2 Members)

- 4.5.5. Members are therefore asked to consider the establishment of a Governance and Audit Committee and to decide upon its membership.

5. Representation on Other Bodies

5.1. **Board of Mersey Waste Holdings Limited**

- 5.1.1. The Authority is entitled to appoint a single representative on the Board of Mersey Waste Holdings Ltd.

5.1.2. At its meeting on 27th June 2003, the Authority resolved to appoint Councillor Fletcher as its representative for a further period of two years, to expire on 20th August 2005.

5.1.3. Members are therefore not required to consider representation at this meeting.

5.2. **The Board of Bidston Methane Limited**

5.2.1. The Authority is entitled to appoint three Members to the Board of Bidston Methane Limited. Members currently representing the Authority are as follows:

Councillors Fletcher, Swann and Nock.

5.2.2. Members are asked to consider the representations on the Board of Bidston Methane Limited for the coming year.

5.3. **North Western Local Authorities' Employers' Organisation**

5.3.1. The Authority is requested each year to appoint a representative to the North Western Local Authorities' Employers' Organisation (NWLAE0).

5.3.2. Councillor Fletcher was appointed as the Authority's representative for the 2003/04 Municipal Year.

5.3.3. Members are asked to consider the representation to the NWLAE0 for the coming year.

6. Conclusion

The Authority is asked to make the determinations for appointments and representations as set out in this report for the 2004/05 Municipal Year.

The contact officer for this report is Miss A Valentine, Merseyside Waste Disposal Authority, 6th Floor, 17 North John Street, Liverpool L2 5QY Tel: 0151 255 1444 Fax: 0151 227 1848
E-mail mandy.valentine@merseysidewda.gov.uk

The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.

AUDIT PLAN 2004/05
WDA/42/04

Recommendation

That Members consider the content of the Audit Plan for 2004/05.

AUDIT PLAN 2004/05
WDA/42/04

Report of the Director

1. Purpose of the Report

To seek Members' views on the content of the Audit Plan to be undertaken by the Audit Commission in 2004/05.

2. Background

- 2.1. The Authority agrees an Audit Plan with the Audit Commission each year.
- 2.2. The plan reflects the key areas for the year ahead and are selected on a risk based approach.

3. Audit Plan 2004/05

- 3.1. The Audit Plan for 2004/05 identifies the following key areas for review and inspection:
 - Accounts
 - Governance
 - Procurement
 - Partnership Working
 - Best Value
 - Grant Claims
- 3.2. The full Audit Plan 2004/05 is attached at Appendix 1. It should be noted that the Audit Team has subsequently changed. The Authority's Relationship Manager is now Judith Tench and the Audit Manager is Peter Williams.
- 3.3. Members are asked to consider the content of the Audit Plan.

The contact officer for this report is Miss A Valentine, Merseyside Waste Disposal Authority, 6th Floor, 17 North John Street, Liverpool L2 5QY Tel: 0151 255 1444 Fax: 0151 227 1848
E-mail mandy.valentine@merseysidewda.gov.uk

The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.

Merseyside Waste Disposal Authority
13th August 2004

Audit and Inspection plan

Merseyside Waste Disposal Authority

INSIDE THIS PLAN

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- Governance
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- Grant claims for certification
- The team

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- Further details of our respective code responsibilities
- Status of reports to the Authority

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- Planned outputs

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Appendices

- Appendix 1 – The Audit Commission's requirements in respect of Independence & Objectivity

Reference:	ME007-01-2005
Date:	April 2004

Introduction

This plan sets out the audit and inspection work we propose to undertake in 2004/2005. The plan has been drawn up from planning meetings with you, and our risk based approach to audit planning. This plan reflects the Audit Commission's elements of the co-ordinated and proportionate audit and inspection programme.

Strategic regulation

Strategic regulation is at the core of the Audit Commission's plans. It is a new more focused and more risk-based approach. Our approach to strategic regulation embodies four key principles:

- it is a force for continuous improvement
- it is focused on outcomes for service users
- it is proportionate to performance and risk
- it is delivered in partnership.

We intend to demonstrate the benefits of strategic regulation in your audit and inspection programme by working with you on developing effective partnerships and procurement arrangements.

Our responsibilities

In carrying out audit and inspection work we comply with the statutory requirements governing it, in particular:

- for our audit work
 - the Audit Commission Act 1998
 - the Code of Audit Practice (the Code) and
 - the Local Government Act 1999
- for our inspection work
 - the Local Government Act 1999.

To clarify the purpose of our different responsibilities we have divided the plan into the following assurance categories:

- Accounts
- Governance
- Use of resources
- Grant claims.

The fee

The fee for our 2004/2005 programme of work is set out below.

Audit area	Fee (£)
Assurance	
• Accounts	20,181
• Governance	3,601
• Use of resources	14,323
TOTAL	38,105

In setting the fee we have assumed:

- you will inform us of significant developments and emerging risks
- Internal Audit meet the appropriate professional standards
- officers will provide good quality working papers
- officers will provide requested information within agreed timescales
- prompt responses to draft reports.

Changes to the plan will be agreed with you. These may be required if:

- significant new risks emerge or
- additional duties are required of us by the Audit Commission or
- changes are agreed with the other inspectorates.

In addition to the above fee there will be a charge of an estimated £1,200 for the Clean Merseyside Centre ERDF grant claim certification work for 2003/2004. This estimate is based on the previous year fee of £1,813 and known changes in the claim.

Assurance

Accounts

We are required to give an opinion on your accounts. We will do this by reviewing your core processes for producing the accounts:

- the main accounting system
- the budgetary control procedures
- the final accounts closedown procedures.

We will then undertake detailed testing of the figures in the accounts.

We will undertake the following specific work to address the risks we have identified for 2004/2005. These risks may be liable to change as the 2004/2005 financial year progresses, and we will update our risk assessment and work programme during the year.

Risk	Action proposed
<p>Technical Issues</p> <p>The changes to the SORP and Accounts and Audit Regulations 2003.</p>	<p>As part of the core process review work, Mersey accountants technical update workshop and early opinion work we will review how the Authority is addressing the various technical issues that are likely to impact on the 2004/2005 statement of accounts.</p>
<p>Whole of Government accounts</p> <p>Preparation for the Whole of Government Accounts will require earlier production of your statement of accounts.</p>	<p>We will review your closing procedures to determine the progress required to comply with the Whole of Government Accounts timetable.</p>
<p>Prudential Code</p> <p>Limited preparation time for the Authority to adopt the Prudential Code and incorporate into the budget setting process.</p>	<p>We will review what governance, decision making and risk management arrangements the Authority has put in place to adopt and make effective use of the new Prudential Code.</p>

Expected outputs
Interim CPR and Governance Report.
SAS 610 report and Audit Opinion Memorandum.

Governance

We are required to determine whether you have adequate arrangements for:

- legality
- financial standing
- internal financial control

- standards of financial conduct and preventing and detecting fraud and corruption.

We will undertake the following specific work to address the risks we have identified for 2004/2005.

Risk	Audit work proposed
<p>Financial Planning</p> <p>The Authority is unable to achieve the medium term unapproved budget with potential consequences of depleting reserves or having to increase levies above projected levels.</p>	<p>We will review the steps the Authority is taking to implement its budget in accordance with the medium to long term Waste Management strategies.</p>
<p>Financial and Risk Management</p> <p>The Authority is unable to fully accept corporate responsibility for financial, risk management and internal control.</p>	<p>We will review financial management arrangements and follow up on previous risk management work to ensure adequate arrangements are in place.</p>
<p>Decision making arrangements</p> <p>The Authority has not made effective use of the new decision making arrangements.</p>	<p>We will review how the new delegated decision making arrangements have been embedded.</p>

Expected outputs
Interim CPR and Governance Report.
SAS 610 Report.

Use of resources

Overall arrangements

We will review whether you have adequate arrangements to secure economy, efficiency and effectiveness in the use of your resources.

We will undertake the following specific work to address the main risk we have identified for 2004/2005.

Risk	Audit work proposed
<p>Procurement</p> <p>The Authority is not in a position to fully consider all of the medium and long term integrated waste management infrastructure and service procurement options, including the wider regional waste agenda.</p>	<p>We will undertake a position statement and benchmarking review on northwest regional waste management procurement, from those authorities with waste disposal duties.</p>
<p>Partnership working</p> <p>The Authority does not maximise achievement on objectives set out in the medium and long term Waste Management Strategy for Merseyside through effective partnership working with the districts and other key partners.</p>	<p>We will assess your partnership arrangements against good practice criteria through facilitated partner workshops with a view to assisting the waste management agenda.</p>

We will also follow-up our work from previous years to ensure you have implemented agreed recommendations. In particular, we will monitor progress on the 2002/2003 detailed action plan from the joint Audit and Inspection review of the Waste Management Strategy.

Voluntary improvement work

Where the Authority requests additional work to help with the improvement agenda we will be happy to discuss detailed proposals. The fee for this work, undertaken under section 35 of the Audit Commission Act 1998, would be agreed separately with the council.

Best value

We will undertake a review of your Best Value Performance Plan (BVPP) to ensure it meets the statutory requirement in respect of its content. We will issue an opinion on this plan before the end of December 2004. We will also review and comment on your systems for collecting performance information and in particular BVPIs.

Expected outputs
BVPP Opinion statement.
North west regional waste management procurement report.
Partnership working workshop and action plan.
Waste Management Strategy Audit and Inspection progress update report.

Grant claim certification work

The Audit Commission has changed the certification audit regime to reduce the amount of work overall, and better link the work to assessments of risk. The Clean Merseyside Centre 2003/2004 claim is anticipated to be over £100,000, which will have an audit approach relevant to the auditor’s assessment of the control environment and management preparation of the claim.

The team

Name	Title
Tim Watkinson	Relationship Manager and District Auditor
Gareth Kelly	Audit Manager
Ray Hennessey	Local Performance Lead
Ian Lee	Principal Auditor
Richard Quayle	Trainee Auditor

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

In relation to the audit of your financial statements we will comply with the Commission’s requirements in respect of independence and objectivity as set out at Appendix 1.

Further details of our respective Code responsibilities

The Audit Commission's publication 'Statement of Responsibilities of Auditors and Audited Bodies' gives further information on our respective responsibilities under the Code of Audit Practice.

Status of our reports to the Authority

We will provide reports, or other output as agreed, to the Full Authority for each of the risk areas identified in the plan. Our key milestones are set out in the 'Planned Outputs' section. This is prepared in draft form and will be updated regularly as work programs are agreed, and will form the basis of audit progress reports to officers and the Full Authority.

Our reports are:

- prepared for the sole use of the authority

- written without assuming any responsibility by ourselves to any other person, including members and officers, or to any third party.

We are also required to report relevant matters relating to the audit to those charged with governance. The following section on Planned Outputs shows how we will address this requirement.

Status of our reports to the Authority

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Directors, Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Director/Member or officer in their individual capacity, or to any third party.

Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the relevant Committee.

Planned output	Start date	Draft due date	Key AC contact
Regional waste management procurement position report.	April 2004	September 2004	Peter Williams Jane Hawkes
Partnership working workshops.	August 2004	November 2004	Gareth Kelly Ray Hennessey
Best Value Performance Plan Audit.	June 2004	November 2004	Gareth Kelly
Waste Management Strategy Audit and Inspection Action Plan follow up.	June 2004	September 2004	Gareth Kelly
Interim Governance Report	November 2004	January 2005	Gareth Kelly
Financial Management and Risk Management follow up.	February 2005	March 2005	Gareth Kelly
SAS 610 Report - Communication with those charged with responsibility for Governance.	July 2005	August 2005	Gareth Kelly
Final Accounts Memorandum	July 2005	September 2005	Gareth Kelly Richard Quayle
Audit Letter	August 2005	October 2005	Gareth Kelly

The Audit Commission's requirements in respect of Independence and Objectivity

Auditors appointed by the Audit Commission are subject to the Code of Audit Practice (the Code) which includes the requirement to comply with Statements of Auditing Standards (SAS) when auditing the financial statements. SAS 610.3 requires auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff.

The SAS defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case the appropriate addressee of communications from the auditor to those charged with governance is the Full Authority. The auditor reserves the right, however, to communicate directly with the Board on matters which are considered to be of sufficient importance.

Auditors are required by the Code to:

- carry out their work with independence and objectivity
- exercise their professional judgement and act independently of both the Commission and the audited body
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors, or any firm with which an auditor is associated, should not carry out work for an audited body, which does not relate directly to the discharge of the auditors' functions if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired. If auditors are satisfied that performance of such additional work will not impair their independence as auditors, nor be reasonably perceived by members of the public to do so, and the value of the work in total in any financial year does not exceed a de minimis amount (currently the higher of £25,000 or 20% of the annual audit fee), then auditors (or, where relevant, their associated firms) may undertake such work at their own discretion. If the value of the work in total for an audited body in any financial year would exceed the de minimis amount, auditors must obtain approval from the Commission before agreeing to carry out the work.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner or Regional Director
- audit staff are expected not to accept appointments as lay school inspectors
- firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned
- auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence

- auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission
- auditors are expected to comply with the Commission's policy for both the District Auditor/Partner and the second in command (Senior Manager/Manager) to be changed on each audit at least once every five years with effect from 1 April 2003 (subject to agreed transitional arrangements)
- audit suppliers are required to obtain the Commission's written approval prior to changing any District Auditor or Audit Partner/Director in respect of each audited body and
- the Commission must be notified of any change of second in command within one month of making the change. Where a new Partner/Director or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

FINANCING OF CAPITAL EXPENDITURE 2003/2004
WDA/41/04

Recommendation

- That: (i) Members note the Capital Outturn and Financing for 2003/2004; and
- (ii) the Authority make the following Determinations as required under the Local Government and Housing Act 1989:-
- (a) **Section 63(1) Determination**
- £366,046 to be charged to revenue accounts in respect of Minimum Revenue Provision set aside as provision for credit liabilities in 2003/2004.

FINANCING OF CAPITAL EXPENDITURE 2003/2004
WDA/41/04

Report of the Treasurer to the Authority

1. Purpose of the Report

To inform Members of capital expenditure and its resourcing for 2003/2004, and to seek approval of formal determinations required under Part IV of the Local Government and Housing Act 1989.

2. Background

The existing system of controls applicable to the capital expenditure and financing of Local Authorities, stemming from Part IV of the Local Government and Housing Act 1989 ("the Act") was introduced on 1 April 1990.

3. Capital Outturn 2003/2004

The capital expenditure outturn for 2003/2004 was £669,544.

4. Capital Resourcing 2003/2004

4.1 The Authority received an initial Basic Credit Approval of £0 which was subsequently decreased by £3,065 on account of an increase on relevant liabilities of Mersey Waste Holdings Limited, its regulated company.

4.2 The only other resources for funding capital expenditure in the year is revenue account and the following amount is financed that way:-

	£
Capital Expenditure in the Year 2003/2004	669,544
Add Credit Cover required under LA (Companies Order)	<u>3,065</u>
	672,609
Add financing of 2002/2003 Expenditure	<u>12,265</u>
	684,874
Less 2003/2004 Expenditure to be financed in 2004/2005	<u>204,803</u>
Expenditure financed from Revenue Accounts 2003/2004	<u>480,071</u>

5. Minimum Revenue Provision 2003/2004

5.1 The Authority is required to charge 4% of its Adjusted Credit Ceiling at 1 April 2003 to Revenue Account in 2003/2004.

That calculation is 4% of £9,151,151 = £366,046.

Merseyside Waste Disposal Authority
13th August 2004

The charge is shown in the Revenue Account for 2003/2004 as follows:-

	£
Waste Reception Centres (Depreciation part of Asset Rental)	14,865
Contribution from Capital Reserve	<u>351,181</u>
	366,046

6. Determinations to be Made

6.1 The Act requires Local Authorities to make formal and specific determination in relation to a number of matters concerning their capital resources. The determinations to be made by 30 September 2004 for capital transactions emanating in 2003/2004 are as follows:-

(a) Section 63(1)

The Minimum Revenue Provision for 2003/2004 is calculated as £366,046 being 4% of the Adjusted Credit Ceiling of £9,151,151. There is a requirement for this sum to be formally determined as having been set aside as provision for credit liabilities.

Ian Roberts

Treasurer to the Authority

The Contact Officer for this report is Mr J Webster, St. Helens MBC, Town Hall, Victoria Square, St Helens, WA10 1HP
Telephone: (01744) 456096
Fax: (01744) 733337

Background documents open to inspection in accordance with Section 100D of the Local Government Act 1972:-

Nil

STATEMENT OF ACCOUNTS 2003-2004
WDA/40/04

Recommendation

That:

1. the Authority's Statement of Accounts for 2003-2004 are approved; and
2. the Chairman of the Authority signs and dates the Statement of Accounts as required.

STATEMENT OF ACCOUNTS 2003-2004
WDA/40/04

Report of the Treasurer to the Authority

1.0 Purpose of the Report

To present to Members the Authority's Statement of Accounts for 2003-2004.

2.0 Background

Regulation 7 of the Accounts and Audit Regulations 2003 requires that the Statement of Accounts for the Authority are prepared in accordance with proper practices. Regulation 10 also requires the Treasurer to the Authority to sign and date the Statement of Accounts certifying that they present fairly the financial position of the Authority. Following approval the Accounts are to be signed and dated by the person presiding at the Committee or meeting.

3.0 Recommendation

3.1 That the Authority's Statement of Accounts for 2003-2004 are approved.

3.2 That the Chairman of the Authority signs and dates the Statement of Accounts as required.

Ian Roberts

Treasurer to the Authority

The Contact Officer for this report is Mr J Webster, Finance Division, Chief Executive's Department, Town Hall, St Helens, WA10 1HP
Telephone (01744) 456096

Background documents open to inspection in accordance with Section 100D of the Local Government Act 1972

Final Accounts Working Papers

Merseyside Waste Disposal Authority
13th August 2004

**MERSEYSIDE WASTE DISPOSAL
AUTHORITY**

STATEMENT OF ACCOUNTS

2003-2004

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FOREWORD BY THE TREASURER TO THE AUTHORITY

INTRODUCTION

The Statement of Accounts which follows demonstrates the Authority's financial performance during the year ended 31 March 2004 and presents 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.

Expenditure falls into two broad areas, namely Revenue (concerning the provision of Authority services) and Capital (the acquisition or improvement of fixed assets). The purpose of the foreword is to briefly summarise the financial results during 2003-2004.

REVENUE SPENDING IN 2003-2004

Revenue expenditure in 2003-2004 has increased by £3.7M over that in the preceding year. The main increases are as follows:-

	£M
Increased costs of recycling through the Household Waste Recycling Centre Contract	+1.8
Increases in waste arisings and cost of new operational methods	+1.0
Increase in Landfill Tax payments	+0.3
Increase in Recycling Credits paid to Districts	+0.5
Increase in Waste Strategy Development costs	<u>+0.1</u>
	<u>+3.7</u>

The Landfill Tax Rate is due to increase by £1 per tonne for next year and then escalates to an increase of £3 per tonne per year until it reaches £35 per tonne. This fully explains the need for investment in better waste management to mitigate such tax increases.

The Authority's original budget for 2003-2004 amounted to £35.3M and the final outturn expenditure was £34.3M.

The financial position of the Authority was monitored closely during the financial year and savings over and above budget were reported in the quarterly monitoring cycle. The effect of the savings of £1.0M is shown below:-

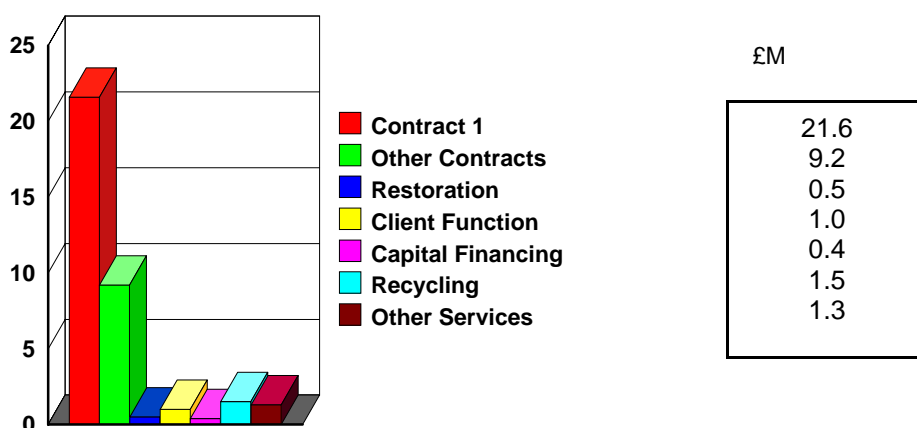
	ORIGINAL BUDGET £M	REVISED BUDGET £M	ACTUAL EXPENDITURE £M
Net Spending on Services	35.7	35.2	34.8
Investment Income and Interest Received	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>
Total	35.3	34.8	34.3
Levy Income	33.8	33.8	33.8
Net Deficit/(Surplus) for the Year	1.5	1.0	0.5

The main reasons for variations were:-

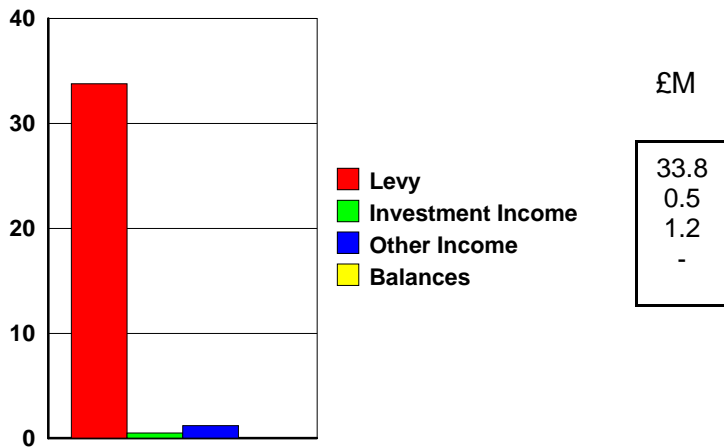
<u>Original to Revised Budgets</u>	£M
Increased cost of Waste Disposal Contracts	1.0+
Increased discounts from contractor	0.5 -
Reduction in Trade Waste income	0.1+
Slippage on Capital Programme	0.6 -
Reduced level of District Recycling credits payable	<u>0.5</u> - 0.5 -
<u>Revised Budget to Actual Expenditure</u>	£M
Further slippage on Capital Programme and other costs	0.5 -
Further reduction in District Recycling credits paid	0.2 -
Increased Disposal costs (as result of above)	<u>0.2</u> + 0.5 -

The diagrams below summarise gross expenditure in the year and its financing:-

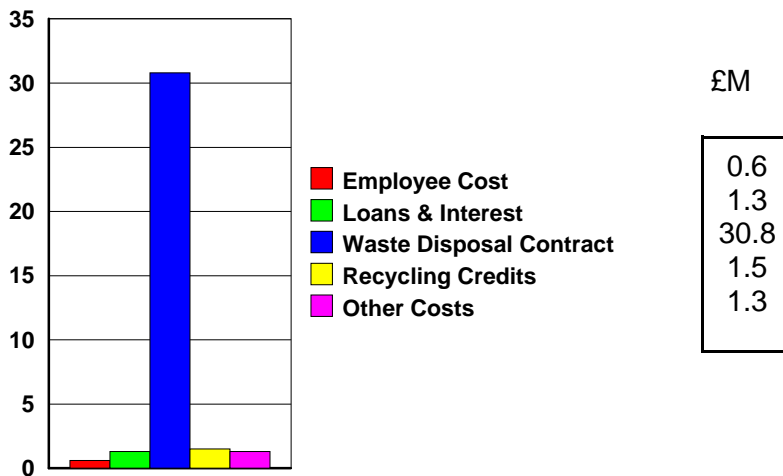
WHERE THE MONEY GOES



WHERE THE MONEY COMES FROM



WHAT THE MONEY IS SPENT ON



CAPITAL SPENDING IN 2003-2004

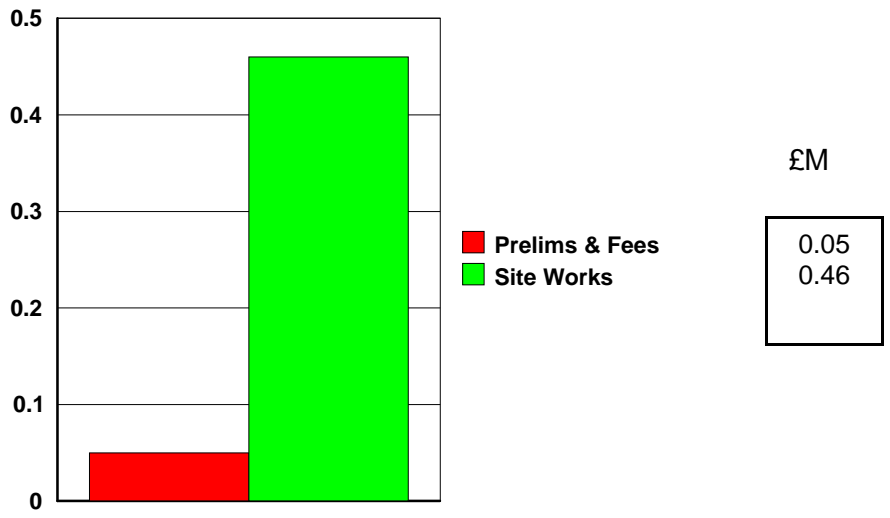
The Authority spent £0.5M on capital expenditure in 2003-2004 which included the following major items:-

	£M
Billinge Hill LFS Restoration	0.4

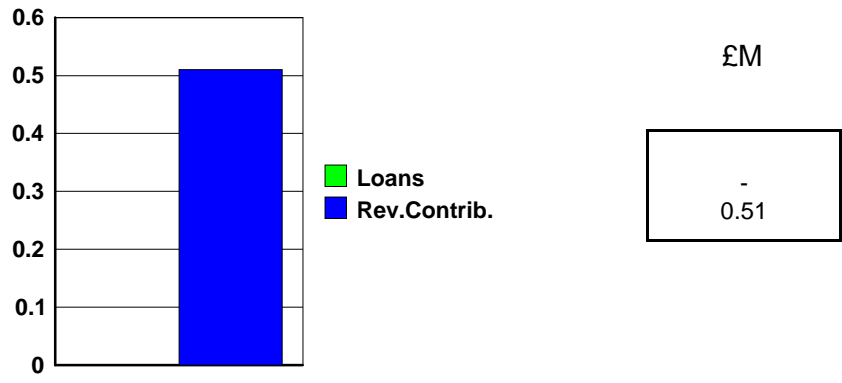
The Authority financed the above expenditure from revenue in the year.

The following diagrams summarise the capital spending and its financing during the year:-

EXPENDITURE



FINANCING



I certify that the Statement of Accounts presents fairly the financial position of the Authority at 31 March 2004

Ian Roberts,
Treasurer to the Authority

Date:

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 Great Britain ('the Code of Practice').

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 Code of Practice.

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 31st March 2004.

STATEMENT ON INTERNAL CONTROL

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 2004 and, subject to the changes as a result of the review process, up to the date of approval of the Annual Report and Accounts.

3. The Internal Control Environment

The Authority had prepared a Service Plan for 2002 to 2005 which was updated in the course of the year to cover 2004 to 2007. The structure of the new Plan describes how the Authority's vision manifests itself into aims and objectives, it then sets out a programme of work with specific targets set with timescales. The process is monitored by a six monthly review.

The Authority operated a facilitation of policy and decision making through a Board of nine Councillors, representing the five Merseyside District Councils, meeting at scheduled six weekly intervals.

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 Board. The Authority also has approved a system of controls including Standing Orders and Financial Regulations. A further monitoring function incorporates an independent view given by both external and internal audit. The Authority has an approved Risk Management Policy which is being used to develop a risk management culture.

The Policy incorporates a statement which identifies its commitment to establishing a risk management system and identifies typical risks which the Authority faces, mainly an occurrence which may have an impact on the achievement of the Authority's objectives.

It states that risk assessment will be incorporated into the Authority's Service Planning process and sets out responsibilities within the organisation structure.

It also sets out the arrangements with regard to the operational aspects of the process which include risk assessments, the development of a risk analysis and control plan, training requirements and the provision of an annual monitoring report to the Authority.

A Best Value Performance Plan was prepared for 2003/2004 and a review of the establishment was completed. This review should ensure that the whole waste management agenda can be resourced more effectively.

The Authority prepared a budget for 2003/2004 which was approved by the Board, it also prepared a three year forecast which incorporated infrastructure developments and projected future Levy levels. The latter was presented to Members as part of their development programme. The budget is then monitored on a three monthly cycle with financial reports prepared for Member consideration. 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.

A process of quarterly performance management reporting to Members was in operation throughout the year.

4. Review of Effectiveness

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 Executive Managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and other review agencies and inspectorates.

A Best Value Review of Waste Management Strategy which concluded in 2002/2003 was the subject of an inspection, carried out by the Audit Commission under Section 10 of the Local Government Act 1999, in June 2003. At the request of the Authority a detailed Governance and Performance Management Audit Review was also carried out and incorporated into the findings from the inspection.

5. Significant Internal Control Issues

A review of the Authority's Corporate Structure and Processes has resulted in the development of a modernisation programme, in particular to address the identified corporate governance issues, the majority of which has been introduced prior to approval of the Annual Report and Accounts.

These improvements include:-

- revisions to the decision making process:

the revisions enable the Authority to concentrate on the more serious and important issues that it faces, with the less serious and important decisions dealt with in an expanded scheme of delegations.
- member training:

the Authority set out on a programme of member training which involved awareness of the modernisation of its corporate governance, performance management and future infrastructure investment.
- specific member roles and responsibilities:

the Authority has identified a Lead Member responsible for 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.
- introduction of new procedural rules:

the Authority has undertaken a complete revision of its standing orders and has determined new procedural rules and protocols.

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

AUDITOR'S REPORT TO MERSEYSIDE WASTE DISPOSAL AUTHORITY

I have audited the financial statements on Pages 17 to 39 which have been prepared in accordance with the accounting policies applicable to Local Authorities as set out on Pages 12 to 16.

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 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor/Auditors

The Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly:-

- the financial position of the Authority and its income and expenditure for the year;
- the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

I review whether the statement on Pages 7 to 9 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC 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 form an opinion on the effectiveness of the Authority's system of internal control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent mis-statements or material inconsistencies with the statement of accounts.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards 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 judgements 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 mis-statement, whether

caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the financial statements present fairly the financial position of Merseyside Waste Disposal Authority as at 31 March 2004 and its income and expenditure for the year then ended.

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.

Signature Date

Name Address

STATEMENT OF MAIN PRINCIPLES AND ACCOUNTING POLICIES

GENERAL

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2002) 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.

RESERVES AND 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

Capital Financing Reserves (MWDA) comprise the revenue balances of the Authority and reserves such as the Fixed Asset Restatement Reserve and the Total Movement in Reserve.

FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis.

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

The Authority's assets were revalued on the above basis at 1 April 2000. An impairment review was completed at 31 March 2004 but expenditure incurred during 2003-2004 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 Reserve.

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.

CAPITAL RECEIPTS

Capital receipts from asset disposal have been recorded on an accruals basis. These receipts are divided into a reserved part (based on percentages laid down in the Local Government and Housing Act 1989) and a usable part (the balance).

Regulations came into force on 1 September 1998 which abolished the need to set aside non-Housing Capital Receipts, i.e. such receipts are 100% usable.

Upon disposal, the net book value of assets are written off against the Fixed Asset Restatement Reserve.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a Government 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 Asset Management Revenue 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.

LEASES

Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the Asset Management Revenue Account.

Rentals payable under operating leases are charged to revenue on an accruals basis.

The Authority holds no finance leases at the moment.

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;
- land and buildings are depreciated over 50 years;
- Waste Reception Centres are depreciated over 40 years;
- the Authority has used a notional interest rate of 3.5% for calculating aggregate capital charges. This rate was the prescribed figure set by the CIPFA/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Joint Committee as being the current rate set by government.

CAPITAL CHARGES TO REVENUE

The Authority's cost centres are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to services is determined on the basis of the capital employed in the service.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges charged to cost centres. Capital charges therefore have a neutral impact on the amounts required to be raised from levies.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves, are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

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 2004. This accrual concept is in accordance with SSAP2 (Standard Statement of Accounting Practice) but there are, however, a few exceptions which merit comment:-

- (i) no apportionment of wages' costs is made at 31 March where that date does not coincide with the end of the 'wages week';
- (ii) electricity and similar periodic payments are charged at the date of the meter reading.

The policy relating to (i) and (ii) is consistently applied each year and therefore has no material effect on the accounts.

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 2003-2004 the position reflected interest receivable by the Authority.

DEBT REDEEMED

The Authority's outstanding debt comprises both repayment and interest only loans with PWLB (Public Works Loan Board), and a balance of debt in respect of assets transferred to the Authority on 1 April 1986, which is serviced by Wirral M.B.C.

The PWLB repayment loans are of equal payments of principal and interest whereas the Wirral M.B.C. loan repayments are made by the straight line method. External debt repayments are not charged to the Consolidated Revenue Account under the new capital accounting regime.

Debt repayment in the Consolidated Revenue Account is represented by Minimum Revenue Provision calculated as 4% of the Authority's initial credit ceiling for the year.

SUPPORT COSTS

Support costs are reported as a single line on the Consolidated Revenue Account.

VAT

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

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 2001. In 2003-2004 no contribution was required to be made and therefore no costs were incurred.

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 UK GAAP is complied with. The 2002-2003 comparative information has been adjusted accordingly.

COSTS ASSOCIATED WITH THE INTRODUCTION OF THE EURO

The Authority uses payment and income systems owned by St. Helens Council and therefore developments in dealing with the introduction of the Euro will be undertaken there. Longer term system changes are planned but at the moment there is only a contingency banking arrangement to receive and make payments in the Euro.

BEST VALUE ACCOUNTING - CODE OF PRACTICE

The Authority has prepared its Accounts under the above Code of Practice. The Consolidated Revenue Account shows expenditure under the four headings prescribed. These are:-

- Central Services to the Public
- Other Operating Income and Expenditure
- 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.

CONSOLIDATED REVENUE ACCOUNT

This Account summarises the total revenue expenditure incurred in the provision of services and demonstrates how that expenditure has been financed from charges and levies.

	NOTES	GROSS EXPENDITURE £000	INCOME £000	2003-2004 NET EXPENDITURE £000	2002-2003 NET EXPENDITURE £000
<u>Central Services to the Public</u>		-	-	-	-
<u>Other Operating Income & Expenditure</u>					
Client Function		899	72	827	741
Support Services		107	-	107	72
Waste Disp. Contracts		30,788	812	29,976	26,846
Landfills		232	-	232	192
Other Services		173	-	173	53
Recycling		1,451	-	1,451	1,008
Capital Charges		36	-	36	49
<u>Corporate & Democratic Core Costs</u>		171	-	171	140
<u>Non-Distributed Costs</u>		-	-	-	-
NET COST OF SERVICES				<u>32,973</u>	<u>29,101</u>
Investment Income				(419)	(400)
Interest				(64)	(92)
Transfer from AMRA	1			972	1,002
Pensions interest cost and expected return on Pension Asset				<u>87</u>	<u>-</u>
NET OPERATING EXPENDITURE				<u>33,549</u>	<u>29,611</u>
Capital Works Funded from Revenue				480	602
Contribution to/(from) Capital Reserve	2			351	363
Contribution from the Pensions Reserve				<u>(132)</u>	<u>(42)</u>
AMOUNT TO BE MET FROM LEVIES				<u>34,248</u>	<u>30,534</u>
Levy Income	3			<u>(33,795)</u>	<u>(30,485)</u>
NET (SURPLUS)/ DEFICIT FOR YEAR				<u>453</u>	<u>49</u>
<u>RESERVES</u>					
Balance at start of Year				(2,691)	(2,740)
(Surplus)/Deficit for the Year				453	49
Balance at Year End				<u>(2,238)</u>	<u>(2,691)</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

This account holds the balance of external interest paid and grants received over the interest chargeable in the revenue accounts in the year. Depreciation is a contra item in that it is charged to the account but then credited as part of capital charges.

	£000	£000
EXPENDITURE		
Provision for Depreciation	15	
External Interest Charges	<u>993</u>	1,008
INCOME		
Capital Charges		<u>36</u>
Balance - transferred to Consolidated Revenue Account		<u>972</u>

2. CONTRIBUTION TO CAPITAL RESERVE - MINIMUM REVENUE PROVISION

	£000
Minimum Revenue Provision - 4% of Credit Ceiling	366
Amount charged as depreciation	<u>15</u>
	<u>351</u>

3. LEVY INCOME

The levy payable by District Councils was as follows:-

	2003-2004 £000	2002-2003 £000
Knowsley	3,347	3,028
Liverpool	10,269	9,288
St. Helens	4,331	3,902
Sefton	7,469	6,721
Wirral	<u>8,379</u>	<u>7,546</u>
	<u>33,795</u>	<u>30,485</u>

4. PUBLICITY

Section 5 of the Local Government Act 1986 requires Authorities to keep a separate account of expenditure on publicity subject to certain exceptions. In 2002-2003 and 2003-2004 the Authority spent the following on all forms of publicity:-

	2003-2004 £000	2002-2003 £000
Recruitment Advertising	2	3
Other Advertising	<u>7</u>	<u>4</u>
	<u>9</u>	<u>7</u>

5. PENSIONS

The scheme is 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.

- The current service cost is quantified at £60k and this cost should not increase substantially as the age profile shows no significant increase.
- There are no past service costs and no gains or losses on any settlements or curtailments.
- The interest cost on pension liabilities amounts to £371k.
- The expected return on assets in the scheme is £284k.
- The actual amount charged to revenue accounts for pensions in the period was £15k.

Further details and information relating to the assets and liabilities of the Pension Fund can be found in Note 13 to the Consolidated Balance Sheet and Notes 3 & 4 to the Statement of Total Movement in Reserves. The Merseyside Pension Fund's Annual Report is made available from P.O. Box 120, Castle Chambers, 4/6 Cook Street, Liverpool, L69 2NW

6. MEMBERS' ALLOWANCES

Allowances paid to Members in 2003-2004 amounted to £771.

7. EMPLOYEE REMUNERATION OVER £50,000

<u>Remuneration</u>	<u>No.</u>
£50,000 - £60,000	1

8. RELATED PARTY TRANSACTIONS

During the year transactions with related parties arose as follows:-

	Receipts £000	Payments £000
<u>Centrall Government</u>		
PWLB - Interest Paid		640
DEFRA - Financing of Waste Initiative	318	
ERDF - Grant Funding to CMC	130	
<u>Local Authorities</u>		
Levies - as shown at Note 3	33,795	
Knowsley MBC	124	
Liverpool CC	326	
St. Helens MBC	163	
Sefton MBC	199	

The above receipts are in respect of charges made for the disposal of commercial waste.

Knowsley MBC		142
Liverpool CC		255
St. Helens MBC		250
Sefton MBC		447
Wirral MBC		355

The above payments relate to recycling credits paid to District Councils in respect of tonnages of waste removed from the waste stream for disposal.

Wirral MBC		352
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Payments made for residuary debt.

Subsidiary and Associated Companies

Mersey Waste Holdings Limited		30,613
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These payments are contractual payments for the disposal of waste (inclusive of £10,013K Landfill Tax).

Mersey Waste Holdings Limited	300	
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The receipt of an annual dividend out of profits generated by the Company.

Bidston Methane Limited	119	
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This receipt is in respect of the Authority's share of gas rights, payable out of profits generated by the Company.

9. AUDIT FEE

The Audit Fees for 2003-2004 comprise instalment elements of the following:-

		£
2002-2003	- Audit/Inspection	22,934
	- Extra Work	9,786
	- Grants	*1,815
2003-2004	- Audit/Inspection	28,845
	- Grants	605

*Relates to work undertaken in Audit years 2001 and 2002.

CONSOLIDATED BALANCE SHEET

This is a statement of the Authority's assets and liabilities and presents an overall view of its financial position at the end of the financial year.

	NOTES	<u>2003-2004</u>		<u>2002-2003</u>
		£000	£000	£000
FIXED ASSETS				
Operational Assets				
- Land & Buildings	1	693		551
- Vehicles, Plant & Equipment		-		-
Non-Operational Assets				
		-		-
NET FIXED ASSETS			693	551
INVESTMENTS				
	2		5,138	5,138
LONG TERM DEBTORS				
	3		<u>2,500</u>	-
TOTAL LONG TERM ASSETS			8,331	5,689
CURRENT ASSETS				
- Debtors	4	2,125		2,403
- Cash in Hand		<u>1,433</u>	<u>3,558</u>	<u>2,013</u>
			11,889	10,105
CURRENT LIABILITIES				
- Short Term Borrowing		(143)		(207)
- Creditors	5	<u>(6,037)</u>	<u>(6,180)</u>	<u>(3,696)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,709	6,202
LONG TERM BORROWING				
	6	(8,616)		(8,759)
DEFERRED LIABILITIES				
	7	(4,731)		(4,946)
LIABILITY RELATING TO DEFINED BENEFIT PENSION SCHEME				
	13	<u>(1,218)</u>	<u>(14,565)</u>	<u>(1,706)</u>
TOTAL ASSETS LESS LIABILITIES			<u>(8,856)</u>	<u>(9,209)</u>
FINANCED BY:				
- Capital Financing Reserve	8	8,324		7,493
- Fixed Asset Restatement Reserve	9	(18,200)		(17,687)
- Pensions Reserve		(1,218)		(1,706)
- General Reserve		2,238		<u>2,691</u>
TOTAL NET WORTH			<u>(8,856)</u>	<u>(9,209)</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

(a) Asset Values

The movement in Fixed Assets is shown below:-

	Land & Buildings
	£000
Gross Book Value as at 31 March 2003	595
Revaluation at 1 April 2003	-
Impairment Losses	-
Additions	156
Disposals	-
Gross Book Value as at 31 March 2004	751
Depreciation to date	58
Net Book Value as at 31 March 2004	693

The brought forward Gross Book Value has been reduced by £440,000 to reflect the closure of Billinge Hill Landfill Site. Depreciation to date has been reduced by the same amount.

(b) Financing Capital Expenditure

	£000
Expenditure in the year	514
Financed by:-	
- Loans	3
- Capital Receipts	-
- Revenue Contribution	462
- Unfinanced	49

All expenditure in the year related to non-operational assets and as such did not add to the asset values.

(c) Statement of Physical Assets

10 Waste Reception Centres
5 Closed Landfill Sites
The leasehold at Billinge Hill Quarry
The leasehold at 3 Waste Reception Centres

(d) Leasing

The Authority has no finance or operating leases.

(e) Capital Schemes

(i) The major items of capital expenditure during the year were:-

	£000
Billinge Hill LFS - Restoration	439
Sefton Meadows LFS Ext. 3 - Access Improvements	50
Bidston Moss LFS - Restoration	<u>25</u>
	<u>514</u>

(ii) Significant contracts for future capital expenditure include:-

	£000
Bidston Moss/Gillmoss Integrated Facilities	13,192
South Sefton HWRC/Bulking Station	561
North Liverpool HWRC	890
Billinge Hill LFS - Restoration	1,099

(f) Fixed Asset Valuation

The Authority's assets were revalued at 1 April 2003. The leasehold land and buildings were originally valued at 1 April 1994 with adjustments made at 31 March 1997. The valuations were completed by in-house valuer, who is as follows:-

P.M. Brown, MRICS

The properties have been valued on bases in accordance with the Statements of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors except that not every property has been inspected. With regard to the Landfill Sites, these have been valued to the best ability of the Valuers, however it should be noted that none are Mineral Valuers.

(g) An impairment review has been completed and expenditure in the year will not affect property valuations.

2. 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 (Europe) 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.

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 30th September 2003 are summarised as follows:-

	30.9.2003 £000	30.9.2002 £000
<u>Balance Sheet</u>		
Fixed Assets	5,754	5,909
Add Net Assets/Deduct Net Liabilities	<u>540</u>	<u>222</u>
	<u>6,294</u>	<u>6,131</u>
Called-up Share Capital	5,138	5,138
Retained Profit	<u>1,156</u>	<u>993</u>
	<u>6,294</u>	<u>6,131</u>
<u>Profit and Loss Account</u>		
	Year to 30.9.2003	Year to 30.9.2002
Turnover	33,221	30,658
Less: Operating Expenditure	<u>(32,482)</u>	<u>(30,198)</u>
Profit before Tax and Distribution	739	460
Tax and Distribution	<u>(576)</u>	<u>(463)</u>
Retained Profit for the Year	<u>163</u>	<u>(3)</u>

Interim results for the company, based on management accounts at the beginning and end of the Authority's financial year, have been used for purposes of consolidation into the Group Accounts section.

Bidston Methane Limited's results for 2003-2004 can be summarised as follows:-

	2003-2004 £000	2002-2003 £000
<u>Balance Sheet</u>		
Fixed Assets	861	965
Less: Net Liabilities	<u>(290)</u>	<u>(475)</u>
	<u>571</u>	<u>490</u>
Called-up Share Capital	3	3
Retained Profit	<u>568</u>	<u>487</u>
	<u>571</u>	<u>490</u>
<u>Profit and Loss Account</u>		
Turnover	814	1,011
Less: Operating Expenditure	<u>733</u>	<u>(910)</u>
Retained Profit for the Year	<u>81</u>	<u>101</u>

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.

3. LONG TERM DEBTOR

The Authority has agreed to defer the actual payment of discounts by Mersey Waste Holdings Limited for 2003-2004. This is to allow the Company to part finance the acquisition of a new landfill site which will replace the capacity lost by the closure of the Bromborough Dock landfill site in 2005. It is expected that the payment of the discount will be deferred for a period of four to five years.

4.	<u>DEBTORS</u>	2004	31st March	2003
		£000		£000
	Employee Loans	20		15
	Government Departments	142		10
	Payments in Advance	95		16
	Capital	-		-
	Sundry	<u>1,874</u>		<u>2,368</u>
		2,131		2,409
	Less Provision for Doubtful Debts	<u>6</u>		<u>6</u>
		<u>2,125</u>		<u>2,403</u>

5.	<u>CREDITORS</u>	2004	31st March	2003
		£000		£000
	Sundry	5,593		3,684
	Capital	444		12
	Government Departments	-		-
	Receipts in Advance	<u>-</u>		<u>-</u>
		<u>6,037</u>		<u>3,696</u>

6. LONG TERM BORROWING

Analysis by Type

	Range of Interest Rates Payable %	Amounts Outstanding	
		2004 £000	31st March 2003 £000
Public Works Loan Board	6.126 - 9.500	<u>8,616</u>	<u>8,759</u>
		<u>8,616</u>	<u>8,759</u>

Analysis by Maturity

1-2 Years	143	143
2-5 Years	429	428
5-10 Years	714	715
Over 10 Years	<u>7,330</u>	<u>7,473</u>
	<u>8,616</u>	<u>8,759</u>

7. DEFERRED LIABILITIES

Analysis	2004 31st March £000	2003 £000
Loans Outstanding		
- Wirral MBC	<u>4,731</u>	<u>4,946</u>
	<u>4,731</u>	<u>4,946</u>

8. CAPITAL FINANCING RESERVE

	£000	£000
Balance at 1 April 2003		7,493
Add:		
External contribution written down	-	
Revenue Contributions in the year	480	
Additional MRP charge	351	
Expenditure financed by capital receipts	-	<u>831</u>
Balance at 31 March 2004		<u>8,324</u>

9. FIXED ASSET RESTATEMENT RESERVE

	£000	£000
Balance at 1 April 2003		17,687
Add:		
Expenditure on operational assets or those with nil value	514	
Adjustments on Revaluation	-	
Net Book Value of Assets disposed	-	<u>514</u>
Balance at 31 March 2004		<u>18,201</u>

10. PROVISION FOR CREDIT LIABILITIES (Memorandum Account)

	£000	£000
Balance at 1 April 2003		121
Add amounts set aside		
- Minimum Revenue Provision	351	
- ERDF Grant Received	-	<u>351</u>
		472
Less amounts applied to repay loans		<u>204</u>
Balance at 31 March 2004		<u>268</u>

11. CONTINGENT LIABILITIES

Mersey Waste Holdings Limited are in the process of acquiring a new landfill site. This could be financed either by long term borrowing by the Authority or short term borrowing by the Company.

The investment would be undertaken after considering a sound business case for the acquisition and 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.

There are two possible contingent liability scenarios with this proposal. The first 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.

The second contingent liability is failure in the acquisition of the landfill site and the effect that abortive costs might have on Company profits (and thereby dividends and discounts receivable by the Authority) in the short term.

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

As stated at Note 2, 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.

12. RELATED PARTY TRANSACTIONS

	Debtors £000	Creditors £000
<u>Central Government</u>		
Customs & Excise	316	-
The balance of VAT due to be paid to the Authority		
ERDF	63	-
The balance of grant due		
PWLB	-	104
Interest due on loans		
DEFRA		
Assisted Funding	205	-

	Debtors £000	Creditors £000
<u>Local Authority and Other Bodies</u>		
Knowsley	36	69
Liverpool	66	157
St. Helens	-	-
Sefton	59	218
Wirral	-	172

Amounts owed to and by the Authority in the everyday exercise of its functions

Subsidiary and Associated Companies

Mersey Waste Holdings Limited	3,710	3,537
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The debtor amount represents discounts and adjustment items owed to the Authority whereas the creditor reflects contractual payments owed by the Authority to the Company

Bidston Methane Limited	51	-
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The debtor represents gas rights income owed by the Company to the Authority

13. 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 2003-2004 no pensions costs have been charged to the Consolidated Revenue Account as, in accordance with the formal triennial actuarial valuation at 31 March 2001, no contributions were required. The relevant elements of pensions paid to retired officers have been charged. 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 Consolidated Accounting Statements.

<u>Assets & Liabilities Attributable to the Authority</u>	£M
Estimated liabilities in the scheme	(6.4)
Estimated assets in the scheme	5.2
Net liability in the scheme	(1.2)

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:-

	31/3/2004	31/3/2003
Rate of inflation	2.8%	2.5%
Rate of increase in salaries	3.8%	3.5%
Rate of increase in pensions	2.8%	2.5%
Rate of discounting scheme liabilities	6.3%	6.0%

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

	31/3/2004	31/3/2003
Rate of return on equities	7.5%	7.5%
Rate of return on Government Bonds	4.7%	4.5%
Rate of return on other Bonds	5.5%	5.4%
Rate of return on Property Investments	6.5%	6.5%
Rate of return on Other Investments	4.0%	3.7%

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

	31/3/2004	31/2/2003
Equities	58.6%	56.9%
Government Bonds	16.6%	21.4%
Other Bonds	4.1%	1.7%
Property	9.7%	10.7%
Other Assets	11.0%	9.3%

The movement in the net pension liability for the year to 31 March 2004 was as follows:-

		£000
Net Pension Liability at 1 April 2003		(1,706)
<u>Movements in the Year</u>		
- Current Service Cost	(60)	
- Employer Contributions	15	
- Past Service/Curtailment Costs	-	
- Net Interest/Return on Assets	(87)	
- Actuarial Gain/(Loss)	<u>620</u>	<u>488</u>
Net Pension Liability at 31 March 2004		<u>(1,218)</u>

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 2004:-

	£000
Asset Gain/(Loss)	620
Liability Gain/(Loss)	-
Change in Assumptions	-
Net Gain	<u>620</u>

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This Statement identifies the movements in Reserves and thereby reflects all the recognised gains and losses during the year.

	2003/2004		2002/2003	
	£	£	£	£
Surplus/(deficit) for the year				
- General Reserve	(453)		(49)	
Appropriations from Pension Reserve	(132)			
Actuarial Gains & Losses relating to Pensions (Note 4)	<u>620</u>		<u>(1,206)</u>	
Total increase/(decrease) in revenue reserves		35		(1,255)
Increase/(decrease) in usable capital receipts	-		-	
Increase/(decrease) in unapplied capital grants and contributions	<u>-</u>		<u>-</u>	
Total increase/(decrease) in realised capital resources		-		-
Gains/(losses) on revaluation of fixed assets	(513)		(676)	
Impairment losses on fixed assets due to general changes in prices	<u>-</u>		<u>-</u>	
Total increase/(decrease) in unrealised value of fixed assets (Note 1)		(513)		(676)
Value of assets sold, disposed of or decommissioned	-	-	-	-
Capital Receipts set aside	-		1	
Revenue Resources set aside	831		965	
Movement on Government Grants Deferred	<u>-</u>		<u>-</u>	
Total increase/(decrease) in amounts set aside to finance capital investment (Note 2)		831		966
Increase/(decrease) on the Pensions Reserve (Note 3)		<u>(488)</u>		<u>1,206</u>
Total recognised gains and (losses)		<u>(135)</u>		<u>241</u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. Movements in unrealised value of fixed assets

	Fixed Asset Restatement Reserve £000
Gains/(losses) on revaluation of fixed assets in 2003/2004	513
Impairment losses on fixed assets due to general changes in prices in 2003/2004	-
Total increase/(decrease) in unrealised capital resources in 2003/2004	513
Total movement on reserve in 2003/2004	513
Balance brought forward at 1 April 2003	17,687
Balance carried forward at 31 March 2004	18,200

- (i) The Fixed Asset Restatement Reserve represents principally the balance of surpluses and deficits arising from the periodic revaluation of assets.
- (ii) The loss represents expenditure on assets which has not resulted in an increase in valuation.

2. Movement in amounts set aside to finance capital investment

	Capital Financing Reserve £000
Capital Receipts set aside in 2003/2004	
- reserved receipts	-
- usable receipts applied	-
Total capital receipts set aside in 2003/2004	-
Revenue Resources set aside in 2003/2004	
- capital expenditure financed from revenue	480
- reconciling amount for provisions for loan repayment	351
Total increase/(decrease) in amounts set aside to finance capital investment	831
Total movement on reserve in 2003/2004	831
Balance brought forward at 1 April 2003	7,493
Balance carried forward at 31 March 2004	8,324

- (i) The Capital Financing Reserve represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans.
- (ii) Neither the Capital Financing Reserve or the Fixed Asset Restatement Reserve (see Note 1 above) are 'cash backed' and therefore they cannot be called upon to support spending.

3. Movement in the Pensions Reserve

	Pensions Reserve £000
Total increase/(decrease) in Reserve	(488)
Balance brought forward at 1 April 2003	1,706
Balance carried forward at 31 March 2004	1,218

4. Statement of Actuarial Gains and (Losses)

	£000
Difference between the expected and actual return on assets	620 (11.9% of assets)
Gains and losses on scheme liabilities	- (0% of liabilities)
Changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	- (0% of liabilities)

CASHFLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

	2003-2004		2002-2003
	£000	£000	£000
<u>REVENUE ACTIVITIES</u>			
CASH OUTFLOWS			
- Cash Paid to and on Behalf of Employees	617		562
- Other Operating Costs	<u>35,228</u>	35,845	34,331
CASH INFLOWS			
- Cash Received for Goods and Services	(854)		(786)
- Levy Income	(33,795)		(30,485)
- Other Income	<u>(1,671)</u>	<u>(36,320)</u>	<u>(2,791)</u>
NET REVENUE ACTIVITIES CASHFLOW		(475)	831
<u>DIVIDENDS</u>		(320)	(300)
<u>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</u>			
CASH OUTFLOWS			
- Interest Paid		994	1,041
CASH INFLOWS			
- Interest Received		(64)	(92)
<u>CAPITAL ACTIVITIES</u>			
CASH OUTFLOWS			
- Purchase of Fixed Assets		238	712
CASH INFLOWS			
- Sale of Fixed Assets		-	-
- Capital Grants Received		-	<u>(46)</u>
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		373	2,146
<u>FINANCING</u>			
CASH OUTFLOWS			
- Repayments of Borrowing		207	317
CASH INFLOWS			
- New Loans Raised		-	-
(INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		<u>580</u>	<u>2,463</u>

NOTES TO THE CASHFLOW STATEMENT

1. RECONCILIATION OF THE NET SURPLUS/DEFICIT ON THE CONSOLIDATED REVENUE ACCOUNT TO THE MOVEMENT IN CASH

	£000	£000
NET DEFICIT FOR THE YEAR		453
Adjustments for:-		
(i) Dividends		320
(ii) Servicing of Finance Items		
- Interest Paid	(994)	
- Interest Receivable	<u>64</u>	(930)
(iii) Non-Cash Items		
- Depreciation	(15)	
- M.R.P. 'Top-up'	(351)	
- R.C.C.O.	<u>(480)</u>	(846)
(iv) Movement in:-		
- Debtors	2,222	
- Creditors	(1,909)	
- Deferred Liabilities	<u>215</u>	<u>528</u>
REVENUE ACTIVITIES NET CASHFLOW		<u>(475)</u>

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

<u>Balance Sheet Movements</u>	Balance 31.3.2004 £000	Balance 31.3.2003 £000	Movement in Year £000
Borrowing - Long Term	(8,616)	(8,759)	143
- Short Term	(143)	(207)	64
Cash in Hand	<u>1,433</u>	<u>2,013</u>	<u>(580)</u>
	<u>(7,326)</u>	<u>(6,953)</u>	<u>(373)</u>
 <u>CASHFLOW STATEMENT</u>			
<u>BALANCES</u>			
Financing			207
Increase in Cash and Cash Equivalents			<u>(580)</u> <u>(373)</u>

MERSEYSIDE WASTE DISPOSAL AUTHORITY

GROUP ACCOUNTS

INTRODUCTION

The Environmental Protection Act 1990 required the Authority to provide waste disposal services after subjecting them to tender. It also required the 'in-house' operational activity to be vested in a Local Authority Waste Disposal Company (LAWDC) who would then enter the tendering process.

Mersey Waste Limited, which is wholly owned by the Authority, was vested as a company in August 1995 after successfully submitting tenders for the waste disposal and waste reception centre management contracts. The accounts of Mersey Waste Holdings Limited which are included in the group accounts are the consolidated management accounts at 31 March 2004. The Company was restructured again in the 2000/2001 financial year. The following Companies are now in place:-

- | | |
|------------------------------------|----------------------------|
| - Mersey Waste Holdings Limited | - MWH Developments Limited |
| - Mersey Waste Limited | - MWH Associates Limited |
| - Mersey Waste Consultancy Limited | - MWH Energy Limited |
| - Mersey Waste Recycling Limited | |

The final three are dormant Companies.

PURPOSE

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 accounts of Mersey Waste Holdings Limited are shown as an operational private sector company which is a subsidiary of MWDA.

The consolidation has been carried out by the equity method. The summarised group financial statements presented on the next page show the consolidated financial position of the Authority and its investment in Mersey Waste Holdings Limited. The main effect of this consolidation is to increase the revenue reserve by £2.436M representing the Authority's share of the accumulated net profits of the Company.

The revenue reserves held in Mersey Waste Holdings Limited are not readily available to the Authority as they are subject to a Company decision regarding distribution.

Mersey Waste Holdings Limited's management accounts have been used for the purposes of the consolidation to create a position at the Authority year end of 31st March. The Company publishes its accounts at 30th September each year.

The Authority participates in a joint venture company, Bidston Methane Limited, but as it receives a gas rights payment rather than a share of profit, the activity has been excluded from the Group Accounts.

GROUP ACCOUNTS

GROUP BALANCE SHEET FOR MERSEYSIDE WASTE DISPOSAL AUTHORITY AND MERSEY WASTE HOLDINGS LIMITED AS AT 31ST MARCH 2004

	MWDA £000	Mersey Waste Holdings Ltd. £000	Group Total £000
FIXED ASSETS	693	-	693
INVESTMENTS	5,138	2,436	7,574
LONG TERM DEBTOR	<u>2,500</u>	<u>-</u>	<u>2,500</u>
TOTAL LONG-TERM ASSETS	8,331	2,436	10,767
CURRENT ASSETS	3,558	-	3,558
CURRENT LIABILITIES	<u>(6,180)</u>	<u>-</u>	<u>(6,180)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	5,709	2,436	8,145
LONG TERM BORROWING	(8,616)	-	(8,616)
DEFERRED LIABILITIES	(4,731)	-	(4,731)
LIABILITY RELATING TO DEFINED BENEFIT PENSION SCHEME	<u>(1,218)</u>	<u>-</u>	<u>(1,218)</u>
TOTAL ASSETS LESS LIABILITIES	<u>(8,856)</u>	<u>2,436</u>	<u>(6,420)</u>
 FINANCED BY:			
RESERVES			
Capital Financing Reserve	8,324	-	8,324
Fixed Asset Replacement Reserve	(18,200)	-	(18,200)
Pension Reserve	(1,218)	-	(1,218)
General Reserve	<u>2,238</u>	<u>2,436</u>	<u>4,674</u>
TOTAL NET WORTH	<u>(8,856)</u>	<u>2,436</u>	<u>(6,420)</u>

GROUP REVENUE ACCOUNT FOR MERSEYSIDE WASTE DISPOSAL AUTHORITY AND MERSEY WASTE HOLDINGS LIMITED FOR YEAR ENDING 31ST MARCH 2004

	MWDA £000	Mersey Waste Holdings Ltd. £000	Group Total £000
Net Cost of Services	32,973	(1,200)	31,773
Interest and Investment Income	(483)	-	(483)
Transfer from AMRA	972	-	972
Pensions interest and expected returns	87	-	87
Capital Works funded from Revenue	480	-	480
Contribution to Capital Reserve	351	-	351
Contribution from Pension Reserve	<u>(132)</u>	<u>-</u>	<u>(132)</u>
Amount to be met from Levy	34,248	(1,200)	33,048
Levy Income	<u>(33,795)</u>	<u>-</u>	<u>(33,795)</u>
(Surplus)/Deficit for the Year 2003-2004	453	(1,200)	(747)
(Surplus)/Deficit at the beginnig of the Year	<u>(2,691)</u>	<u>(1,236)</u>	<u>(3,927)</u>
(Surplus)/Deficit at end of Year	<u>(2,238)</u>	<u>(2,436)</u>	<u>(4,674)</u>

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.

ASSET MANAGEMENT REVENUE ACCOUNT

In accordance with the revised system of capital accounting, the revenue accounts of the Authority are now charged with capital charges for all fixed assets used in the delivery of services. In order that these charges do not impact upon the level of the Authority Levy, they are "reversed out" of the Consolidated Revenue Account, by way of a credit to the Asset Management Revenue Account. This account matches the credit for the reversal of capital charges with capital financing costs in the form of depreciation and external interest payable.

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 CHARGE

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

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

CAPITAL FINANCING RESERVE

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.

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 RESERVE

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.

PROVISION FOR CREDIT LIABILITIES

This represents the sums set aside for the repayment of debt established under the Local Government and Housing Act 1989 and includes amounts set aside from revenue, the minimum revenue provision and the required portion of capital receipts. It may be used for the repayment of loans or leasing agreements, or for Capital Expenditure where credit approvals exist. This account is included as a memorandum as it has, to a certain extent, been superseded by the Capital Financing Reserve with effect from 1 April 1994.

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;
- (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.