MERSEYSIDE WASTE DISPOSAL AUTHORITY

STATEMENT OF ACCOUNTS

2009-10

CONTENTS

CHAIRPERSON'S INTRODUCTION

I am delighted to introduce Merseyside Waste Disposal Authority's Statement of accounts. As the Chairperson of the Authority, together with the Members of the Authority we are responsible for making sure that the Authority makes the best use of its resources. A part of that responsibility is met when the Authority produces its annual Statement of Accounts. The Accounts show people across Merseyside how much our services have cost and how funding for those services has been provided. They help to provide reassurance to Merseyside's citizens of the care we take over the public funds that have been placed at our disposal by the public through the levy.

The 2009-10 financial year can be seen as a successful one for the Authority. The Waste Management and Recycling Contract was awarded to our new partner Veolia and has been operating successfully since June 2009. The award of the contract will ensure the delivery of improved services for the Authority and the public. A further benefit of the contract is that it has enabled the Authority to identify significant savings that will be ongoing. Together with a continued reduction in the amount of waste the Authority needed to manage the savings and cost reductions mean the Authority was able to underspend against the 2009-10 approved budget.

Prudent financial management, the reassessment of provisions and reserves and the achievement of operational efficiencies have led to an improved position in the Authority's balances and this result is to be welcomed. Significant challenges still remain, not least the decisions that the Authority will face in awarding the contract to deal with residual waste that is not recycled. This Resource Recovery Contract will provide waste solutions for Merseyside's residual municipal waste for the long term and will enable the Authority to avoid the increasing tax burden that will arise if it continues to use Landfill. The proposed contract will minimise the cost of the Levy to Merseyside's citizens and will provide more environmentally beneficial ways of dealing with residual waste.

The Authority has invested in its financial management as it recognises that a sound finance function is key to improving and developing its services. The Authority has been and aims to continue to be an efficient and low spending organisation and this will be sustained through a sound financial function.

Chairperson to the Authority
25 June 2010

FOREWORD BY TREASURER TO THE AUTHORITY

The Statement of Accounts is a statutory publication that sets out the financial results of the Waste Disposal Authority's (the Authority) activities for the year ended 31st March 2010. The accounts have been prepared in accordance with the requirements of the Statement of Recommended Practice (SORP) for the 2009-10 accounts and any other Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). A number of minor changes have been made to the reporting and disclosure requirements for the 2009-10 statement. These changes have been addressed and incorporated where applicable.

The overriding requirement of the SORP has changed for 2009-10. In previous years the requirement was that the accounts 'presented fairly' the financial position and transactions of the Authority. For 2009-10 for the first time the requirement is that the accounts present a 'true and fair view' of the financial position and transactions of the Authority. This change reflects the convergence of public sector and private sector accounting standards which has been ongoing for some years that will culminate with the implementation of the International Financial Reporting Standards (IFRS) based regime next year.

The Authority's accounts for the year 2009-10 are set out on pages 14 to 76 and in addition to this foreword they consist of:

- The Statement of Responsibilities for the Statement of Accounts, which sets out the responsibilities of the Authority and the Assistant Director (Finance) for the accounts;

- The Annual Governance Statement, which reviews how the Authority conducts its business;

- The Income and Expenditure Account, which summarises the Authority's day to day revenue income and expenditure on services during the financial year 2009-10

- The Statement of Movement on the General Fund Balance; which reconciles the Income and Expenditure Account with the General Fund Balances;

- The Statement of Total Recognised Gains and Losses; which brings together all the recognised gains and losses of the Authority;

- The Balance Sheet; which sets out the overall financial position of the Authority at 31 March 2010;

- The Cash Flow Statement; which summarises the total movement of cash and cash equivalents:

- Notes to the Core Financial Statements; which provide further explanation and information to support the principal financial statements;

- The Group Accounts, which comprise the consolidated accounts of the Authority and its interests in subsidiaries and associate companies; and

- The Statement of Accounting Policies, which explains the basis for the recognition, measurement and disclosure of transactions in the accounts. This statement has been moved to later in the accounts; it underpins the basis for the preparation of the financial statements but thereafter is largely a reference point.

Accounting Issues

The SORP 2009-10 has introduced a number of changes. Whilst the changes are mainly technical and do not impact on the level of balances they do amend the way some figures are reported. The main changes are:

- CIPFA has deleted the requirements for a number of disclosure notes to the accounts this year including the following that are relevant:
    - Expenditure on publicity; and
    - Income under the Local Authorities Goods and Services Act;

- Senior employees remuneration, a new note requiring the disclosure of salary and other remuneration for senior staff by name or job title;

- Clarification of the accounting rules for recognising associates, subsidiaries and joint ventures;

- Drawing a distinction between those financial liabilities payable within twelve months and longer term liabilities; and

- A change in the accounting rules for PFI – recognising the effect of the contract as a service concession – this will not have an impact on the Authority for 2009-10 accounts but is likely to in the future if proposed PFI arrangements are pursued.

Financial position of the Authority

The Authority's expenditure falls into two broad areas: Revenue expenditure which is concerned with the provision of Authority services in the year; and Capital expenditure which reflects the Authority's acquisition and improvements to fixed assets. The Authority also sets aside sums to recognise both expected future expenditure (provisions) and to reflect the need for a reserve in the event of unplanned future expenditure. The next sections summarise the position the authority is in.

Revenue Expenditure

The Authority set a revenue budget for the year 2009-10 in February 2009. The budget was based on a number assumptions about costs the Authority faced at the time. The chief of these assumptions was that the Waste Management and Recycling Contract (WMRC) would be agreed at a higher cost than was eventually the case. The Authority set a levy based on the assumptions and the overall increase was 12% which was in line with the Authority's financial strategy.

The Authority's actual expenditure compared to the original estimate is set out below and the surplus for the year was £14.2M

	Original Estimate £000	Actual £000	Variance £000
Waste management contracts	54,083	44,516	(9,567)
Recycling Credits	6,236	5,594	(642)
Other expenditure	5,474	1,896	(3,578)
Establishment	2,524	2,133	(391)
Contribution to sinking fund	2,555	2,555	0
	70,872	56,694	(14,178)
Levy	70,872	70,872	0
Contribution (to) / from Reserves	0	(14,178)	(14,178)

The net improvement of £14.2M contains a number of significant items.

- The WMRC contract was implemented in June 2009, the contract was agreed at a significantly lower cost than had been estimated and resulted in a saving to the Authority. At the same time the overall amount of Municipal Waste that the Authority is required to manage went down, which resulted in savings in terms of the costs of managing the residual waste. The effects of this are that there was a saving of £7M on the cost of contracts and a further £2M on the estimated cost of landfill tax.
- Additional income has been received by the Authority that was not planned in respect of the Huyton New Technologies Demonstrator plant. The plant operator has been paying rent to occupy the building and to use the plant; this has had a £830,000 positive impact on the surplus.
- The Resource Recovery Contract (RRC) has been delayed and as a result the Authority has not spent as much on the external consultant team as had been expected leading to savings of £927,000. The delay in the RRC has also led to the recognition that the Joint Municipal Waste Management Strategy should be delayed so a saving of £182,000 was identified in 2009-10 (although an additional budget provision has been made for 2010-11).

- The only significant increase arose from the impairment of fixed assets as the accounting carrying value of the assets was reduced and this charge was a cost to the Authority's revenue accounts. Elsewhere Authority staff have worked hard to ensure they identify opportunities for savings to ensure costs to the Authority are minimised.

The following table summarises what the Authority spent its money on and where it came from:

	£000	%
Expenditure		
Employee Costs	1,676	2.8
Waste Disposal Contracts	44,516	73.8
Capital Financing Costs	5,981	9.9
Recycling credit payments	5,594	9.3
Contribution to Sinking Fund	2,555	4.2
	60,322	100.0
Income		
Levy	(70,872)	
Dividends received	(300)	
Other income	(3,328)	
Contribution (to) / from balances	(14,178)	

Funds, balances and reserves

The Authority recognised the likely impact of the spending position on its ability to make contributions to its funds and reserves in February 2010 when the budget for 2009-10 was revised. The more positive outturn than was expected has enabled the Authority to increase the contribution to its reserves beyond the planned levels.

The General Fund is a fund set aside to provide for unexpected and unplanned events. The fund is at its current levels because of the level of risk and uncertainty the Authority faces in the RRC procurement.

The Sinking Fund is a fund that has been established to enable the Authority to recognise and smooth the effect of anticipated significant increases in the costs it faces in the medium term. This fund will be used to keep the level of Levy increases to a reasonable level in future years.

The Earmarked Reserve is a fund set aside to provide for the costs of the Authority's procurement advisers.

The Capital Fund is a fund that has been established to offset the costs of capital schemes and to minimise the long term borrowing costs the Authority will incur in funding such expenditure.

Funds balances and reserves

	General Fund £000	Sinking Fund £000	Earmarked Reserve £000	Capital Fund £000	Total £000
Opening balance	6,519	9,177	2,141	0	17,837
Additions in year	14,178	7,055	1,208	3,500	25,941
Deductions in year	(9,208)	0	(813)	0	(10,021)
Closing Balance	11,489	16,232	2,536	3,500	33,757

Capital Spending in 2009-10

The Authority had a Capital Programme of £9.1m in 2009-10. The majority of the programme was identified to secure land to support the RRC procurement. The delays in the RRC have meant that capital spending for 2009-10 has been significantly less than anticipated, with almost £7m that was estimated to be spent being deferred. Elsewhere a planned spend of £0.7m on the supply of electricity to Gilmoss for the new MRF has been delayed and other spending has been deferred or delayed. The key areas of expenditure were as follows:

	£000
Expenditure	
Kirkby HWRC works	114
Huyton HWRC works	322
Other Costs	67
Total	503
Funded by	
Prudential Borrowing	503

Borrowing

The Authority has a portfolio of Public Works Loans Board (PWLB) and Market Loans taken out in previous periods which amount to £20.9M.

The Prudential Code which was fully revised in 2009 enables the Authority to borrow to fund capital projects providing it stays within the affordability and other prudential limits that it sets. The Authority set the limits for 2009-10 in February 2009 and these are regularly reviewed prior to undertaking capital expenditure, ensuring that the spending remains within the prudential framework.

CERTIFICATE

I certify that this Statement of Accounts presents a true and fair view of the financial position of Merseyside Waste Disposal Authority at 31 March 2010 and its income and expenditure for the year then ended. In doing so I authorise the Statement for issue and confirm that it is this date up to which events after the Balance Sheet date have been considered in preparing the Statement.

Peter Williams
Treasurer to the Authority Date

I confirm that these accounts were approved by Merseyside Waste Disposal Authority at the meeting held on 25 June 2010.

Signed on behalf of the Merseyside Waste Disposal Authority by:

…………………………………………………

Chair of the meeting approving the accounts

Date

STATEMENT OF RESPONSIBILITIES

The Authority's responsibilities

The Authority is required to:

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

The Assistant Director (Finance)'s responsibilities

The Assistant Director (Finance), elsewhere referred to as the Treasurer to the Authority, is responsible for the preparation of the Authority's Statement of Accounts in accordance with statutory proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Recommended Practice (the SORP).

In preparing this Statement of Accounts the Assistant Director (Finance) has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority SORP.

The Assistant Director (Finance) has also:

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

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Peter Williams
Treasurer to the Authority Date:

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

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

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

Merseyside Waste Disposal Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

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

The purpose of the governance framework

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

It is important to recognise that the governance statement covers all significant corporate systems, processes and controls, spanning the whole range of an authority's activities, including in particular those designed to ensure that:

- the Authority's policies are implemented in practice;
- high-quality services are delivered efficiently and effectively;
- the Authority's values and ethical standards are met;
- laws and regulations are complied with;
- required processes are adhered to;

- performance statements and other published information are accurate and reliable; and
- human, financial and other resources are managed efficiently and effectively.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

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

- there is an established Performance Management Framework (PMF) underpinned by a three year Corporate Plan which reflects current corporate strategies, risks and priorities;
- the current Corporate Plan was approved by Members on 16th April 2010 and is delivered through the development of Annual Service Plans and supported by contractual service level agreements;
- roles and responsibilities of Members and the Scheme of Delegation are reviewed and approved annually. The Authority's scrutiny function is delivered by the full Authority and communication protocols are in place;
- Codes of Conduct are in place for officers and Members are required to comply with their host authority's Code of Conduct;
- a comprehensive set of Procedural Rules which define the Authority's constitution and its internal control mechanisms are in place and are reviewed annually;
- audit functions are delivered through the full Authority with specific powers delegated to the Audit and Governance Committee;
- internal audit operates to Internal Auditing Standards as laid down by CIPFA;
- procedures and processes are in place to ensure that the Authority conducts its business in compliance with its legal obligations, including specialist advice where necessary;
- there is a Whistleblowing Policy and a Comments and Complaints Procedure to assist in the transparency of the Authority's business;

- training and development for Members and officers are delivered through the Member Training and Development Plan, the Staff Development Scheme and a Corporate Training Programme;

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

- Inter Authority Agreements are being finalised and will ensure effective partnership working and joint working groups are in place with defined terms of reference; and

- Internal Control Statements of Assurance are obtained from the Director as Chief Officer for the Authority, from St Helens MBC which provides key services and from the board of Mersey Waste Holdings Limited in which the Authority has a vested interest.

Review of effectiveness

The Authority is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Authority's Primary Assurance Group, which has responsibility for the development and maintenance of the governance environment. It also takes into account the Internal Auditor's annual report and any issues reported by the Authority's external auditors and other review agencies and inspectorates where they have reported in the year.

The Authority has continued to review its Code of Corporate Governance in accordance with the CIPFA/SOLACE framework. The Code supports the delivery of good governance through the establishment of the following roles:

- the Authority is responsible for the approval of the Code of Corporate Governance and its associated annual review and assessment;

- the Authority is responsible for the approval of the Annual Statement of Accounts and Annual Statement Governance;

- the scrutiny function is provided by the full Authority;

- audit and risk issues are dealt with by the full Authority; and

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

Where our review of the effectiveness of the governance framework identifies weaknesses the Authority develops a plan to address the weaknesses and also to ensure a continuous improvement of the system is in place.

Significant governance issues

The review process did not highlight any significant issues regarding the Authority's governance or internal control environment.

Other governance issues

The review process highlighted some areas where there is a need to improve governance and controls. While these are important and action plans are being developed to address them they are not considered significant. Areas for improvement include:

- developing a service level agreement for support services – this has been part of an ongoing dialogue with the service provider and will be concluded during 2010;

- finalisation of Inter Authority Agreements – the agreement between the Authority and the Merseyside Districts has not been signed by all parties and further dialogue is required to conclude both this and the agreement with Halton Council; and

- review of the Joint Municipal Waste Management Strategy – the timing of this review has been reassessed and it will now be concluded in 2010-11.

Signed

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Director June 2010

Signed

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Clerk June 2010

Signed

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Chairperson June 2010

INCOME AND EXPENDITURE ACCOUNT

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

2008-09 Net Expenditure £000		Gross Expenditure £000	Gross Income £000	**2009-10 Net Expenditure £000**
	Continuing Operations Cultural, Environmental & Planning Services			
40,677	Waste Disposal Contracts	47,899	(4,220)	**43,679**
5,366	Recycling credit payments	5,594	0	**5,594**
1,445	Client Function	1,906	(240)	**1,666**
0	Landfill Allowances	800	0	**800**
12,471	Other Services	7,921	(1,695)	**6,226**
60,299		64,120	(6,155)	**57,695**
415	Corporate & Democratic Core Costs	364	0	**364**
22	Non-Distributed Costs	60	0	**60**
60,666	**NET COST OF SERVICES**	64,544	(6,155)	**58,389**
0	Dividends			**(300)**
1,418	Interest payable			**1,404**
(323)	Interest and Investment income			**(536)**
577	Pensions interest cost			**564**
(466)	Expected return on pensions assets			**(341)**
61,892	**NET OPERATING EXPENDITURE**			**59,180**
(63,279)	Levy			**(70,872)**
(1,387)	**(SURPLUS)/DEFICIT FOR THE YEAR**			**(11,692)**

MERSEYSIDE WASTE DISPOSAL AUTHORITY

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

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

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

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

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

2008-09 £000		**2009-10** **£000**
(1,387)	(Surplus) Deficit for the year on the income and expenditure account	**(11,692)**
403	Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see note 6)	**6,722**
(984)	(Increase)/Decrease in General Fund Balance for the year	**(4,970)**
(5,535)	General Fund Balance Brought forward	**(6,519)**
(6,519)	**General Fund Balance Carried Forward**	**(11,489)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2008-09 £000		**2009-10 £000**
(1,387)	(Surplus)/Deficit for the year on the income and expenditure account	**(11,692)**
(4,054)	(Surplus)/Deficit arising on revaluation of Fixed Assets	**(2,780)**
(347)	Actuarial (gain)/losses on Pension Fund Assets and Liabilities	**949**
(5,788)	**Total recognised (gains)/losses for the year**	**(13,523)**

BALANCE SHEET

The Balance Sheet sets out the financial position of the Authority at the year end and gives details of the Authority's assets and liabilities.

2008-09 Net Expenditure £000		£000	Balance at 31 3 2010 £000	Notes
	Fixed Assets			
	Tangible fixed assets			
	Operational Assets			
12,055	- Land and buildings	**12,905**		*7*
14,021	- Vehicles plant and furniture	**12,115**		*7*
	Non Operational Assets			
3,394	- Assets under construction	**1,645**		*7*
29,470	**Total fixed assets**		**26,664**	
5,138	Long term investments	**5,138**		*13*
34,608	Total Long Term assets		**31,803**	
	Current Assets			
2,502	Debtors	**5,156**		*15*
16,011	Cash & bank	**31,909**		
53,121	**Total Assets**		**68,868**	
	Current Liabilities			
(143)	Short term borrowing	**(143)**		*1*
(5,801)	Provisions	**(5,875)**		*17*
(10,790)	Creditors	**(12,940)**		*18*
36,387	**Total Assets Less Current Liabilities**		**49,910**	
	Long term Liabilities			
(20,902)	Long term borrowing	**(20,759)**		*19*
(12,634)	Government grants deferred	**(11,912)**		*23*
(3,655)	Deferred Liabilities	**(3,440)**		*20*
(2,511)	Liability re. Deferred Benefits Pension scheme	**(3,590)**		*26*
(3,315)	**Total Assets Less Liabilities**		**10,209**	
	Financed by			
4,054	Revaluation reserve	**6,834**		*22*
(22,694)	Capital adjustment account	**(26,793)**		*21*
(2,511)	Pensions Reserve	**(3,590)**		*26*
6,519	General Reserve Balance	**11,489**		
11,317	Earmarked reserves	**18,768**		*24*

MERSEYSIDE WASTE DISPOSAL AUTHORITY

2008-09 Net Expenditure £000		£000	Balance at 31 3 2010 £000	Notes
0	Capital reserve	**3,500**		*24*
(3,315)	**Total net worth**		**10,209**	

Certificate of Treasurer at the Balance Sheet date

I confirm that these accounts were approved by Merseyside Waste Disposal Authority at the meeting held on 25 June 2010 and are Authorised for Issue as at that date.

Peter Williams
Treasurer to the Authority Date

CASH FLOW STATEMENT

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

2008-09 £000		**2009-10 £000**
(23,448)	**Net revenue activities cash flow**	**(17,144)**
	Dividends from joint ventures	
	Cash inflow:	
0	Dividends received	**(300)**
	Returns on investment and servicing of finance	
	Cash outflows:	
1,418	Interest paid	**1,404**
	Cash inflows:	
(286)	Interest received	**(504)**
	Capital activities	
	Cash outflows:	
11,822	Purchase of fixed assets	**503**
	Cash inflows:	
(493)	Capital grants received	**0**
(10,987)	**Net Cash (inflow)/outflow before financing**	**(16,041)**
	Financing	
	Cash outflows:	
143	Repayments of amounts borrowed	**143**
	Cash inflows:	
0	New loans raised	**0**
(10,844)	**Net (increase) / decrease in cash**	**(15,898)**

NOTES TO THE CORE FINANCIAL STATEMENTS

The notes to the core financial statements (notes to the accounts) are provided to give additional information about items included in the core statements**.** The notes expand on some of the information and provide further explanation of a number of matters prescribed by the SORP.

Some notes have been removed from the accounts this year as they no longer add value to the overall statement of accounts, or are no longer applicable. The relevant notes for the Authority are the note on: 'Expenditure on Publicity'; and the note on the 'Fixed Asset Restatement Account'. For single tier local authorities a larger number of notes have been removed as they no longer add value.

1) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives and embedded derivatives. The requirements for accounting for financial instruments are based on FRS 25, FRS 26 and FRS 29.

1a) Financial assets and liabilities

The following table sets out the categories of financial assets and liabilities held by the Authority at 31 March 2010.

	2008-09		**2009-10**	
	Current £000	Long Term £000	**Current £000**	**Long Term £000**
Assets				
Loans and receivables	2,502	0	**5,156**	**0**
Available for sale	0	5,138	**0**	**5,138**
Liabilities				
Financial liabilities held at amortised cost	(10,790)	(21,044)	**(13,083)**	**(20,759)**

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

Loans and receivables

Loans and receivables are predominantly cash (bank) deposits held by the Authority (or by St Helens council on behalf of the Authority) and debtors of the Authority where there is a contractual obligation for the Authority to receive future economic benefits. These assets are initially valued at fair value and held on the Balance Sheet at amortised cost. The amortised cost is calculated by reference to the Effective Interest Rate (EIR) which is the rate which exactly discounts the forecasted cashflows over their expected life to their carrying amount.

MERSEYSIDE WASTE DISPOSAL AUTHORITY

For most short term assets (such as trade receivables) the carrying value is deemed to be the invoiced amount.

Available for sale

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

Amortised cost

This includes all financial liabilities that are not held for trading or which are derivatives. The items in this class include the Authority's PWLB debt, its Lender Option Borrower Option (LOBO) loan and all trade creditors. These liabilities are amortised at cost using the EIR method. In accordance with EIR any premiums, discounts or material transaction costs are included in the calculation to determine the amount to charge the I&E account for interest payable.

1b) Gains and losses recognised in the Income and Expenditure account and the STRGL

The table sets out the gains and losses that have been charged to the Income and Expenditure account and the Statement of Recognised Gains and losses (STRGL) in relation to financial instruments.

		2008-09			**2009-10**	
	Financial Liabilities £000	Available for Sale £000	Total £000	**Financial Liabilities £000**	**Available for Sale £000**	**Total £000**
Interest expense	(1,117)	0	(1,117)	**(1,404)**	**0**	**(1,404)**
Losses on de-recognition	0	0	0	**0**	**0**	**0**
Interest payable & similar charges	(1,117)	0	(1,117)	**(1,404)**	**0**	**(1,404)**
Interest income	0	287	287	**0**	**536**	**536**
Gains on De-recognition	0	0	0	**0**	**0**	**0**
Interest and Investment income	0	287	287	**0**	**536**	**536**
Net	(1,117)	287	(830)	**(1,404)**	**536**	**(868)**

gains/(losses) for the year	

1c) Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets are represented by loans and receivables carried on the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments. In calculating the fair value of the Authority's financial assets and liabilities the following assumptions have been used:

- The fair value of trade receivables (debtors) and payables (creditors) are assumed to be the invoiced or billed amount;
- For all PWLB loans the interest rate used for the purpose of calculating the fair value is taken to be the rate available for new loans within the relevant banding at 31 March 2010;
- For the Authority's LOBO, the interest rate is the rate quoted and provided by Sector; and
- No early repayment is recognised

The table below outlines the fair value of assets and liabilities at 31 March 2010.

	Carrying amount £000	2008-09 Fair Value £000	Variance £000	**Carrying amount £000**	**2009-10 Fair Value £000**	**Variance £000**
Financial liabilities – PWLB loans	19,265	21,499	2,234	**18,902**	**20,655**	**1,753**
Financial liabilities – Market Loans	2,023	1,889	(134)	**2,000**	**2,134**	**134**
Total Financial Liabilities	21,288	23,388	2,100	**20,902**	**22,789**	**1,187**
Available for sale assets	5,138	5,138	0	**5,138**	**5,138**	**0**

The fair value of the Authority's financial liabilities is more for its PWLB loans than the carrying amount because the Authority's portfolio of PWLB loans includes a number of fixed rate loans where the interest rates payable are higher than the rates available for similar loans at the Balance sheet date. The commitment to pay interest above the current market rate increases the amount the Authority would have to pay if the lender requested or agreed to the early repayment of the loans.

The PWLB have provided calculations for the fair value of loans at 31 March 2010 based on the new rates introduced for the early repayment of loans. Based on these rates the fair value of loans outstanding at 31 March 2010 is £21,848,288 a variance of £0.941M from that provided by the Authority's Treasury Management advisers.

Credit risk

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

Liquidity risk

Liquidity risk is the risk from unmatched cashflows to maturities. Currently the Authority has ready access to borrowing from the PWLB so there is little risk that it will be unable to raise finance to meet its commitment under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant amount of its borrowing at a time of unfavourable interest rates. To this extent rates will be monitored to ensure that new loans and where applicable, restructuring, can be used to negate the risk.

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

	2008-09 £000	**2009-10 £000**
Less than one year	143	**143**
Between one year and two years	143	**143**
Between two and five years	428	**1,429**
Five to fifteen years	3,500	**2,358**
Fifteen to twenty five years	300	**300**
Twenty five to fifty years	14,530	**14,530**
Over fifty years	2,000	**2,000**
Total	21,044	**20,902**

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

Market risk

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

- Borrowings at variable rates – the interest charged (or expensed) to the I&E account will increase;
- Borrowing at fixed rates – the fair value of the liabilities will fall;

- Investments at variable rates – the interest income credited to the I&E will increase; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings and investments are not carried out at fair value, so nominal gains and losses on fixed rate borrowings and loans would not impact on the I&E account or the STRGL. The Authority is risk averse and seeks to minimise exposure arising from the Treasury Management Activities undertaken by St Helens Council on its behalf. The Authority does not undertake any unnecessary borrowing or investment activity. The Authority seeks to manage its interest rate through the Council's work to constantly review the ratio of borrowing and investments between fixed and variable interest rates.

The table shows the impact on existing investments and borrowings if interest rates had been 1% higher (with all other variables being constant).

	£000
Increase/(Decrease) in the fair value of fixed rate investment assets	**n/a**
Increase/Decrease in the fair value of fixed rate borrowing liabilities	**1,887**

The impact of a 1% fall in interest rates would be the reverse.

Price risk

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

Foreign exchange risk

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

2) Long term contracts

The Authority is committed to making payments in 2010-11 to Veolia under the Waste Management and Recycling contract which are estimated to be £17.9M. The exact amount of the payment depends on the tonnages and the amount of waste that is handled by Veolia. The contract is due to run until 31 May 2020.

3) Senior staff emoluments

In recent years local authorities have complied with Greenbury rules on the disclosure of the remuneration of senior staff by showing the number of staff paid by over £50,000 in increasing bands of £10,000.

For 2009-10 the requirement has been changed and the Authority is now required to disclose the amount of pay and other remuneration paid to particular officers. The requirement is that those staff paid over £150,000 should be disclosed by name and the posts for which the salary is over £50,000 should also be disclosed, as should those employees in politically restricted posts and those with responsibility for management. This information is set out in the tables that follow:

Senior staff remuneration 2009-10

Post holder information	Salary (includes fees & allowances)	Bonus	Expenses	Comp' for loss of office	Benefits in kind	Total remuneration excluding pensions	Employer pension	TOTAL REMUNERATION Including pensions
	£	£	£	£	£	£	£	£
Director of Waste Disposal	80,244	0	532	0	4,598	**85,374**	14,724	**100,098**
Assistant Director (Strategy & Resources)	65,890	0	0	0	3,376	**69,266**	12,014	**81,280**
Assistant Director (Operations)	65,890	0	0	0	1,625	**67,515**	11,570	**79,085**
Assistant Director (Finance) equivalent	65,007	0	0	0	0	**65,007**	11,441	**76,448**
Total	**277,031**	**0**	**532**	**0**	**9,599**	**287,162**	**49,749**	**336,911**

Senior staff remuneration 2008-09

Post holder information	Salary (includes fees & allowances)	Bonus	Expenses	Comp' for loss of office	Benefits in kind	Total remuneration excluding pensions	Employer pension	TOTAL REMUNERATION Including pensions
	£	£	£	£	£	£	£	£
Director of Waste Disposal	78,477	0	309	0	3,423	**82,209**	14,195	**96,404**
Assistant Director (Strategy & Resources)	63,296	0	0	0	4,387	**67,683**	11,545	**79,228**
Assistant Director (Operations)	64,613	0	20	0	2,977	**67,610**	11,664	**79,274**
Assistant Director (Finance. Equivalent)	65,007	0	0	0	0	**65,007**	11,441	**76,448**
Total	**271,393**	**0**	**329**	**0**	**10,787**	**282,509**	**48,845**	**331,354**

During 2008-09 the post of Treasurer was transferred to the Authority, the post holder's salary during 2008-09 did not reach the threshold. During 2009-10 the Treasurer retired and was replaced by a new Assistant Director (Finance). During 2009-10 the salaries of the former Treasurer and the new Treasurer did not reach the threshold for this disclosure note. An equivalent amount has been included in the note for each year representing the estimated salary cost to the Authority of the Assistant Director (Finance) post for a full year with a single post holder.

In addition to the disclosure above the Authority is also required to make a similar disclosure to that from prior years which meets the Greenbury rules on disclosure. That disclosure has been updated and the bands of the disclosure which start at £50,000 are now smaller bands of £5,000. The Assistant Director (Finance) post is not included here as neither of the post holders were paid at the level that reached the threshold for the periods.

Remuneration band	2008-09 Number of employees	**2009-10 Number of employees**
£50,000 - £54,999	0	**0**
£55,000 - £59,999	0	**0**
£60,000 - £64,499	2	**0**
£65,000 - £69,999	0	**2**
£70,000 - £74,499	0	**0**

MERSEYSIDE WASTE DISPOSAL AUTHORITY

£75,000 - £79,999	0	**0**
£80,000 - £84,499	1	**1**
£85,000 - £89,999	0	**0**

4) Related parties

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

Central Government	Has effective control over the general operation of the Authority. Details of transactions with Government Departments are set out in Notes relating to the Cash Flow Statement. Central Government also operates the Landfill Allowances Trading Scheme (LATS) which may have significant financial repercussions on the Authority.
Members of the Authority	Two Members of the Authority are also Directors of MWH Ltd and are Members of BML board.
Officers	Two Assistant Directors are also Directors of MWH Ltd. The Procurement Director who works as a consultant to the Authority is also a Director of MWH Ltd.
Pension Fund	No disclosures

The following disclosures are made:

	Receipts		Payments	
	2009-2010	2008-2009	**2009-2010**	2008-2009
	£000	£000	**£000**	£000

	Receipts		Payments	
	2009-2010	2008-2009	**2009-2010**	2008-2009
	£000	£000	**£000**	£000
Local Authorities				
Levies				
Knowsley	**7,743**	7,235		
Liverpool	**24,830**	21,021		
St. Helens	**9,010**	8,485		
Sefton	**12,809**	12,285		
Wirral	**16480**	14,253		
	70,872	63,279		
Halton Council contribution	**332**	0		
Disposal of Commercial				
Waste	**181**	168		
	0	477		
Knowsley	**0**	219		
Liverpool	**89**	75		
St. Helens	**0**	0		
Sefton				
Wirral				

	Receipts		Payments	
	2009-2010	2008-2009	**2009-2010**	2008-2009
	£000	£000	**£000**	£000
Recycling Credit Payments				
Knowsley			**374**	390
Liverpool			**1,027**	1,007
St. Helens			**1,071**	1,058
Sefton			**2,019**	1,910
Wirral			**1,102**	1,002
Residuary Body Debt				
Wirral			**501**	524
Subsidiaries				
Payments for the Disposal of Waste (inclusive of Landfill Tax)				
- Mersey Waste Holdings Ltd*.	**2**	0	**22,978**	38,268
Dividends				
- Mersey Waste Holdings Ltd.	**300**	0		
Gas Rights – The Authority's share out of profits generated by				
- Bidston Methane Ltd.	**34**	36		

**the payment to MWHL has reduced significantly as the WMRC contract was let with Veolia during the year*

5) Audit Fees

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

	2008-09	**2009-10**
	£000	**£000**

External audit service	94	**76**
Grant claims and other work	0	**0**
	94	**76**

6) Reconciling items for the statement of movement on the general fund balance (STMGFB)

2008-09 £000	£000		2009-10 £000	£000
		Amounts included in the I&E account but required by statute to be excluded when determining the Movement on General Fund Balance for the year		
(6,909)		Revaluation of fixed assets	**0**	
(1,636)		Depreciation of fixed assets	**(1,533)**	
(68)		Impairment of fixed assets	**(4,556)**	
722		Government grants deferred amortisation	**722**	
(310)	(8,201)	Net charges made for retirement benefits in accordance with FRS17	**(356)**	**(5,722)**
		Amounts not included in the I&E account but required to be included by Statute when determining the Movement in General Fund Balance for the year		
775		MRP for capital financing	**1,268**	
223	998	Employer's contributions payable to Merseyside Pension Fund and Retirement benefits payable direct to Pensioners	**226**	**1,494**
		Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
	7,606	Net transfer to or from Earmarked and other balances		**10,950**
	403	**Net additional amount to be credited/debited to the GF balance for the year**		**6,722**

7) Summary of capital expenditure and Fixed asset disposals

The movement in Tangible Fixed assets is shown below:

	Land & Buildings*	Vehicles, Plant & Equipment*	Total

Merseyside Waste Disposal Authority

	2009-10 £000	2009-10 £000	2009-10 £000
1) Operational Assets			
Cost or valuation			
Gross book value at 1 April	13,565	15,153	**28,718**
Additions	26	30	**56**
Disposals	0	0	**0**
Transfers	0	0	**0**
Impairments	(1,486)	(873)	**(2,359)**
Revaluations	2,432	348	**2,780**
Value at 31 March 2010	14,538	14,658	**29,196**
Depreciation			
At 1 April 2009	1,112	1,531	**2,643**
In year charge	521	1,012	**1,533**
Disposals	0	0	**0**
Transfers	0	0	**0**
Revaluations	0	0	**0**
At 31 March 2010	1,633	2,543	**4,176**
Net book value at 31 March 2010	12,905	12,115	**25,020**
Net book value at 31 March 2009*	12,453	13,622	**26,075**

2) Non operational assets	**Assets under construction**
Gross book value at 1 April	**3,395**
Additions	**447**
Disposals	**0**
Transfers	**0**
Impairments	**(2,197)**
Net book value at 31 March 2010	**1,645**
Net book value at 31 March 2009	**3,395**

**The NBV of these assets at 31 3 09 is slightly different from that shown on the face of the accounts last year as some of the amounts of accumulated depreciation had been allocated to the wrong assets*

Depreciation

For all assets subject to depreciation, depreciation has been charged in accordance with the requirements of FRS15 Tangible Fixed Assets on a straight line basis. The useful life of each asset is assessed as the basis for calculating the annual depreciation charge.

MWDA
Merseyside Waste Disposal Authority

Financing capital expenditure

	2008-09 £000	**2009-10 £000**
Opening Capital Financing requirement	26,074	**35,474**
Capital Investment		
Operational	9,364	**56**
Non operational	2,458	**447**
Prior years' capital movement to revenue	(1,154)	**0**
Sources of Finance		
Government grants	(493)	**0**
Minimum Revenue Provision (MRP)	(775)	**(1,268)**
Closing Capital Financing Requirement	35,474	**34,709**

Explanations of movements in year

	2008-09 £000	**2009-10 £000**
Prudential borrowing (unsupported)	10,175	**503**
Less MRP	(775)	**(1,268)**
Increase/(decrease) in Capital Financing Requirement	9,400	**(765)**

8) Capital spending in 2009-10

The Authority spent only £0.5 on capital expenditure in 2009-10 and there were no significant additional assets bought into use. The largest areas of expenditure were:

	£000
Kirkby HWRC capital works	**114**
Huyton HWRC capital works	**322**
Other	**67**
Total	**503**

9) Commitments under capital contracts

The Authority had no outstanding contractual capital commitments at 31 March 2010

10) Information on assets held

The Authority has use of the following assets:-

Bidston Integrated Waste Management Facility

9 Household Waste Recycling Centres

The Leasehold at 3 Household Waste Recycling Centres

The Leasehold at 4 Closed Landfill Sites

North House Office Accommodation

11) Commitments under operating leases

The Authority has the following commitments to payments under its operating leases:

	£000
Land and Buildings	
Before 31 March 2011	**62**
Between 1 April 2011 and 31 March 2015	**77**
After 1 April 2015	**78**

The Authority has no other operating lease commitments.

12) Valuation information

The Authority uses St Helens Council's valuation services, provided by Mr S Littler (MRICS) for most valuation advice.

The Authority has also used Mouchel for additional valuation advice and information, using principally Bernard Knight (MRICS) and Neal Saloman (MRICS).

Properties have been valued on the basis of advice from the Royal institute of Chartered Surveyors, Statement of Asset Valuation, Practice and Guidance notes.

There has been no general impairment of property values in the year. Where there is expenditure of a capital nature on closed landfill sites then that is impaired in the year as the sites have no value due to the nature of the liability associated with the sites.

13) Long term investments

The Authority has the following long term investments:

	£000
Mersey Waste Holdings Ltd	
This company was formed as the Authority's disposal company and prior to the new contract from June 2009 it received waste from the District Councils in Merseyside and from the Waste Transfer Stations and Household Waste Recycling Centres (HWRCs). The company disposed of the waste for the Authority. Since the new contract was let the company is no longer responsible for the transfer stations or the HWRCs – it retains responsibility for disposal of waste through landfill.	
The Authority owns the total shareholding in the company	
5,138,002 Ordinary shares @ £1 each	5,138
The Authority will realise its investment in the company when all of the shareholders funds (assets and liabilities) have been confirmed.	
Bidston Methane Ltd	
This company was formed as a joint venture with Coal Products Ltd (subsequently acquired by Novera Energy Generation No.1 Ltd) to collect methane gas from the landfill sites at Billinge and Bidston. It uses methane gas to generate electricity which is sold to the regional electricity companies.	
The Authority holds 299,000 ordinary 'B' shares out of a total of 600,000 shares. The called up value is £0.001 per share	
The setting up of the company incorporated the capital financing of the engines through a non-voting share issue to the Finance Company user ('C' shares). This removed the need to generate finance through the 'A' shares owned by Coal Products of 'B'	

shares owned by the Authority and hence a nominal called up proportion. The uncalled share elements provide the necessary guarantees for the 'C' shareholder.	
299,000 ordinary shares @ £0.001	0
	5,138

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

Mersey Waste Holdings Ltd (MWHL) financial information

For a number of years the company year end has been 30 September and their statutory accounts have been produced on that basis. For 2009-10 the company year end has been changed and the year now ends on 31 March 2010, and will do so going forward. The effect of this is that the consolidation of the Group Accounts will become more certain.

	To 30 9 08* £000	**To 31 3 10 £000**
The Company's net assets as shown in the statutory accounts	9,937	**7,871**
Profit/(Loss) – Before Tax	4,643	**53**
– After Tax	3,054	**53**
The Authority has no commitment to meet accumulated deficits or losses	0	**0**
Amounts received as dividends	0	**300**
No amounts have been written down by the Authority	0	**0**
MWDA as creditor (contractual discounts)	3,764	**0**
MWDA as debtor (contractual payments)	10,686	**1,844**

** last full year as disclosed in 2008-09 since when the company year end has changed*

A copy of the company's latest accounts can be obtained from MWHL at the Authority's address.

The only significant financial implication for the Authority from the company affairs is that as the company lost an Authority contract from June 2009 a number of staff transferred to Veolia, the new contractor. As part of that TUPE transfer the Authority has taken on responsibility for ensuring the pension rights of the former employees up to the point of transfer are not affected. Otherwise the impact is limited to the closure of a number of the subsidiary companies in the company group during the year as they were no longer relevant to the company functions.

Bidston Methane Ltd (BML) financial information

For a number of years the company year end has been 31 December and their statutory accounts have been produced on that basis. For 2009-10 the company year end has been changed and the year now ends on 31 March 2010, and will do so going forward. The effect of this is that the consolidation of the Group Accounts will become more certain.

	To 31 12 08* £000	**To 31 3 10 £000**
The Company's net assets as shown in the statutory accounts	298	**128**
Profit/(Loss) – Before Tax	(134)	**(167)**
– After Tax	(135)	**(170)**
The Authority has no commitment to meet accumulated deficits or losses	0	**0**
No amounts have been received as dividends in either year	0	**0**
No amounts have been written down by the Authority	0	**0**
Gas rights payment due to MWDA (Creditor)	88	**34**

** last full year as disclosed in 2008-09 since when the company year end has changed – to 31 3 10 represents a 15 month year*

A copy of the company's latest accounts can be obtained from Bidston Methane Limited, c/o Novera Energy Operations Centre, 1030 Centre Park, Slutchers Lane, Warrington, WA1 1QR. There is no other financial information that is material to the affairs of MWDA.

14) Landfill allowances asset

The Authority has received its allocation of Landfill Allowances from DEFRA for 2009-10. The notional value of allowances in 2009-10 was estimated to be £6,200,000. The estimate was based on the purchase prices at the start of the year and the amount the Authority subsequently paid for additional allowances. The Authority also purchased additional allowances of £800,000 at £20 per tonne. The Landfill Allowance Market is showing no value for allowances due to a national surplus and the inability to carry forward allowances from earlier years into 2009-10 which is a target year and no ability to carry allowances forward beyond 2009-10. The following table reflects the notional cost of the allowances.

	2008-09 £000	**2009-10 £000**
Balance b/f	0	**0**

Acquired without charge from DEFRA	0	**6,200**
Purchase in the year	0	**800**
Derecognition of usage	0	**(6,686)**
Written down to realisable value	0	**(304)**
Balance c/f	0	**0**

The landfill allowances and their valuation are estimated as the final figures are not available until after the year end.

15) Debtors

The Authority recognised the following as debtors at the year end:

	31 3 09 £000	**31 3 10** **£000**
Subsidiary companies	116	**1,406**
Government Departments	831	**873**
Other local authorities	1,029	**1,057**
Employees	0	**0**
Sundry debtors	526	**1,823**
Total	2,502	**5,159**
Less – impairment of debt*	0	**3**
Net Debtors	2,502	**5,156**

** formerly known as Provision of Doubtful Debts*

16) Liability for landfill usage

The Authority needs to recognise its use of Landfill Allowances in the landfill disposal of biodegradable municipal waste. The following shows the estimated usage of Landfill allowances which has been set at 334,300 tonnes for 2009-10 (based on the purchase value of landfill allowances). The following table reflects the notional use of notional allowances.

	2008-09 £000	**2009-10** **£000**
Landfill allowances	0	**6,686**

17) Provisions

In the accounts for 2007-08 amounts of £5.8M were set aside as provisions by the Authority in respect of legal claims from landfill operators that were likely to result in claims against the Authority. These amounts were carried into the accounts for 2008-09 as continuing provisions. During 2009-10 it has become clear that not all the claims against the Authority are likely to materialise and payment of all the claims is no longer probable. In consequence the provision for the payment has been reduced by £2M and an equivalent amount has been returned to the Authority's Income and Expenditure account during 2009-10. This treatment mirrors the treatment in the accounts of Mersey Waste Holdings Ltd which retains an asset in its accounts in respect of claims against the Authority for which liability is accepted by the Authority and for which a payment remains probable.

At the same time the Authority has also recognised that there was a need to make additional provision in respect of a pension commitment to the Citrus Pension Fund in respect of former employees, an amount of £845k, and a further amount in respect of the shared costs of a legal claim against MWH Ltd of £1.27M.

	31 3 09 £000	**31 3 10** **£000**
Balance b/f	5,801	**5,801**
Movement in year – reversal of provisions	0	**(2,041)**
Movement in year – additional provisions	0	**2,115**
Balance c/f	5,801	**5,875**

18) Creditors

The Authority recognised the following as the amounts it needed to provide for as year end creditors:

	31 3 09 £000	**31 3 10 £000**
Subsidiaries and associated companies	4,059	**2,262**
Government departments	33	**0**
Other local Authorities	965	**1,446**
Employees	55	**56**
Sundry	5678	**9,176**
Total	10,790	**12,940**

19) Long term borrowing

The Authority borrows funds to finance its expenditure on capital assets. The borrowing is analysed as follows:

Analysis by type	Balance at 31 March 2009			**Balance at 31 March 2010**		
	Loan £000	Interest £000	Total £000	**Loan £000**	**Interest £000**	**Total £000**
Public works loan board	18,902	222	19,124	**18,902**	**222**	**19,124**
Market loan	2,000	23	2,023	**2,000**	**24**	**2,024**
	20,902	245	21,147	**20,902**	**246**	**21,148**
Analysis by maturity						
1-2 years	143	0	143	**286**	**0**	**286**
2-5 years	429	0	429	**1,429**	**15**	**1,444**
5-10 years	3,500	69	3,569	**2,357**	**53**	**2,410**
Over 10 years	16,830	176	16832	**16,830**	**178**	**17,008**
	20,902	245	21,147	**20,902**	**246**	**21,148**

20) Deferred Liabilities – Merseyside Residual Debt Fund

These are liabilities relating to the Authority's share of debt arising from the former Merseyside Council and which are payable over time.

	31 3 09 £000	**31 3 10 £000**
Analysis		
Balance b/f	3,870	**3,655**
Repaid in year	(215)	**(215)**
Balance c/f	3,655	**3,440**

21) Capital adjustment account

The capital adjustment account records the consumption of historic cost over the life of the asset. It also records the resources set aside to finance capital expenditure.

	2008-09 £000	**2009-10 £000**
Balance at 1 April	15,578	**22,694**
Revaluation	6,909	**0**
Depreciation and impairment	1,704	**6,089**
Government grants deferred – amortised	(722)	**(722)**
MRP charge in the year	(775)	**(1,268)**
Balance at 31 March	22,694	**26,793**

22) Revaluation reserve

The revaluation reserve represents the sum of revaluations where there has been an increase in the valuation of the Authority's assets, on an asset by asset basis. Where there is a subsequent decrease in the valuation for a particular asset then the decrease may be set off against the balance on this account for the individual asset, but not against the overall balance.

	2008-09 £000	**2009-10 £000**
Balance at 1 April	0	**4,054**
Transfer in during the year	4,054	**2,780**
Transfer out during the year	0	**0**
Balance at 31 March	4,054	**6,834**

23) Government grants deferred account

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

	2008-09 £000	**2009-10 £000**
Balance at 1 April	12,863	**12,634**
Financing of capital expenditure – grants	493	**0**
Amortised during the year	(722)	**(722)**
Balance at 31 March	12,634	**11,912**

24) Earmarked reserves

Earmarked reserves are those amounts set aside by the Authority to provide for future costs which the Authority is likely to need to meet. The Authority has established the following reserves:

- the landfill allowances reserve – to cover expenditure that the authority may make in acquiring landfill allowances
- an earmarked reserve to provide for the future costs of advisers employed by the Authority in the contract procurement
- to enable the creation of a Sinking Fund that will be used to mitigate the effect of future large increases in the levy as the costs of waste disposal increase significantly both through landfill tax increases and through the planned new contract to dispose of residual waste.
- a capital reserve – to provide a contribution to the financial cost of acquiring a site or sites for the new residual waste contract facilities.

	Landfill allowances Reserve £000	**Earmarked Reserve £000**	**Sinking Fund £000**	**Capital reserve £000**	**Total £000**
Balance at 1 April	**0**	**2,141**	**9,177**	**0**	**11,318**
Transfer in	**0**	**1,208**	**7,055**	**3,500**	**11,763**
Transfer out	**0**	**(813)**	**0**	**0**	**(813)**
Balance at 31 March	**0**	**2,536**	**16,232**	**3,500**	**22,268**

25) Contingent liabilities

The Authority is not required to set aside a financial resource in respect of contingent liabilities but for completeness must recognise that there is a possible obligation that might arise at a future time, where neither the amount nor the timing is predictable.

Legal liabilities

As set out in note 17, the accounts for 2007-08 set aside amounts as provisions in respect of legal claims from landfill operators that were likely to result in claims against the Authority. These amounts were carried into the accounts for 2008-09 as continuing provisions. During 2009-10 it has become clear that the whole of the amounts claimed against the Authority are unlikely to materialise and the full amount is no longer probable. In consequence the provision for the payment has been reduced and that amount has been returned to the Authority's Income and Expenditure account during 2009-10. The possibility that a liability for the full amount may remain is reflected in this note as a contingent liability.

Closed landfill sites

The Authority manages and maintains a number of closed landfill sites. There is a risk that the condition of the sites remains unpredictable and there may be a need for the authority to take remedial action in the future. The extent and timing of this risk is unpredictable.

Bidston Methane Limited

The called up value of the Authority's 299,000 ordinary £1 shares in Bidston Methane Ltd is £299 (£0.001 each), the contingent liability therefore is £298,701 (£0.999 each).

26) 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 2009-2010 pension costs amounting to £356k were charged to the Income and Expenditure Account. The following disclosures are required in accordance with FRS 17 "Retirement Benefits".

	31 3 09 £M	**31 3 10** **£M**

Assets and liabilities attributable to the Authority		
Present value of funded benefit obligations	7.6	**10.4**
Present value of unfunded benefit obligations	0.4	**0.5**
Total present value of benefit obligations	8.0	**10.9**
Fair value of plan assets	(5.5)	**(7.3)**
Unrecognised past service cost	0	**0**
Net Liability	2.5	**3.6**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc. As part of the 2007 actuarial valuations the actuary has analysed the mortality experience of Local Authority Client Funds over the three year period to 31 March 2007 and changes have been made to life expectancy assumptions. As a result, the 'medium cohort' mortality projections often used for funding and expressing UK pension schemes generally have been used in forecasting liabilities at 31 March 2010. The assets and liabilities have been assessed by Mercer Human Resource Consulting Ltd., an independent firm of actuaries.

In December 2006 the Accounting Standards Board (ASB) made a number of changes to FRS17. These changes included a requirement for most assets to be valued at "realisable values" (i.e. bid values), as opposed to the previous requirement of "fair values" (i.e. mid-market values). Asset values were calculated on this basis for 2008/09 and on an ongoing basis for 2009-10.

The main assumptions used by the actuaries in their valuations are as follows:

	31 3 09	**31 3 10**
Rate of inflation	3.3%	**3.3%**
Rate of increase in salaries	4.55%	**4.55%**
Rate of increase in pensions	3.3%	**3.3%**
Rate of discounting scheme liabilities	7.1%	**5.6%**
Proportion of scheme employees opting to take a commuted lump sum	50.0%	**50.0%**
Life expectancy of male future pensioner aged 65 in 20 years time	21.3 years	**21.3 years**
Life expectancy of female future pensioner aged 65 in 20 years time	24.1 years	**24.1 years**
Life expectancy of male current pensioner aged 65	20.3 years	**20.4 years**
Life expectancy of female current pensioner aged 65	23.2 years	**23.2 years**

The expected rates of return on assets are as follows:

	31 3 09	**31 3 10**
Rate of return on:		
Equities	7.5%	**7.5%**
Government bonds	4.0%	**4.5%**
Other Bonds	6.0%	**5.2%**
Property investments	6.5%	**6.5%**
Cash / Liquidity	0.5%	**0.5%**
Other Assets	7.5%	**7.5%**

The actuary confirms that asset returns over 2009/10 have been exceptionally good (following a very poor 2008/09), with local authority funds achieving investment returns of at least 25% on their assets. This compares with an 'expected' returns calculation at the start of the year of around 6.5% net of expenses. This results in a very large 'actual less expected return on assets'. The figures included in the Balance Sheet consist of the following categories by value and proportion:

	31 3 2009		**31 3 2010**	
	£000	%	**£000**	**%**
Equities	2,955	53.6	**4,641**	**63.6**
Government Bonds	976	17.7	**883**	**12.1**
Other Bonds	265	4.8	**482**	**6.6**
Property	513	9.3	**460**	**6.3**
Cash / Liquidity	232	4.2	**190**	**2.6**
Other assets	574	10.4	**642**	**8.8**

The movement in the net pension liability for the year to 31 March 2010 was as follows:

	£000	£000
Net pension liability @ 1 4 2009		(2,511)
Movements in year		
Current service cost	(107)	
Gains/(Losses) on settlements & curtailments	(26)	
Employer contributions	226	
Interest on Pension liabilities	(564)	
Return on Plan Assets	341	
Actuarial Gain / (Loss) on assets	1,496	
Actuarial Gain /(Loss) on liabilities	(2,445)	
Net pension liability at 31 March 2010		**(3,590)**

Merseyside Waste Disposal Authority

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

Year	%
2005-06	**4.9**
2006-07	**5.4**
2007-08	**6.1**
2008-09	**7.1**
2009-10	**5.6**

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

The actuarial loss can be analysed into the following categories measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2009.

		Asset Gain / (Loss)	Liability Gain / (loss)	Change in assumptions	**Net Gain / (Loss)**
2009-10	£000	1,496	(2,445)	-	**(949)**
	%	20.5% of assets	22.5% of liabilities	-	
2008-09	£000	(1,663)	1,917	-	**254**
	%	30.2% of assets	23.9% of liabilities	-	
2007-08	£000	(659)	(51)	(370)	**(1,080)**
	%	9.7% of assets	0.5% of liabilities	3.9% of liabilities	
2006-07	£000	(1)	0	399	**398**
	%	0% of assets	0% of liabilities	4.6% of liabilities	
2005-06	£000	901	(97)	(637)	**167**
	%	13.5% 0f assets	1.1% of liabilities	7.2% of liabilities	

MERSEYSIDE WASTE DISPOSAL AUTHORITY

27) Notes to the cashflow statement

27.1)
Reconciliation of the net surplus / deficit on the income and expenditure account to the movement in cash

2008-09		2009-10	
£000		£000	**£000**
(1,387)	**Net (surplus) / Deficit for the year**		**(11,692)**
	Adjustments for		
0	**i) Dividends**		**300**
	ii) Servicing of Finance items		
(1418)	Interest paid	(1,404)	
286	Interest receivable	504	**(900)**
	iii) Non-Cash items		
(6,909)	Revaluation	0	
(4,386)	Use of reserves	0	
(1,704)	Depreciation & impairment	(6,088)	
(87)	FRS 17 (Net)	(130)	
722	Grants amortised	722	
(1,154)	Capital movement to revenue		
0	Movement in Provisions	(74)	
775	MRP	0	
			(5,570)
	iv) Movement in:		
(7,406)	Debtors	2,653	
(999)	Creditors	(2,150)	
215	Deferred liabilities	215	
4	PWLB	0	**718**
(23,448)	**Revenue activities net cashflow**		**(17,144)**

27.2)
Reconciliation of the movement in cash to the movement in net debt

	Balance at 31 3 2009 £000	Balance at 31 3 2010 £000	Movement in year £000
Balance sheet movements			
Borrowing – long term	(20,902)	**(20,759)**	**143**
Borrowing – short term	(143)	**(143)**	**0**
Accrued interest on Long Term borrowing	244	**245**	**1**
Cash in Hand / (Overdrawn)	16,011	**31,909**	**15,898**
	(4,790)	**11,253**	**16,042**
Cash flow statement balances			
Financing			**145**
(Decrease) / increase in cash and cash equivalents			**15,898**

27.3)
Analysis of Government grants shown in the cash flow statement

	£000
No such grants were received during 2009-10	**0**

GROUP ACCOUNTS

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

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

The Group Income and Expenditure Account

2008-09 Net Expenditure £000		2009-10 Gross expenditure £000	2009-10 Gross Income £000	2009-10 **Net Expenditure £000**
	Continuing operations			
(2,047)	Cultural, Environmental & Planning services	57,174	(77,160)	**(19,986)**
	Discontinued operations			
2,690	Cultural, Environmental & Planning services	8,819	(1,037)	**7,782**
415	Corporate and democratic core	364	0	**364**
22	Non Distributed cost	60	0	**60**
	Share of Operating Results of joint venture:			
(141)	Turnover	0	(84)	**(84)**
188	Other Operating Expenditure	154	0	**154**
1,127	**Net cost of services**	66,571	(78,281)	**(11,710)**
(4,426)	(Gain) / Loss on disposal of fixed assets			**(95)**
1.788	Interest payable			**1,406**
2	Share of joint venture interest payable			**1**
(948)	Interest and investment income			**(586)**
131	Pension interest cost and			**1,254**
	Expected return on pensions assets			**(751)**
650	Taxation			**430**
(9)	Share of joint venture taxation			**2**
(1,485)	**(Surplus) / Deficit for the year**			**(10,050)**

Reconciliation of the single entity surplus / deficit to the group surplus / deficit

2008-09 £000		2009-10 £000
(1,387)	(Surplus) / Deficit for the year on the Authority Income and Expenditure account	**(11,692)**
(33,766)	Adjustment for transactions with other group entities	**(22,676)**
(45,521)	(Surplus) / Deficit in the Group Income and Expenditure account attributable to the Authority	**(34,368)**
	(Surplus) / Deficit in the Group Income and Expenditure account attributable to group entities (adjusted for intra-group transactions)	
33,628	Subsidiaries	**24,246**
40	Joint Ventures	**72**
(1,485)	**(Surplus) / Deficit for the year on the Group Income and Expenditure account**	**(10,050)**

Group statement of Total Recognised Gains and Losses

2008-09 £000		2009-10 £000
(1,485)	(Surplus) / Deficit for the year on the Group Income and Expenditure account	**(10,050)**
(2,855)	(Surplus) / Deficit arising on revaluation of fixed assets	**(2,780)**
725	Actuarial (gains) / losses on pension fund assets and liabilities	**2,945**
0	Other (gains) / losses required to be included	**0**
(3,615)	**Total Group recognised (gains) / losses for the year**	**(9,885)**

Group Balance Sheet as at 31 March 2010

2008-09 £000		2009-10 £000
	Fixed assets	
0	Intangible assets	**0**
	Tangible assets – operational	
12,055	Land and buildings	**12,905**
14,300	Vehicles, plant & equipment	**12,328**
	Tangible assets – non operational	
3,394	Assets under construction	**1,645**
29,749	**Total fixed assets**	**26,877**
	Current assets	
5.693	Debtors	**4,740**
28,022	Cash at bank	**40,800**
63,464	**Total assets**	**72,417**
	Current Liabilities	
(143)	Short term borrowing	**(143)**
(5,801)	Provision for legal claims	**(2,115)**
(13,872)	Creditors	**(12,853)**
43,648	**Total assets less current liabilities**	**57,305**
(20,902)	Long term borrowing	**(20,759)**
(3,613)	Deferred liabilities	**(3,440)**
(12,634)	Deferred grants	**(11,912)**
(4,728)	Assets & liabilities relating to defined benefit pension schemes	**(8,188)**
1,771	**Total assets less liabilities**	**13,006**
	Financed by	
4,054	Revaluation reserve	**6,834**
(23,459)	Capital adjustment account	**(26,793)**
0	Capital Reserve	**3,500**
(4,728)	Pension fund	**(8,188)**
29,904	Profit and loss Reserve	**37,652**
1,771	**Total Net worth**	**13,006**
0	**Minority interest**	**0**

2008-09 £000		2009-10 £000
1,771	**Total net worth**	**13,006**

The Group Cash Flow Statement

2008-09 £000		2009-10 £000
(9,270)	**Net cash (inflow) / outflow from revenue activities**	**(14,684)**
	Returns on investments and servicing of finance	
	Cash outflows	
1788	Interest paid	**1,404**
	Cash inflows	
(968)	Interest received	**(554)**
1,062	**Taxation**	**414**
	Capital expenditure and financial investment	
	Cash outflows	
12,017	Purchase of fixed assets	**503**
	Cash inflows	
(493)	Capital grants received	**0**
(20,847)	Receipts from sale of fixed assets	**0**
	Acquisition and disposals	
2	Cash inflows	**0**
(16,709)	**Net cash (inflow) / outflow before financing**	**(12,918)**
	Financing	
	Cash outflows	
143	Repayment of borrowing	**143**
(16,566)	**Net (increase) / decrease in cash**	**(12,775)**

Disclosures to the Group accounts

1) Statement of accounting policies

The accounting policies for the group are the same as those for the Waste Disposal Authority single entity financial statements with a number of important exceptions, these are as follows:

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

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

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

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

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

2) Details of combining entities

2.1) Mersey Waste Holdings Limited (MWHL)

The Authority (MWDA) has a subsidiary, MWHL, which is a wholly owned company originally set up as a Local Authority Waste Disposal Company (LAWDC) under the Environmental protection Act 1990. Since the company was established there have been a number of further subsidiary companies established under the umbrella of MWHL and which form the MWHL group. These are the companies that are consolidated into the MWDA group accounts:

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

- Mersey Waste holdings Developments Limited
- Mersey Waste Holdings Associated limited
- Mersey Waste Holdings Energy Limited

The Authority's transactions are all with the holding company. The financial year end for the company and its group was 30 September, but this has been changed from 2009-10 to 31 March and so is now in line with the Authority year end. The company accounts have been consolidated into the Authority group using the acquisition method. The company's main activity is waste disposal. During the year the MWHL group and its companies have been reviewed and a number of the subsidiary companies have been and are being closed as they no longer add value to the group and its activities. The Authority's main transactions with the group are for managing and disposing of municipal household waste. In June 2009 the Authority transferred a significant part of the waste business to another company, Veolia. This was the Waste Management and Recycling Contract (WMRC), leaving MWHL with the contract for disposal of residual waste until such time as a new contract for disposing of that waste is in place. As a part of the new WMRC arrangement a number of staff were transferred to Veolia under a TUPE transfer, their pension rights are protected by the Authority.

2.2) Bidston Methane Limited

The Authority is involved in a joint venture operation to extract gas from closed landfill sites in order to generate energy. The joint venture operates through a company, Bidston methane Limited, which was established in 1985. The Authority owns 50% of the company, the other 50% was owned by Novera Energy Generation No1 Limited until November 2009 when Novera was the subject of a takeover by Infinis Energy Ltd, a company owned by Terra Firma Ltd. Infinis now own more than 50% of Novera.

The joint venture company has been accounted for by the gross equity method as at 31 March 2010. Bidston Methane Limited formerly had a 31 December year end, but this year has prepared its accounts with a year end at 31 March 2010 and it proposes to continue to do this going forward.

3) Notes to the group income and expenditure account

3.1) Pensions

The Authority offers entrance to the Local Government Pension Scheme which is administered in Merseyside by Wirral MBC. The pension scheme is registered with the Occupational Pension Board and is subject to Regulations issued by Government. Mersey Waste Holdings Ltd used the same pension scheme for the major part of its staff, but it also offered in the past the LAWDC Scheme. Both schemes are defined benefit schemes. Under the terms of the TUPE transfer of staff pension rights in the LGPS and the LAWDC Scheme are protected by the Authority.

	MWDA Merseyside scheme £000	MWHL Merseyside scheme £000	MWHL LAWDC Scheme £000
Current service cost*	(107)	(37)	(30)
Past service/curtailment/settlement gain	(26)	(782)	334
Interest cost on pension liabilities	(564)	(522)	(168)
Expected return on assets	341	268	142
Actual amount charged to I&E account in the period	226	45	83
Actuarial gain/(loss) in the year	(130)	(1,028)	361

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

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

4) Employee remuneration – over £50,000

In line with the revised Greenbury disclosure rules the bands of the disclosure start at £50,000. The Assistant Director (Finance) post is not included here as neither of the post holders were paid at the level that reached the threshold for the periods.

	2008-09		**2009-10**	
	MWDA £000	MWHL £000	**MWDA £000**	**MWHL £000**
£50,000 - £59,999	0	1	**0**	**0**
£60,000 - £69,999	2	4	**2**	**0**
£70,000 - £79,999	0	4	**0**	**0**
£80,000 - £89,999	1	2	**1**	**0**
£130,000 - £139,999	0	1	**0**	**0**
£260,000 - £270,000	0	1	**0**	**0**

Notes to the Group Balance Sheet

Fixed assets

1) Asset values – operational assets

	Land and Buildings				Vehicles, Plant & Equipment				Total 2009-10				2008-09
	WDA	WHL	BML	Total	WDA	WHL	BML	Total	WDA	WHL	BML	**Total**	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	**£000**	£000
Net book value at 1 April	12,453	0	0	12,453	13,622	0	279	13,901	26,075	0	279	**26,354**	24,403
Movement in year													
Additions	26	0	0	26	30	0	0	30	56	0	0	**56**	9,366
Disposals	0	0	0	0	0	0	0	0	0	0	0	**0**	(16,691)
Revaluations	2,432	0	0	2,432	348	0	0	348	2,780	0	0	**2,780**	(2,855)
Accounting policy adjustments	0	0	0	0	0	0	0	0	0	0	0	**0**	0
Impairment	(1,486)	0	0	(1,486)	(873)	0	0	(873)	(2,359)	0	0	**(2,359)**	(68)
Depreciation	(521)	0	0	(521)	(1,012)	0	(66)	(1,078)	(1,533)	0	(66)	**(1,599)**	(2,799)
Transfers (reclassified)	0	0	0	0	0	0	0	0	0	0	0	**0**	14,907
Net book value at 31 March	12,905	0	0	12,905	12,115	0	213	12,328	25,020	0	213	**25,233**	26,355

2) Information on assets held

MWDA

1 – Bidston integrated waste management facility
9 – Household waste recycling centres
3 – Household waste recycling centres (leased by the Authority)
4 – Closed landfill sites (leased)
1 – North House office accommodation (leased)

MWHL

3 – Waste transfer stations
2 – Household waste recycling centres
and land at Bidston

BML

2 - Generators

3) Debtors

	31 March 2009				**31 March 2010**			
	MWDA	MWHL	BML	Total	**MWDA**	**MWHL**	**BML**	**Total**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Government departments	831	0	6	837	873	0	6	**879**
Other local authorities	1,029	331	0	1,360	1,057	107	0	**1,164**
Employees	0	0	0	0	0	0	0	**0**
Sundry	570	2,907	19	3,496	1,857	832	10	**2,699**
Less – impairment of debt	0	0	0	0	(3)	0	0	**(3)**
Totals	2,430	3,228	25	5,693	3,784	939	16	**4,740**

4) Creditors

	31 March 2009				**31 March 2010**			
	MWDA	MWHL	BML	Total	**MWDA**	**MWHL**	**BML**	**Total**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Government departments	33	1,020	0	1,053	0	1,260	0	**1,260**
Other local authorities	965	0	0	965	1,446	0	0	**1,446**
Employees	55	0	0	55	56	0	0	**56**
Sundry	5,678	5,954	167	11,799	9,176	735	181	**10092**
Totals	6,731	6,974	167	13,872	10,678	1,995	181	**12,854**

5) Pensions disclosures

5-1) Merseyside pension scheme – Net pensions asset / liability

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

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

In 2009-2010 the following payments were made to the Fund comprising pension costs charged in accordance with the former triennial valuation and amounts paid to retired officers:-

	£000
MWDA	226
MWHL	45

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

	31 March 2009		**31 March 2010**	
Assets and liabilities attributable to:	MWHL £m	MWDA £M	**MWHL £M**	**MWDA £M**
Present value of funded benefit obligations	13.8	7.6	**8.4**	**10.4**
Present value of unfunded benefit obligations	0.1	0.4	**0.1**	**0.5**
Total present value of benefit obligations	13.9	8.0	**8.5**	**10.9**
Fair value of plan assets	(11.6)	(5.5)	**(4.3)**	**(7.3)**
Unrecognised past service cost	0	0	**0**	**0**
Net Liability	2.3	2.5	**4.2**	**3.6**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. As part of the 2007 actuarial valuations the actuary analysed the mortality experience of Local Authority Client Funds over the three year period to 31 March 2007 and changes were made to life expectancy assumptions. As a result, the ‘medium cohort’ mortality projections often used for funding and expressing UK pension schemes generally have been used in forecasting liabilities at 31 March 2010. The assets and liabilities have been assessed by Mercer Human Resource Consulting Ltd., an independent firm of actuaries.

The main assumptions used in the actuarial calculations are:

	31 3 09	**31 3 10**
Rate of inflation	3.3%	**3.3%**

Rate of increase in salaries	4.6%	**4.55%**
Rate of increase in pensions	3.3%	**3.3%**
Rate of discounting scheme liabilities	7.1%	**5.6%**
Proportion of scheme employees opting to take a commuted lump sum	50.0%	**50.0%**
Life expectancy of male future pensioner aged 65 in 20 years time	21.3 years	**21.3 years**
Life expectancy of female future pensioner aged 65 in 20 years time	24.1 years	**24.1 years**
Life expectancy of male current pensioner aged 65	20.3 years	**20.4 years**
Life expectancy of female current pensioner aged 65	23.2 years	**23.2 years**

The expected rate of return on assets are as follows:

	31 3 09	**31 3 10**
Rate of return on:		
Equities	7.5%	**7.5%**
Government bonds	4.0%	**4.5%**
Other Bonds	6.0%	**5.2%**
Property investments	6.5%	**6.5%**
Cash / Liquidity	0.5%	**0.5%**
Other Assets	7.5%	**7.5%**

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

	31 3 2009			**31 3 2010**		
	MWHL £000	MWDA £000	%	**MWHL £000**	**MWDA £000**	**%**
Equities	6,209	2,955	53.6	**2,721**	**4,641**	**63.6**
Government Bonds	2,050	976	17.7	**518**	**883**	**12.1**
Other Bonds	556	265	4.8	**282**	**482**	**6.6**
Property	1,077	513	9.3	**270**	**460**	**6.3**
Cash / Liquidity	487	232	4.2	**111**	**190**	**2.6**
Other assets	1,205	574	10.4	**377**	**642**	**8.8**

The movement in the net pension liability for the year to 31 March 2010 was as follows:

	MWHL		MWDA	
	£000	£000	£000	£000
Net pension liability @ 1 4 2009		(2,313)		(2,511)
Movements in year				
Current service cost	(37)		(107)	
Employer contributions	45		226	
Interest on Pension liabilities	(522)		(564)	
Return on Plan Assets	268		341	
Actuarial Gain / (Loss) on assets	1,459		1,496	
Actuarial Gain /(Loss) on liabilities	(2,320)		(2,445)	
Curtailments	(782)		(26)	
Net pension liability at 31 March 2010		**(4,202)**		**(3,590)**

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 2010

	MWHL	MWDA
	£000	£000
Asset gain / (loss)	(2,320)	(2,445)
Liability gain / (loss)	1,459	1,496
Change in assumptions gain / (loss)	0	0
Net gain / (loss)	(861)	(949)

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

	%
Year	
2005-06	**4.9**
2006-07	**5.4**
2007-08	**6.1**

2008-09	**7.1**
2009-10	**5.6**

It should be noted that for 2009-2010 the actuary has used what they consider to be a more sophisticated approach, by calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. These weightings are considered to more accurately reflect the duration of pension liabilities of LGPS employers when compared to use of the yields on Sterling AA corporate bonds (over 15 years) index previously used.

5-2) LAWDC pension scheme – Net pension asset / liability

The employees of Mersey Waste Holdings Limited originally had the option of entrance to the LAWDC Pension Scheme instead of entrance to the Merseyside Pension Fund. That option is no longer available as entrance is closed to new employees and most employees have transferred under the terms of a TUPE transfer to Veolia.

The LAWDC Scheme is similar in nature to the Merseyside Pension Scheme as a defined benefit scheme. In 2009-2010 MWHL paid into the Scheme the sum of £304k.

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

	2008-09 £m	**2009-10 £m**
Assets and liabilities attributable to MWHL		
Estimated liabilities in the scheme	(2,486)	**(4,243)**
Estimated assets in the scheme	2,582	**3,556**
Net assets in the scheme	96	**(678)**

Liabilities have been assessed on an actuarial basis.

Contributions disclosures

The full actuarial valuations of the defined benefit schemes were updated to 31 March 2009 by a qualified Independent Actuary on a FRS 17 basis. The major assumptions at 31 March 2009 used by the Actuary are set out below they have been updated to reflect the year end a 31 March 2010:

	2009	**2010**
Rate of increase in salaries	4.7%	**n/a**
Rate of increase in pensions in payment	3.7%	**3.8**
Discount rate	7.2%	**5.3**

Inflation assumption	3.7%	**3.8**

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

	Long term rate of return expected at 31 March 2009 %	Value at 31 march 2009 £000	**Long term rate of return expected at 31 March 2010 %**	**Value at 31 march 2010 £000**
Equities	6.3	1,678	**7.0**	**1,982**
Government bonds	3.8	407	**4.5**	**648**
Corporate bonds	6.3	290	**5.5**	**455**
Property	n/a	0	**7.0**	**176**
Cash	0.1	207	**0.5**	**303**
Total market value of assets		2,582		**3,565**
Present value of scheme liabilities		(2,486)		**(4,243)**
Surplus/(deficit) in scheme		96		**(678)**
Related deferred tax asset		0		**0**
Net pension asset/(liability) on an FRS17 basis		96		**(678)**

	31 March 2009 £000	**31 March 2010 £000**
Movement in deficit during the period		
(Deficit) in scheme at 1 April	560	**96**
Operating cost	(136)	**(30)**
Other finance cost	24	**(26)**
Actuarial gains & losses	(664)	**(1,135)**
Contributions paid	312	**83**
Surplus / (Deficit) in scheme at end of year	96	**(1,012)**

MERSEYSIDE WASTE DISPOSAL AUTHORITY

	31 March 2009 £000	**31 March 2010** **£000**
Analysis of the amount charged to operating profit		
Current service cost	(136)	**(30)**

	31 March 2009 £000	**31 March 2010** **£000**
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets	190	**142**
Interest on pension scheme assets	(166)	**(168)**
Total other finance (costs) / gains	24	**(26)**

	31 March 2009 £000	**31 March 2010** **£000**
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actuarial return less expected return on pension scheme asset	(815)	**764**
Experience losses arising on the scheme liabilities	22	**(168)**
Changes in assumptions underlying the present value of the scheme liabilities	129	**(1,731)**
Actuarial loss recognised in STRGL	(664)	**(1,135)**

	31 March 2009	**31 March 2010**
History of experience gains and losses		
Difference between the expected and actual return on scheme assets		
Amount £000	(815)	**764**
Percentage of scheme assets	31.5%	**21.4%**

Total amount recognised in STRGL		
Amount £000	(664)	**(1,135)**
Percentage of present value of scheme liabilities	26.7%	**26.7%**

6) Reconciliation between net (surplus) / deficit on Group Income and Expenditure account to the revenue activities net cash flow

	2008-09	**2009-10**	
	£000	£000	**£000**
Net (surplus) / deficit for the year	(1,485)		**(10,050)**
i) Taxation	(650)		**(430)**
ii) Servicing of Finance items			
Interest paid	(1,788)	(1,404)	
Interest received	968	554	**(850)**
iii) Non Cash			
Depreciation & impairment	(2,847)	(6,154)	
Revaluation	(6,909)	0	
Use of reserves	921	0	
FRS17	(87)	(797)	
Grants amortised	722	722	
Capital movement to revenue	(1,154)	0	
MRP	775	0	**(6,229)**
iv) Movement in			
Stock	(17)	(67)	
Debtors	(10,164)	3,120	
Creditors	7,798	(584)	
Provisions		(74)	
Deferred liabilities	215	327	
Other	4,432	153	**2,875**
Revenue activities net cash flow	(9,270)		**(14,684)**

7) Reconciliation of the movement in cash to movement in net debt

	Balance 31 3 2009 £000	Balance 31 3 2010 £000	**Movement in year £000**
Balance sheet movements			
Borrowing			
Long term	(20,902)	(20,759)	**143**
Short term	(143)	(143)	**0**
Accrued interest on long term borrowing	244	245	**1**
Cash in hand / (overdrawn)	28,022	40,797	**12,775**
	7221	20,140	**12,919**
Cash flow statement of balances			
Financing			**144**
Increase / (Decrease) in cash and cash equivalent			**12,775**

8) Contingent assets and liabilities

Mersey Waste Holdings Limited have lodged a claim against Wrexham Borough Council amounting to £4.2M relating to sterilised minerals in Hafod Quarry. The success of the claim will be dependent upon potential legal action.

MERSEYSIDE WASTE DISPOSAL AUTHORITY

ACCOUNTING POLICIES

General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2009) 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 a 'true and fair view' the financial position and transactions of a local authority and is based on approved accounting standards, except where these conflict with specific statutory accounting requirements. The Code of Practice is referred to as the CIPFA Statement of Recommended Practice (the SORP).

Status of the SORP

The 2009 SORP consolidates the relevant statutory provisions and accounting standards for the preparation of financial statements. It is thus intended to provide a comprehensive framework. Where the SORP is out of step with either statutory provisions or accounting standards the following hierarchy takes precedence:

- **Statutory provisions** – always take precedence, even where contradictory to the SORP, although the SORP advises authorities to consider whether additional information should be provided to make the financial statements as consistent with the SORP as possible.
- **The SORP** – is given mandatory effect by the statutory framework in all parts of the United Kingdom; accounting standards in the form of Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and other SORPs determine the development of the SORP. The SORP provides guidance on the application of UK Generally Accepted Accounting Practice (GAAP) to local authorities.
- **UK GAAP** – apart from Urgent Issues Task Force (UITF) Abstracts, all other elements of UK GAAP (FRSs, SSAPs, SORPs) are kept in reserve by the SORP, to advise the accounting treatment and disclosure requirements of transactions that are not covered by the SORP – where the SORP differs from UK GAAP, the SORP takes precedence.
- **UITF Abstracts** – to the extent that they are applicable, the SORP makes specific provisions for authorities to follow the requirements of Abstracts issued by the UITF from the date from which they are effective for the commercial sector.

Principles

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

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

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

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

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

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

Accounting policies

Accruals of income and expenditure

Transactions are initially recorded on an income and expenditure basis, with provision then made on an actual or estimated basis for all debtors and creditors at 31 March 2010. This accrual concept is in full accordance with FRS18 *Accounting Policies* - though the one exception which merits comment - electricity and similar periodic payments are charged at the date of the meter reading.

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

Best Value Accounting Code of Practice (BVACOP)

The Authority is required to and has prepared its Accounts under the provisions of BVACOP. The income and expenditure account is grouped under the following prescribed headings which are those that apply to the Authority:

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

Charges to revenue for fixed assets

The revenue account for the service is charged with the real cost of holding fixed assets during the year, the following charges are made:

- depreciation – a charge for the use of assets
- impairment losses arising from clear consumption of economic benefits on relevant fixed assets as well as any other losses where there are no accumulated balances in the revaluation reserve of the asset against which they can be written off.

The Authority is required to make a statutory annual charge to revenue to contribute to the reduction in its overall borrowing requirement (see Redemption of debt and MRP). The charges above are therefore replaced in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Capital receipts

Capital receipts arising from the sale of fixed assets are credited to Capital Receipts Unapplied as usable. Usable receipts are shown separately in the balance sheet and may be used either to finance new capital investment, to repay grant received in relation to the asset disposed of, to finance the premium sum arising from any rescheduling of debt, or set aside to reduce the Council's underlying need to borrow.

Contingent Assets

Contingent assets are not recognised in the accounting statements; where there are any then they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such a disclosure will indicate the nature of the contingent asset and an estimate of its financial effect.

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 at a future date.

Debtors and Creditors

The Authority's accounts are maintained on an accruals basis which means that amounts due to or owed by the Authority are included in the accounts whether or not the cash has actually been received or paid in the year.

Depreciation

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

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

The useful lives of assets are estimated on a realistic basis, reviewed on a regular basis and, where necessary, revised. On average for land and Buildings a life of 25 years has been used and for Vehicles, plant and equipment an average life of 15 years has been used.

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

Events after the Balance sheet date

Where there are any significant events that occur after the balance sheet date and which may alter the reader's view of the financial position of the Authority then they will be recognised as either adjusting or non-adjusting events. The nature of any such event and the estimated financial impact where it is a non- adjusting event will be disclosed. Where it is an adjusting event the adjustment will be made. Events after the balance sheet date will be considered up to the point when the accounts are authorised for issue.

Exceptional items, extraordinary items and prior period adjustments

Where an item is significant and unusual enough to be regarded as exceptional then the costs should be included in the cost of the service on the income and expenditure account, and an explanatory note should provide commentary. Where any item is so unusual as to be extraordinary then it should be disclosed on the income and expenditure account, after all the other activities of the authority, further explanation should be provided by way of a note to the accounts.

Prior period adjustments arise from the correction of errors that were undetected in the previous year or from a fundamental change in accounting policy that affects the way the accounts are interpreted. Where this is required then the result of the prior period should be amended in the comparative year of the statements, including the impact on income and expenditure, the balance sheet and reserves and the statement of total recognised gains and losses where to total effect should be noted.

Financial instruments

Financial Instruments are accounted for in accordance with all relevant Financial Reporting Standards. They are initially measured at fair value, which is the value of the instrument if it were to be bought or sold at today's prices.

Financial assets

All investments are initially recognised on the basis of fair value, with subsequent measurement dependent on the classification of the individual financial instrument concerned.

The provisions included within FRS26 - *Financial Instruments: Recognition and Measurement* dictate the precise classification and accounting policies used are in keeping with that standard.

Investments used by the Authority are of the type whereby they are classed as 'Loans and Receivables' and accounted for using the Amortised Cost basis. In doing so, annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. This results in the interest credited to the Income & Expenditure Account being the amount receivable for the year in the loan agreement.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (adjusted for accrued interest) and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Government grants and contributions

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

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

Group accounts

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

Interest receivable

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

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

In the 2009-2010 account the position reflected interest paid to the Authority.

Investments

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

Landfill allowances trading scheme (LATS)

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

The Trading Scheme gives rise to:-

(a) an asset for allowances held;

(b) LATS grant income;

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

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

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

Leases

Under the SORP accounting guidance the Authority currently holds no finance leases, which would require the apportionment of rental payments between the finance charge and the principal element. (As part of the change to an IFRS based accounting framework for 2010-11 the Authority is currently reviewing all its lease arrangements and other contracts to assess whether any should be reclassified as Finance Leases in next year's accounts.)

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

Pensions

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

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

<u>Defined Benefit Schemes</u>

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

(i) the attributable assets of each Scheme are measured at the estimated fair value at the balance sheet date. This is based on nine months actual performance of the Pension Fund, plus an estimate for the final quarter. Any liabilities such as accrued expenses are deducted. The attributable Scheme liabilities are measured on an actuarial basis using the projected unit method. The Scheme liabilities comprise:-

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

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

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

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

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

    (a) periodic costs:-

        (1) current service cost;

        (2) interest cost;

(3) expected return on assets; and

(4) actuarial gains and losses; and

(b) non-periodic costs:-

(1) past service costs; and

(2) gains and losses on settlements and curtailments;

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

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

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

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

Commutation terms are such that it is less costly for the Scheme to provide the lump sum, so to the extent that members take up the option it will reduce employer's pension costs. Actuarial assumptions of 50% take up of this option were used in the 2005-2006 financial statements and the gains due to this change in scheme benefits recorded as a Past Service gain. That 50% assumption is retained in calculating the position in 2009-10.

In December 2006 the Accounting Standards Board (ASB) made a number of changes to the FRS17 accounting standard. In the main, these changes related to the presentation of the figures and the disclosures rather than the underlying calculations themselves. These changes were implemented in the 2008-2009 accounting year.

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

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

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

Pensions Reserve

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

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

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

Provisions

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

Provisions are recognised when

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

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

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

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

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

Redemption of debt

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

Reserves

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

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

Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes.

The purposes and usage of both capital and revenue reserves are detailed in notes accompanying the Statement of Total Recognised Gains and Losses.

Tangible fixed assets

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

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

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

All of the Authority's completed assets were revalued on the above basis at 1 April 2006. The Fairport New Technologies Demonstrator site has been valued at 31 March 2009. An impairment review of other assets identified impairment at the closed landfill sites only. These sites are valued at £1 or zero.

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

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

All valuations are net of depreciation, where appropriate.

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

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

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

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

Value added tax

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

Work in progress and stocks

Work in progress is valued at the lower of cost or net realisable value. Stocks are valued on the basis of current replacement cost.

GLOSSARY OF FINANCIAL TERMS

Accounting policies

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

Accruals

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

Actuarial gains and losses

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

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

(ii) The actuarial assumptions have changed.

Amortisation

The equivalent of depreciation for intangible fixed assets.

Capital charges

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

Capital expenditure

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

Capital receipts

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

Current service cost (pensions)

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

Curtailment

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

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

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

Deferred capital receipts

Amounts derived from the sale of assets, but which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses which form the main part of mortgages under long term debtors.

Defined benefit scheme

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

Defined contribution scheme

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

Depreciation

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

Expected rate of return (on pension assets)

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

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

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.

Interest costs (pensions)

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

Net book value

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

Net current replacement cost

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

Net realisable value

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

Non-operational assets

Fixed assets held by a Local Authority but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the Authority. They may comprise:-

(i) Assets held for the primary purpose of investment from which a commercial rental is obtained;

(ii) Vacant property awaiting either redevelopment or disposal;

(iii) Land and buildings currently in the course of development but not yet completed and occupied for the proposed service.

Operational assets

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

Past service cost or gain

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

Projected unit method

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

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

(ii) the accrued benefits for members in service on the valuation date.

Public works loans board

A Government body which provides loans to local authorities for financing capital expenditure.

Retirement benefits

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

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

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

Revenue expenditure

Day-to-day expenditure on items that will generally be consumed within twelve months from the date of purchase (e.g. salaries, service running costs, consumable materials and equipment, or the cost of financing capital assets).

Revenue expenditure funded from capital under statute

Expenditure of a capital nature, where no tangible asset exists (e.g. capital grants to third parties).

Scheme liabilities

The liabilities of a defined benefits 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.

Stocks

The amount of unused or unconsumed stocks held in exception of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:-

(i) goods or other assets purchased for resale;

(ii) consumable stores; and

(iii) raw materials and components purchased for incorporation into products for sale.

Useful life

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

AUDITOR'S REPORT TO THE AUTHORITY (DRAFT)

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

Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Merseyside Waste Disposal Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, 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 Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority financial statements provide a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group financial statements provide a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31March 2010 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Merseyside Waste Disposal Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

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.

Michael Thomas
(Officer of the Audit Commission)
Audit Commission
The Heath Business and Technical Park
Runcorn
Cheshire
WA7 4QF

SUBJECT TO CHANGE FOR UP TO DATE CERTIFICATE AND OUTCOME OF AUDIT

MERSEYSIDE WASTE DISPOSAL AUTHORITY