MERSEYSIDE WASTE DISPOSAL AUTHORITY

STATEMENT OF ACCOUNTS

2010-11

CONTENTS

MWDA
Merseyside Waste Disposal Authority

CHAIRPERSON’S INTRODUCTION

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I am pleased to introduce Merseyside Waste Disposal Authority’s Statement of ac
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 2010-11 financial year has been challenging for the Authority. The Authority worked hard to identify potential development sites which would meet the requirements for the Resource Recovery Contract that is being procured. The sites identified did not have universal support and the Authority faced the prospect of a drawn out procurement and planning process if they were taken forward. At the same time the Authority continued to work with the bidders in the procurement and those bidders have separately identified alternative site proposals which will be suitable for the procurement. These sites already have much of the planning support they need. By moving forward with these alternative proposals the Authority has been able to get the procurement back on track, avoiding the costs of delay that would have occurred through a drawn out land purchase and planning process. At the same time the Authority has successfully managed the first full year of the Waste Management and Recovery Contract (WMRC). The savings that arose from the contract award have continued to accrue alongside improving contract performance.

Effective financial management has been key to ensuring the Authority is able to maintain its balances to offset future financial pressures. At a time when local government faces very significant financial and operational challenges it has been important to recognise the continuing need for the Authority to maintain prudent balances. The benefit of this approach will be felt by Districts over the medium term as the balances are used to offset future significant rises in the Levy that would otherwise accrue. At the same time the Authority has continued to review all its costs and has been able to minimise the immediate impact of the Levy on District Councils for another year. The Authority continues to minimise the cost of the Levy to Merseyside’s citizens and while providing more environmentally beneficial ways of dealing with residual waste.

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
September 2011

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 2011. The accounts have been prepared in accordance with the requirements of the Code of Practice for the 2010-11 accounts and any other Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The 2010-11 year sees the implementation of a significantly different accounting framework, based on International Financial Reporting Standards (IFRS). The introduction of an IFRS based framework brings the convergence of public and private sector accounts closer and will mean there are a significant number of changes in the way the Accounts are presented in 2010-11.

The Authority's accounts for the year 2010-11 are set out on pages 3 to 126 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 Director of Finance for the accounts;
- The Annual Governance Statement, which reviews how the Authority conducts its business;
- The Comprehensive Income and Expenditure Account, which shows the cost in the year of providing services in accounting terms;
- The Balance Sheet; which the net assets of the Authority matched by reserves;
- The Cash Flow Statement; which summarises the changes in cash and cash equivalents;
- The Movement in Reserves Statement; which shows the movement on both usable and unusable reserves held by the authority and which shows the true economic cost of providing services;
- 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 underpins the basis for the preparation of the financial statements but thereafter is largely a reference point.

Accounting Issues

The new Code of Practice for 2010-11 has introduced a number of important changes which amend the way some financial figures are presented and reported. The changes bring the local authority Code into line with the IFRS framework and in consequence there are some significant changes in terms of presentation and the way the Authority's accounts are collated. The main changes are:

- **The Comprehensive Income and Expenditure Statement**; which summarises the accounting cost of providing services to the public, as well as income from the Levy and other income and costs and which also incorporates the recognised gains or losses on assets and liabilities;

- **The Balance Sheet**; which shows the value of the Authority's assets and liabilities at the year end and shows how they are matched by reserves which are grouped as Usable and Unusable. For this transitional year there will be a third balance sheet (the opening balances of the prior period) for one off comparative purposes;

- **The Cash Flow Statement**; which summarises the changes in both cash and cash equivalents of the Authority for the year: and

- **The Movement in Reserves Statement**; which shows the movement in the year of the reserves held by the Authority, both the usable reserves (those that may be used to fund expenditure or reduce the Levy) and unusable reserves. Within this statement the Surplus/Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services which is different from the statutory amount required for Levy purposes.

These four statements have equal status and the order in which they are presented is not intended to give precedence to any.

A note will be included in the accounts to provides a summary of the main differences between the amounts presented in the accounts under the new Code of Practice and the amounts presented in the prior year using the guidance of the statement of Recommended Practice (SORP) although there will not be a detailed reconciliation between the two statements.

There are a number of other significant changes to the notes to the accounts to reflect the implementation of the IFRS based regime, in particular there are new notes in respect of:

- The first time adoption of IFRS;
- The effects of changes in estimation techniques;
- Accounting standards issued but not adopted;
- Critical judgements in applying accounting policies;
- Assumptions made about the future and other sources of estimation uncertainty;

- Supporting notes for all lines in the financial statements;
- Amounts reported for resource allocation decisions (and reconciliations); and
- Termination benefits (where applicable).

For a small number of notes there are extended disclosure requirements, including:

- Leases;
- Intangible assets; and
- Grants.

There are some notes that have been deleted including:

- The description of the assets held by the Authority; and
- Details of companies in which the Authority has a shareholding (as they are included in the Group accounts)

One of the key features of the new framework is that in preparing the statement of accounts the concept of materiality is key. If an amount is regarded as immaterial then preparing it may be given less precedence, which will help to ensure the effective use of resources to prepare the accounts. This consideration is helpful in ensuring the other key requirement, to provide comparative figures for every figure in the accounts, is applied proportionately; immaterial comparatives that do not help the reader may be given less precedence. The requirement to provide comparative figures for every figure reported means there are some parts of the statements where the layout is different from previous statements to ensure all the amounts can be seen in the same place.

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 of 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 2010-11 in February 2010. The budget was based on a number of assumptions about costs the Authority faced at the time. The chief of these assumptions was that the Authority would need to procure a significant parcel of land to develop its own site to facilitate the procurement of the Resource Recovery Contract which is the next phase of the future of waste disposal for Merseyside. In the event both the remaining participants in the procurement came forward with solutions that meant they would provide the land, and in consequence the Authority did not have to proceed with a significant land purchase. The effect of this was to reduce the cost of external borrowing significantly.

The Authority's actual expenditure compared to the original estimate is set out below and the surplus for the year was £4.7M

	Original Estimate £000	Actual £000	Variance £000
Waste management contracts	48,535	47,765	(770)
Recycling Credits	5,956	5,247	(709)
Other expenditure	6,353	3,677	(2,676)
Establishment	2,528	2,021	(507)
Contribution to sinking fund	7,500	7,500	0
	70,872	66,210	(4,662)
Levy	70,872	70,872	0
Contribution (to) / from Reserves	0	(4,662)	(4,662)

The net improvement of £4.7M contains a number of significant items.

- The actual tonnages of waste arising were lower than expected which has resulted in a saving on the waste management contracts overall (including taxes) of £770k. The saving was actually larger than that but during the year the costs of providing for the settlement of a legal case involving the Authority together with the company Mersey Waste Holdings Ltd were realised and additional expenditure of £2.2M was required to recognise the Authority's share of the costs.
- The Authority's recycling credit payments were less than planned as the overall amount of recycling payments claimed by the District Councils was lower than predicted.
- As described above the Authority did not proceed with the procurement of a significant land purchase which led to significant capital cost savings.
- Establishment costs were kept in check by managing vacancies and by ensuring that savings were made across the board on controllable expenditure.

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

	£000	%
Gross Expenditure		
Employee Costs	1,619	2.3
Waste Disposal Contracts	29,633	42.3
Landfill Tax	20,067	28.7
Capital Financing Costs	1,615	2.3
Recycling credit payments	5,247	7.5
Contribution to Sinking Fund	7,500	10.7
Other costs	4,310	6.2
	69,991	100.0
Gross Income		
Levy	(70,872)	
Other income	(3,781)	
Contribution (to) / from balances	(4,662)	

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 2011 when the budget for 2010-11 was revised. The outturn is almost exactly in line with those 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. This is potentially the largest local government procurement on Merseyside and the risk of unplanned expenses is a significant factor. When the RRC contact is in place it is anticipated that the Fund balance will reduce to normal levels.

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 and to mitigate the effect of unavoidable cost increases that would otherwise fall immediately onto District Councils.

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 Reserves £000	Capital Fund £000	Total £000
Opening balance	11,467	16,233	2,537	3,500	33,737
Additions in year	7,553	7,500	279	3,808	19,140
Deductions in year	(3,808)	0	(799)	(2,330)	(6,937)
Closing Balance	15,212	23,733	2,017	4,978	45,940

Capital Spending in 2010-11

The Authority had an original Capital Programme of £87.8M in 2010-11. The vast majority of the programme was identified to secure land to support the RRC procurement. The delays in identifying a site or sites and the fact that both the bidders in the procurement have separately identified suitable sites and have accepted the planning risks means that over £82M will not now be spent acquiring a site or sites. This has also had a beneficial impact on the authority's financial position both in the year and going forward as the costs of financing the land procurement are not falling directly on the Authority. The revised capital programme was approved by the Authority as £3.9M which represents a more normal pattern. The key areas of expenditure were as follows:

	£000
Expenditure	
Kirkby HWRC	1,974
Gilmoss MRF electricity supply	311
Other Costs	45
Total	2,330
Funded by	
Capital fund	2,330

Borrowing

The Authority has a portfolio of Public Works Loans Board (PWLB) and Market Loans taken out in previous periods which amount to £20.7M.

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 2010-11 in February 2010 and these are regularly reviewed prior to undertaking capital expenditure, ensuring that the spending remains within the prudential framework. For 2010-11 capital spending has been funded from sums set aside in a Capital fund so no additional prudential borrowing was required. In the future the costs of PWLB borrowing will increase and so any further loans are more likely to be at market rates.

Contractual commitments

In June 2009 the Authority commenced a contract with Veolia for the provision of Waste Management and Recycling facilities across Merseyside. This is a long term contract that will run until 2020. During 2011-12 it is estimated that the contract will cost the Authority just over £18M. The Authority is currently procuring a separate long term contract for Resource Recovery, this contract will not be in place until 2011-12 and services under it will start in 2015. Until the new contract is let the Authority will continue to utilise the existing landfill contracts which are expected to cost £6.8M in 2011-12 (net of landfill tax).

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 2011 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

MWDA
Merseyside Waste Disposal Authority

STATEMENT OF RESPONSIBILITIES

The Authority's responsibilities

The Authority is required to:

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

The Director of Finance's responsibilities

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

In preparing this Statement of Accounts the Director of Finance has:

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

The Director of Finance has also:

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

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Peter Williams
Treasurer to the Authority Date:

ANNUAL GOVERNANCE STATEMENT 2010/11

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 includes arrangements for the management of risk.

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

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

The purpose of the governance framework

The governance framework comprises the systems, 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 2011 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 15th April 2011 and is delivered through the development of Annual Service Plans and supported by contractual service level agreements;
- performance against the Corporate Plan is published on a quarterly basis and reviewed by the Authority'
- 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 regularly;
- ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010) .
- audit functions are delivered through the full Authority with specific powers delegated to the Audit and Governance Committee;
- internal audit 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 Chief Executive as Chief Officer for 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 Governance;

- the Authority is responsible for the approval Annual Statement of Accounts after they have been approved by the Chief Finance Officer and audited;

- the scrutiny function is provided by the full Authority;

- the Chief Finance Officer is responsible for ensuring the proper financial administration of the Authority, including:

  - the preparation of the statement of accounts;
  - accounting records and control systems; and

- internal audit

- audit and risk issues are dealt with by the full Authority; and
- the Audit and Governance Committee has delegated powers to deal with governance matters where statutory deadlines require approvals prior to scheduled full Authority meetings.

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 in 2011;
- 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 2011-12.

Signed: ....
Chief Executive June 2011

Signed: ....
Clerk June 2011

Signed: ....
Chairperson June 2011

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the Levy. The Authority raises local tax in the form of the Levy to cover expenditure in accordance with regulations; this may be different from the accounting cost. The Levy position is shown in the Movement in Reserves.

2009-10 Gross Expenditure £000	*2009-10 Gross Income £000*	2009-10 Net Expenditure £000		**2010-11 Gross Expenditure £000**	**2010-11 Gross Income £000**	**2010-11 Net Expenditure £000**
			Continuing Operations			
			Cultural, Environmental & Planning Services			
47,899	*(4,220)*	43,679	Waste Disposal Contracts	53,438	(6,406)	47,032
5,594	*0*	5,594	Recycling credit payments	5,604	0	5,604
1,932	*(240)*	1,692	Client Function	2,266	(252)	2,014
800	*0*	800	Landfill Allowances	797	0	797
7,896	*(100)*	7,796	Other Services	3,517	(36)	3,481
364	*0*	364	Corporate & Democratic Core Costs	341	0	341
60	*0*	60	Non-Distributed Costs	71	0	71
64,545	*(4,560)*	59,985	**COST OF SERVICES**	66,034	(6,694)	59,340
0	*0*	0	Other Operating Expenditure (Note 8)	0	0	0
2,007	*(2,013)*	(6)	Financing and Investment Income and Expenditure (Note 9)	1,286	(2,447)	(1,161)
0	*0*	0	Surplus or deficit of discontinued operations	0	0	0
0	*(70,872)*	(70,872)	Levy and non-specific grant income (note 10)	0	(70,872)	(70,872)

MERSEYSIDE WASTE DISPOSAL AUTHORITY

2009-10 Gross Expenditure £000	*2009-10 Gross Income £000*	2009-10 Net Expenditure £000		**2010-11 Gross Expenditure £000**	**2010-11 Gross Income £000**	**2010-11 Net Expenditure £000**
66,552	***(77,445)***	**(10,893)**	**(SURPLUS) DEFICIT ON PROVISION OF SERVICES**	**67,320**	**(80,013)**	**(12,693)**
(2,780)	**0**	**(2,780)**	Surplus or deficit on revaluation of fixed assets	**0**	**0**	**0**
0	**0**	**0**	Surplus or deficit on the revaluation of available for sale financial assets	**0**	**0**	**0**
949	**0**	**949**	Actuarial gains / losses on pension assets / liabilities	**0**	**(679)**	**(679)**
(1,831)	**0**	**(1,831)**	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**	**0**	**(679)**	**(679)**
64,721	**(77,445)**	**(12,724)**	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**	**67,320**	**(80,692)**	**(13,372)**

BALANCE SHEET

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example a capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealized gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

Balance at 1 4 2009 £000	Balance at 31 3 2010 £000		£000	**Balance at 31 3 2011 £000**	**Notes**
27,731	24,853	Property, Plant and Equipment	**25,838**		11
1,850	1,835	Investment Property	**1,835**		12
0	0	Intangible Assets	**279**		13,39
0	0	Assets Held For Sale	**0**		20
5,138	5,138	Long Term Investments (inc Net pension asset)	**5,138**		14
0	0	Long Term Debtors	**238**		
34,719	**31,826**	**Long Term Assets**		**33,328**	
0	0	Short term investments	**0**		
0	0	Assets held for sale	**0**		20
0	0	Inventories	**0**		
18,512	**36,993**	Short Term Debtors	**52,827**		18
1	1	Cash and Cash Equivalents	**1**		19
18,513	**36,994**	**Current Assets**		**52,828**	

MERSEYSIDE WASTE DISPOSAL AUTHORITY

Balance at 1 4 2009 £000	Balance at 31 3 2010 £000		£000	Balance at 31 3 2011 £000	Notes
0	0	Bank Overdraft	**0**		19
(143)	(143)	Short Term Borrowing	**(143)**		14
(10,810)	(12,895)	Short Term Creditors	**(15,948)**		21
0	0	Provisions (Short Term)	**0**		
0	0	Liabilities in Disposal Groups	**0**		
(10,953)	**(13,038)**	**Current Liabilities**		**(16,091)**	
0	0	Long Term Creditors	**0**		
(5,801)	(5,875)	Provisions (Long Term)	**(8,126)**		22
(20,902)	(20,758)	Long Term Borrowing	**(20,855)**		41
(6,197)	(7,044)	Other Long Term Liabilities	**(5,583)**		14
0	0	Donated Assets Account	**0**		
0	0	Capital Receipts in Advance	**0**		
(32,900)	**(33,679)**	**Long Term Liabilities**		**(34,564)**	
9,379	**22,105**	**NET ASSETS**		**35,501**	
(17,836)	(33,735)	Usable Reserves		**(45,941)**	7, 23
8,457	11,630	Unusable Reserves		**10,440**	24
(9,379)	**(22,105)**	**TOTAL RESERVES**		**(35,501)**	

Merseyside Waste Disposal Authority

Prior period adjustment

The accounting treatment regarding cash and the way it is presented in the Authority's balance sheet has been reviewed and amended in the current period. This affects the treatment in prior periods as well and amendments have been made to reflect that change. The Authority's cash is managed through a Service Level Agreement (SLA) by St Helens Council in their bank account. In prior periods the Authority's cash was separated from St Helens' cash and was disclosed as Authority cash on the balance sheet, with an overdrawn amount showing on the St Helens Council balance sheet. The treatment has been reviewed for 2010-11 and the prior periods, so that the Authority no longer shows the cash, but shows instead the equivalent amount as a debtor on the balance sheet, i.e. the amount owed by St Helens Council to the Authority. The Council's treatment mirrors this and shows an amount owed to the Authority. The impact is to reduce the cash and increase the short term debtors figures on the balance sheets for the periods in question as follows: 2009/10 opening balance, £12.747M 2009-10 closing balance, £26.976M, 2010-11 closing balance, £40.154M

Certificate of Treasurer at the Balance Sheet date

I confirm that these accounts present fairly the position of Merseyside Waste Disposal Authority as at 29th June 2011 and are Authorised for Issue as at that date.

Peter Williams
Treasurer to the Authority Date

MERSEYSIDE WASTE DISPOSAL AUTHORITY

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the year. The statement shows how the Authority generates cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of Levy (and any grant income) or from charges for services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2009-10 £000		**2010-11 £000**
(10,893)	**Net (surplus) or deficit on the provision of services**	**(12,693)**
9,646	Adjustments to net surplus or deficit on the provision of services for no cash movements	**9,815**
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**0**
600	Net cash flows from Operating activities (note 25)	**404**
503	Investing Activities (Note 26)	**2330**
143	Financing Activities (Note 27)	**143**
0	Net increase or decrease in cash and cash equivalents	0
(1)	Cash and cash equivalents at the beginning of the reporting period	**(1)**
(1)	**Cash and cash equivalents at the end of the reporting period**	(1)

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for Levy setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

The statements on the following pages show the 2010-11 statement followed by the 2009-10 comparative period.

Movement in Reserves 2010-11 (Reporting year)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	11,466	22,267			33,733	(11,630)	22,103
Movement in Reserves during 2010-11							
Surplus or (Deficit) on the provision of services	14,001				14,001	(1,308)	12,693
Other Comprehensive Income and Expenditure	679				679	0	679
Total Comprehensive Income and Expenditure	14,680				14,680	(1,308)	13,372
Adjustments between accounting basis and funding basis under regulations (Note 6)	(2,593)	100			(2,493)	2,493	0
Net Increase / Decrease before transfers to Earmarked Reserves	12,087	100			12,187	1,185	13,372
Transfers to / from Earmarked Reserves (Note 7)	(10,607)	10,607			0		0
Increase / Decrease in 2010-11	1,480	10,707			12,187	1,185	13,372
Balance at 31 March 2011 carried forward	12,946	32,974			45,920	(10,445)	35,475

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Movement in Reserves 2009-10 (Comparative period)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	6,519	11,317			17,836	(8,457)	9379
Movement in Reserves during 2009-10							
Surplus or (Deficit) on the provision of services	10,893				10,893		10,893
Other Comprehensive Income and Expenditure						1,831	1,831
Total Comprehensive Income and Expenditure	10,893				10,893	1,831	12,724
Adjustments between accounting basis and funding basis under regulations (Note 6)	5,004				5,004	(5,004)	0
Net Increase / Decrease before transfers to Earmarked Reserves	15,897				15,897	(3,173)	12,724
Transfers to / from Earmarked Reserves (Note 7)	(10,950)	10,950			0	0	0
Increase / Decrease in 2009-10	4,947	10,950			15,897	(3,173)	12,724
Balance at 31 March 2010 carried forward	11,466	22,267			33,733	(11,630)	22,103

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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.

This year there are a number of new notes in respect of:

- The first time adoption of IFRS;
- The effects of changes in estimation techniques;
- Accounting standards issued but not adopted;
- Critical judgements in applying accounting policies;
- Assumptions made about the future and other sources of estimation uncertainty;
- Supporting notes for all lines in the financial statements;
- Amounts reported for resource allocation decisions (and reconciliations); and
- Termination benefits (where applicable).

A note has been included in the accounts to provide a summary of the main differences between the amounts presented in the accounts under the new Code of Practice and the amounts presented in the prior year using the guidance of the Statement of Recommended Practice (SORP) although there is not a detailed reconciliation between the two statements.

For a small number of notes there are extended disclosure requirements, including:

- Leases;
- Intangible assets; and
- Grants.

There are some notes that have been deleted including:

- The description of the assets held by the Authority; and
- Details of companies in which the Authority has a shareholding (as they are included in the Group accounts)

Notes

1) Transition to International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010-11 is the first prepared by the Authority on an IFRS compliant basis. Adoption of the IFRS based Code of Practice (the Code) has resulted in the restatement of a number of balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10.

The following paragraphs and tables explain the material differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements.

Short term accumulating compensating absences

Short term accumulating compensating absences refers to the benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up entitlement to holiday pay as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result the Authority is required to accrue for any annual leave earned but not taken at each year end. Previously no accrual was required.

The Government has issued regulations which mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts earned are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1 April 2009 Balance sheet

	2009-10 Statements £000	Adjustments made £000
Short term creditors	(10,790)	(20)
Accumulated adjustment account	0	20

31 March 2010 Balance sheet

	2009-10 Statements £000	Adjustments made £000
Short term creditors	(12,908)	(6)
Accumulated adjustment account	0	6

Comprehensive Income and Expenditure account

Cost of Services (Net):

	2009-10 Statements £000	Adjustments made £000
Service Cost	58,738	26
Corporate and Democratic Core	364	0
Non Distributed Costs	60	0

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority has 10 leases where the treatment changed to reflect the IFRS and Code requirements, including:

- Buildings at the Household waste recycling centres
- Vehicles
- The franking machine and photocopier

As a consequence of classifying these leases as finance leases the financial statements have been amended as follows:

- The Authority has recognised an asset (the building) and a finance lease liability;

- The operating lease charge to the comprehensive income and expenditure account has been reduced by the amount that relates to the building element of the lease payments;
- A depreciation charge has been included in the comprehensive income and expenditure account
- The depreciation charge has been transferred from General Fund to the Capital Adjustment Account. This transfer has been reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009-10 are reported in the Movement in Reserves Statement for the year.

This has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1 April 2009 Balance sheet

	2009-10 Statements £000	Adjustments made £000
Property, Plant and Equipment	0	37
Other long term liabilities (finance lease liability)	0	(31)
Capital Adjustment Account	9,985	(5)

31 March 2010 Balance sheet

	2009-10 Statements £000	Adjustments made £000
Property, Plant and Equipment	0	(13)
Other long term liabilities (finance lease liability)	0	17
Capital Adjustment Account	14,817	(4)

Comprehensive Income and Expenditure account

	2009-10 Statements £000	Adjustments made £000
Service cost	17	0
Financing and Investment Income and Expenditure	3	0

The net increase in the Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Accounts. This transfer is shown in the Movement in Reserves Statement.

Government Grants

Under the code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 march 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009-10; these have been removed form the Comprehensive Income and Expenditure Statement in the comparative figures.

This has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1 April 2009 Balance sheet

	2009-10 Statements £000	Adjustments made £000
Government Grants Deferred Account	(12,634)	12,634
Capital Adjustment Account	22,614	(12,634)

Closing 31 March 2010 Balance sheet

	2009-10 Statements £000	Adjustments made £000
Government Grants Deferred Account	0	0
Capital Adjustment Account	(14,812)	0

Comprehensive Income and Expenditure account

	2009-10 Statements £000	Adjustments made £000
Service cost	58,389	(722)

2) Accounting Standards that have been issued but have not yet been adopted

The IFRS accounting framework requires the Authority to identify and recognise the likely impact of any changes to the framework that come into effect in the next financial year. At the balance sheet date FRS30, which considers Heritage Assets, was the only such new accounting standard. The Authority holds no assets that are considered as Heritage Assets and so no further disclosure is required.

3) Critical judgements in applying accounting policies

In applying the Accounting Policies set out in the financial statements the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on going concern, such as future funding levels and long terms contracts;
- The value of investments;
- Whether other entities with which the Authority has a relationship are subsidiaries, or associates
- Whether contracts need to be accounted for as service concessions or with embedded lease;
- The potential outcome of legal claims by or against the Authority;

4) Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains a number of estimates figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there may be a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the way the asset is used and the amount of repairs and maintenance required	If the asset use changes then the life of the asset may change which would impact on the depreciation charge for the asset. If the asset is not maintained that may have a similar effect.

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Provisions	The Authority has made provision for the legal costs that may arise in action being taken against the Authority and Mersey waste Holdings Limited	If the legal costs have been over or under estimated then the Authority will either bring in additional income or will need to take a further charge to the Consolidated Income and Expenditure Account
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the Pension Fund to provide expert advice about the assumptions to be applied	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in an increase in the pension liability of £0.9M.
Accruals of waste contract payments	The final waste data flows and settlement of the year end costs incurred by the Authority is not completed until the end of September each year. Estimates are made of both the waste data flows and the final amounts in settlement of the costs payable by the Authority at the year end.	If the waste data flow information is significantly different from that expected then the waste contract payments, the landfill tax payments and the use of LATs will be affected. However, the impact of this final settlement is not expected to be significant as the Authority uses its own waste data in arriving at the estimates, those figures are the ones that are verified in September and the Authority's experience is that there have not been significant changes in recent years.

5) Material items of Income and Expense

The Comprehensive Income and Expenditure Account summarises income and expense for the reporting year. Within that the following material items are brought to the attention of the reader to provide more information about material transactions:

Comprehensive Income and Expenditure account

Description	2010-11 Statements £000
WMRC contract payments	17,726
Landfill contract payments	6,947
Landfill tax payments	21,526

6) Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010-11 (Reporting year)

	Usable reserves 2010-11				
	General Fund balance	**Earmarked Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Usable Reserves**
	£000	£000	£000	£000	£000
Adjustments involving the Capital adjustment account					
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement					
Charges for depreciation and impairment of non-current assets	1,289				1,289
Revaluation losses on Property, Plant and equipment	42				42
Movements in the Market Value of Investment Properties					0
Amortisation of intangible assets	279				279
Capital grants and contributions	(40)	100			60
Revenue Expenditure Funded from Capital Under Statute (REFCUS)					0
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement					0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the	(1,308)				(1,308)

	Usable reserves 2010-11				
	General Fund balance	**Earmarked Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Usable Reserves**
	£000	£000	£000	£000	£000
financing of capital expenditure					
Capital expenditure charged against the General Fund balances	(2,330)				(2,330)
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					0
Use of the Capital Receipts Reserve to finance new capital expenditure					0
Contribution from the Capital Receipts Reserve towards the administrative cost of non current asset disposals					0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					0
Adjustment involving the Major Repairs Reserve (N/A as not a housing Authority)					
Adjustment involving the Financial instruments Adjustment account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements					0
Adjustments involving the Pensions Reserve					

	Usable reserves 2010-11				
	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves
	£000	£000	£000	£000	£000
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 24)	(334)				(334)
Employer's pensions contributions and direct payments to pensioners payable in the year	(223)				(223)
Adjustments involving the Collection Fund Adjustment Account (N/A as not a Collection Authority)					
Adjustment involving the Unequal Back pay Adjustment account					
Amount by which amounts charged for Equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory provisions					0
Adjustment involving the Accumulating Compensating Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	32				32
Total adjustments	**(2,593)**	**100**	**0**	**0**	**(2,493)**

2009-10 (Comparative year)

	Usable reserves 2009-10				
	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves
	£000	£000	£000	£000	£000
Adjustments involving the Capital adjustment account					
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement					
Charges for depreciation and impairment of non-current assets	6,102				6,102
Revaluation losses on Property, Plant and equipment	15				15
Movements in the Market Value of Investment Properties					0
Amortisation of intangible assets					0
Capital grants and contributions					0
Revenue Expenditure Funded from Capital Under Statute (REFCUS)					0
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement					0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital expenditure	(1,268)				(1,268)
Capital expenditure charged against the General Fund balances					0

	Usable reserves 2009-10				
	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves
	£000	£000	£000	£000	£000
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					0
Use of the Capital Receipts Reserve to finance new capital expenditure					0
Contribution from the Capital Receipts Reserve towards the administrative cost of non current asset disposals					0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					0
Adjustment involving the Major Repairs Reserve (N/A as not a housing Authority)					
Adjustment involving the Financial instruments Adjustment account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements					0
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 24)	356				356

	Usable reserves 2009-10				
	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves
	£000	£000	£000	£000	£000
Employer's pensions contributions and direct payments to pensioners payable in the year	(226)				(226)
Adjustments involving the Collection Fund Adjustment Account (N/A as not a Collection Authority)					
Adjustment involving the Unequal Back pay Adjustment account					
Amount by which amounts charged for Equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory provisions					0
Adjustment involving the Accumulating Compensating Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	25				25
Total adjustments	**5,004**	**0**	**0**	**0**	**5,004**

7) Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010-11. 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 2009	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 2010	**0**	**2,536**	**16,232**	**3,500**	**22,268**
Balance at 1 April 2010	**0**	**2,536**	**16,232**	**3,500**	**22,268**
Transfer in	**279**	**0**	**7,500**	**3,808**	**11,587**
Transfer out	**0**	**(800)**	**0**	**(2,330)**	**(3,130)**
Balance at 31 March 2011	**279**	**1,736**	**23,732**	**4,978**	**30,725**

8) Other Operating Expenditure

The Consolidated Income and Expenditure Statement includes an item of 'Other operating expenditure', this note provides additional details of that amount:

2009-10 £000		**2010-11 £000**
0	Gains / Losses on the disposal of non current assets	**0**
0	**Total**	**0**

There were no gains or losses on disposals, the note is included for completeness.

9) Financing and Investment Income and Expenditure

The Consolidated Income and Expenditure Statement includes an item of ‘Financing and Investment Income and Expenditure’, this note provides additional details of that amount:

2009-10 £000		**2010-11 £000**
1,404	Interest payable and similar charges	**1,095**
223	Pensions interest cost and expected return on pensions	**135**
(505)	Interest receivable and similar income	**(1,582)**
(797)	Income and expenditure in relation to investment properties (to update re NTDP)	**(798)**
(331)	Other investment income	**(11)**
(6)	**Total**	**(1,161)**

10) Levy and non specific grant income

The Consolidated Income and Expenditure Statement includes an item of ‘Levy and non specific grant income’, this note provides additional details of that amount:

2009-10 £000		**2010-11 £000**
70,872	Levy income	**70,872**
0	Non ring-fenced government grants	**0**
0	Capital grants and contributions	**0**
70,872	**Total**	**70,872**

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11) Property, plant and equipment

This note provides further information about the Property, Plant and Equipment included on the Balance sheet.

Movements in 2010-11 (Reporting period)

	Land and buildings	Vehicles, plant, furniture and equipment	Infra-structure assets	Community assets	Assets under construc-tion	Total property, plant and equipment	PFI assets included in property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2010	14,115	15,586	0	0	3,842	**33,543**	0
Additions	42				2,286	**2,328**	0
Donations						**0**	0
Revaluation increases / (decreases) in the Revaluation Reserve						**0**	0
Derecognition – Disposals						**0**	0
Derecognition – Other						**0**	0
Assets reclassified (to) / from Held for Sale						**0**	0
Other movements in Cost or Valuation						**0**	0
At 31 March 2011	**14,157**	**15,586**	**0**	**0**	**6,128**	**35,871**	**0**
Accumulated Depreciation and Impairment							
At 1 April 2010	3,045	3,448	0	0	2,204	8,697	0
Depreciation charge	67	1,222				1,289	0

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	Land and buildings	Vehicles, plant, furniture and equipment	Infra-structure assets	Community assets	Assets under construc-tion	Total property, plant and equipment	PFI assets included in property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000
Depreciation written out to the Revaluation reserve						0	0
Depreciation written out to the surplus / deficit on the provision of services						0	0
Impairment losses / (reversals) recognised in the revaluation reserve						0	0
Impairment losses / (reversals) recogniosed in the surplus / deficit on the provision of services	42					42	0
Derecognition – Disposals						0	0
Derecognition – Other						0	0
Other movements in depreciation and impairment						0	0
At 31 March 2011	**3,154**	**4,670**	**0**	**0**	**2,204**	**10,028**	**0**
NET BOOK VALUE							
At 31 March 2011	**11,003**	**10,916**	**0**	**0**	**3,924**	**25,843**	**0**
At 31 March 2010	11,070	12,138	0	0	1,638	24,846	0

Movements in 2009-10 (Comparative period)

	Land and buildings	Vehicles, plant, furniture and equipment	Infra-structure assets	Community assets	Assets under construc-tion	Total property, plant and equipment	PFI assets included in property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2009	11,715	15,215			3,395	**30,325**	0
Additions	26	30			447	**503**	0
Donations							0
Revaluation increases / (decreases) in the Revaluation Reserve	2,374	341				**2,715**	0
Derecognition – Disposals							0
Derecognition – Other							0
Assets reclassified (to) / from Held for Sale							0
Other movements in Cost or Valuation							0
At 31 March 2010	**14,115**	**15,586**	**0**	**0**	**3,842**	**33,543**	**0**
Accumulated Depreciation and Impairment							
At 1 April 2009	1,038	1,550				2,588	0
Depreciation charge	447	1,025				1,472	0
Depreciation written out to the Revaluation reserve							0

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	Land and buildings	Vehicles, plant, furniture and equipment	Infra-structure assets	Community assets	Assets under construc-tion	Total property, plant and equipment	PFI assets included in property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000
Depreciation written out to the surplus / deficit on the provision of services						0	0
Impairment losses / (reversals) recognised in the revaluation reserve	1,560	873			2,204	4,637	0
Impairment losses / (reversals) recogniosed in the surplus / deficit on the provision of services						0	0
Derecognition – Disposals						0	0
Derecognition – Other						0	0
Other movements in depreciation and impairment						0	0
At 31 March 2010	**3,045**	**3,448**	**0**	**0**	**2,204**	**8,697**	**0**
NET BOOK VALUE							
At 31 March 2010	**11,070**	**12,138**	**0**	**0**	**1,638**	**24,846**	**0**
At 31 March 2009	10,677	13,665	0	0	3,395	27,737	0

12) Investment properties

The following items of income and expense have been accounted for in the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The property in question is the Huyton new technology Plant (NTDP) land and buildings which are not held as operational assets.

2009-10 £000		**2010-11 £000**
836	Rental income from investment property	**855**
(39)	Direct operating expenses arising from investment property	**(57)**
797	**Net gain / (loss)**	**798**

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance on income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or to carry out repairs, maintenance or enhancement.

The following table summarises the movement in fair value of the investment properties over the year:

2009-10 £000		**2010-11 £000**
1,850	**Balance at start of the year**	**1,835**
	Additions	
0	Purchases	**0**
0	Construction	**0**
0	Subsequent expenditure	**0**
0	Disposals	**0**
(15)	Net gains / losses from fair value adjustments	**0**
	Transfers	
0	To / from inventories	**0**
0	To / from Property, plant and equipment	**0**
0	Other changes	**0**
1,835	**Balance at end of the year**	**1,835**

13) Intangible assets

The Authority may account for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets may include both purchased licenses and internally generated software.

MWDA does not choose to do this and so there are no such disclosures to be made.

14) 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 IAS 32, IAS 39 and IAS 29.

14a) Financial assets and liabilities

The following table sets out the categories of financial assets and liabilities held by the Authority at 31 March 2011.

	2009-10		**2010-11**	
	Current £000	Long Term £000	**Current £000**	**Long Term £000**
Assets				
Loans and receivables	32,061	240	**52,997**	**238**
Available for sale	0	5,138	**0**	**5,138**
Liabilities				
Financial liabilities held at amortised cost	(13,148)	(25,203)	**(16,344)**	**(25,139)**

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

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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.

14b) Gains and losses recognised in the Comprehensive Income and Expenditure Statement

The table sets out the gains and losses that have been charged to the Comprehensive Income and Expenditure Statement in relation to financial instruments.

	2009-10			**2010-11**		
	Financial Liabilities £000	Available for Sale £000	Total £000	**Financial Liabilities £000**	**Available for Sale £000**	**Total £000**
Interest expense	(1,404)	0	(1,404)	**(1,095)**	**0**	**(1,095)**
Losses on de-recognition	0	0	0	**0**	**0**	**0**
Interest payable & similar charges	(1,404)	0	(1,404)	**(1,095)**	**0**	**(1,095)**
Interest income	0	536	536	**0**	**691**	**691**
Gains on De-recognition	0	0	0	**0**	**0**	**0**
Interest and Investment income	0	536	536	**0**	**691**	**691**
Net gains/(losses) for the year	(1,404)	536	(868)	**(1,095)**	**691**	**(404)**

14c) 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 2011;
- 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 2011.

	2009-10			**2010-11**		
	Carrying amount £000	Fair Value £000	Variance £000	**Carrying amount £000**	**Fair Value £000**	**Variance £000**
Financial liabilities – PWLB loans	18,902	20,655	1,753	**18,759**	**22,176**	**3,417**
Financial liabilities – Market Loans	2,000	2,134	134	**2,000**	**2,083**	**83**
Total Financial Liabilities	20,902	22,789	1,887	**20,759**	**24,259**	**3,500**
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 2011 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 2011 is £20,949,540 a variance of £1.226M 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:

	2009-10 £000	**2010-11 £000**
Less than one year	143	**143**
Between one year and two years	143	**143**
Between two and five years	1,429	**3,429**
Five to fifteen years	2,358	**514**
Fifteen to twenty five years	300	**3,000**
Twenty five to fifty years	14,530	**11,530**
Over fifty years	2,000	**2,000**
Total	20,903	**20,759**

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 Comprehensive Income and Expenditure Statement. 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	**190**

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.

15) Inventories

The term inventories is used to replace stocks and works in progress. At the balance sheet date the Authority had no stocks or works in progress to declare as inventory.

16) Construction contracts

At the balance sheet date the authority had no commitments under construction contracts.

17) Long term contracts

The Authority is committed to making payments in 2011-12 to Veolia under the Waste Management and Recycling contract which are estimated to be £18.0M 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. The Authority also uses long term landfill contracts to dispose of waste, the estimated cost of these contracts in 2011-12 is £6.8M, which attracts landfill tax of £25.7M. The landfill contracts will be significantly smaller after 2015 when a new disposal contract is proposed to be in place.

18) Short term debtors

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

	31 3 2010 £000	**31 3 2011 £000**
Central government bodies	995	**10,591**
Other local authorities	28,055	**40,808**
NHS bodies	0	**0**
Public corporations and trading funds	1,406	**0**
Other entities and individuals	1,608	**1428**
Total	32,064	**52,827**
Less – impairment of debt*	(3)	**0**
Net Debtors	32,061	**52,827**

** formerly known as Provision for Doubtful Debt*

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19) Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 3 2010 £000	**31 3 2011 £000**
Cash held by the Authority	1	**1**
Bank current accounts	0	**0**
Short term deposits with building societies	0	**0**
Total cash and cash equivalents	1	**1**

20) Assets held for sale

The Authority does not hold any assets as ready for sale so no further disclosure is required.

21) Short term creditors

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

	31 3 2010 £000	**31 3 2011 £000**
Central government bodies	0	**4**
Other local authorities	1,423	**5,088**
NHS bodies	0	**0**
Public corporations and trading funds	2,262	**2,485**
Other entities and individuals	9,210	**8,368**
Total	12,895	**15,945**

22) Provisions

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

	Outstanding legal cases	Injury and Damage compensation claims	Other provisions	Total
	£000	£000	£000	£000
Balance at 1 April 2010	5,029	0	845	**5,874**
Additional provisions made in 2010-11	2,212	0	39	**2,251**
Amounts used in 2010-11	0	0	0	**0**
Unused amounts reversed in 2010-11	0	0	0	**0**
Unwinding of discounting in 2010-11	0	0	0	**0**
Balance at 31 March 2011	7,241	0	884	**8,125**

Outstanding Legal Cases

The Authority has set aside amounts in its accounts in respect of a legal action between the Authority, the company (MWHLtd) and the landfill operators. The amounts included in the accounts represent the total amounts payable in respect of settling the costs of the arbitration and the final settlement of ‘full costs’ in favour of the landfill company. The action was a joint action by the Authority and the Company and the company will now make a payment to the landfill operator in settlement. The company has the right to call upon the full amount to be paid from the Authority as this was a joint action and the Authority agreed this basis. The company has not yet called for the payment but retains the right to do so and the payment is likely to be paid during 2011-12. Of the total provision of £7.2M, some £1.3M relates to the Authority’s own direct share of the settlement of full costs (rather than an amount claimed through the company and this amount is likely to be paid during 2011-12. The Authority’s 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 £884k, which has increased as a result of a better estimate of the amount due to be paid into the scheme.

23) Usable reserves

Movements in the Authority's reserves are detailed in the Movement in Reserves Statement and in notes 22 and 23. Reserves earmarked for particular purposes are shown at note 7.

The General Reserve represents the accumulated balances of the Authority:

	2009-10 £000	**2010-11 £000**
Balance at 1 April	6,519	**11,467**
Transfer to Earmarked (Procurement)	(1,206)	**0**
Transfer to Sinking Fund	(4,500)	**0**
Transfer to Capital Reserve	(3,500)	**(3,808)**
In Year Surplus/ (Deficit)	14,158	**7,557**
Balance at 31 March	11,467	**15,216**

24) Unusable reserves

The Authority holds a number of reserves in its Balance Sheet that are not available for use. These are reserves that are either set aside by statute or which represent accounting rather than cash backed balances and may not be used to support spending or reduce the Levy.

	31 March 2010 £000	**31 March 2011 £000**
Revaluation reserve	6,797	**6,797**
Available for Sale Financial Instruments reserve	0	**0**
Capital Adjustment Account	(14,812)	**(14,850)**
Financial instruments Adjustment Account	0	**0**
Pensions Reserve	(3,590)	**(2,354)**
Unequal back pay account	0	**0**
Accumulating Compensated Absences Adjustment Account	(25)	**(32)**
Total Unusable Reserves	(11,630)	**(10,439)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, as well as its intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009-10 £000		**2010-11 £000**	
4,054	**Balance at 1 April**		**6,797**
2,743	Upward revaluation of assets	**0**	
0	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services	**0**	
6,797	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**6,797**
0	Difference between fair value depreciation and historic cost depreciation	**0**	
0	Accumulated gains on assets sold or scrapped	**0**	
0	Amount written off to the Capital Adjustment Account		**0**
6,797	**Balance at 31 March**		**6,797**

Available for sale financial instruments reserve

The available for sale financial instruments reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

2009-10 £000			**2010-11 £000**	
0	**Balance at 1 April**			**0**
0	Upward revaluation of investments	**0**		
0	Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	**0**		
0				**0**
0	Accumulated gains of assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income			**0**
0	**Balance at 31 March**			**0**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historic cost basis). The account is credited with amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains on Property, Plant and Equipment from before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009-10 £000		**2010-11 £000**	
(9,980)	**Balance at 1 April**		**(14,812)**
	Reversal of items relating to capital expenditure credited to the Comprehensive Income and Expenditure Statement:		
(6,102)	• Charges for depreciation and impairment of non-current assets	**(1,331)**	
0	• Revaluation losses on property, plant and Equipment	**0**	
0	• Amortisation of intangible assets	**0**	
0	• Revenue expenditure funded from capital under statute	**0**	
0	• Amounts of current assets written off on the disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	**0**	
(16,082)			
0	Adjusting amounts written out of the Revaluation Reserve	**0**	
(16,082)	Net written out amount of the cost of non-current assets consumed in the year		**(16,143)**
	Capital financing applied in the year		
0	• Use of Capital receipts reserve to finance new capital expenditure	**0**	
0	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**0**	
0	• Application of grants to capital financing from the Capital Grants Unapplied Account	**0**	
1,285	• Statutory provision for the financing of capital investment charged against the General Fund balances	**1,307**	
0	• Capital expenditure charged against the General Fund Balance	**(9)**	
(14,797)			**(14,845)**
(15)	Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure		**0**

2009-10 £000		**2010-11 £000**
	Statement	
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	**0**
(14,812)	**Balance at 31 March**	**(14,845)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements in accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority would use the account to manage premiums paid on the early redemption of loans. Premiums would be debited to the Comprehensive Income and Expenditure Statement when they were incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense would be posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on the Levy. In the Authority’s case this would be the expired term that was outstanding on the loans when they were redeemed. Any balance on the account at 31 March 2011 would have been charged to the General Fund over a number of years.

2009-10 £000		**2010-11 £000**	
0	**Balance at 1 April**		**0**
0	Premiums incurred in the year and chwrged to the Comprehensive Income and Expenditure Statement	**0**	
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**0**	
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		**0**
0	**Balance at 31 March**		**0**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009-10 £000		**2010-11 £000**
(2,511)	**Balance at 1 April**	**(3,590)**
(949)	Actuarial gains and losses on pensions assets and liabilities	**679**
(356)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**334**
226	Employer's pensions contributions and direct payments to pensioners payable in the year	**223**
(3,590)	Balance at 31 March	**(2,354)**

Unequal Back Pay Account

The Unequal Back Pay Account compensates for the differences between the rate at which the Authority may provide for the potential costs of back pay settlements in relation to equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund until such time as cash might be paid out to claimants.

2009-10 £000		**2010-11 £000**	
0	**Balance at 1 April**		**0**
0	Increase in provision for back pay in relation to Equal Pay cases	**0**	
0	Cash settlements paid in the year	**0**	

2009-10 £000		2010-11 £000	
0	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		**0**
0	**Balance at 31 March**		**0**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2009-10 £000		2010-11 £000	
20	**Balance at 1 April**		**25**
(20)	Settlement or cancellation of accrual made at the end of the preceding year	**(25)**	
0	Amounts accrued at the end of the current year	**0**	
25	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**32**
(25)	**Balance at 31 March**		**(32)**

25) Cash flow statement – operating activities

The cash flows for operating activities include the following items:

2009-10 £000		**2010-11 £000**
504	Interest received	**690**
(1,404)	Interest paid	**(1,094)**
300	Dividends received	**0**
(600)	**TOTAL**	**(404)**

26) Cash flow statement – investing activities

The cash flows for investing activities include the following items:

2009-10 £000		**2010-11 £000**
503	Purchase of property, plant and equipment, investment property and intangible assets	**2,330**
0	Purchase of short term and long term investments	**0**
0	Other payments from investing activities	**0**
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**0**
0	Proceeds from the sale of short term and long term investments	**0**
0	Other receipts from investing activities	**0**
503	Net cash flows from investing activities	**2,330**

27) Cash flow statement – financing activities

The cash flows for financing activities include the following items:

2009-10 £000		**2010-11 £000**
0	Cash receipts of short and long term borrowing	**0**
0	Other receipts from financing activities	**0**
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI schemes	**0**
143	Repayments of short and long term borrowing	**143**
0	Other payments for financing activities	**0**
143	Net cash flows from financing activities	**143**

28) Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across the Authority's activity. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made for capital expenditure (whereas depreciation, revaluation and impairment losses are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current cost of service of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to services

The income and expenditure of the Authority's principal services recorded in the budget reports for the year is as follows:

Directorate income and expenditure 2010-11 (reporting year)

	Establish-ment* £000	Waste Contracts* £000	Facilities* £000	Strategy £000	Procure-ment £000	Other £000	Total £000
Fees charges and other service income	(192)	(1,935)	(855)	(0)	(701)	(701)	**(4,384)**
Government grants	0	0	0	0	0	0	**0**
Levy	0	0	0	0	0	(70,872)	**(70,872)**
Total income	(192)	(1,935)	(855)	0	(701)	(71,573)	**(75,256)**
Employee expenses	1,618	0	0	0	0	0	**1,618**
Other service expenses	696	55,783	1,701	268	701	9,827	**68,976**
Support service recharge	0	0	0	0	0	0	**0**
Total Expenditure	2,314	55,783	1,701	268	701	9,827	**70,594**
Net expenditure	**2,122**	**53,848**	**846**	**268**	**0**	**(61,746)**	**(4,662)**

** establishment includes communications; waste contracts includes landfill allowances; facilities includes closed landfill and rent, rates depreciation*

Directorate income and expenditure 2009-10 (comparative period year)

	Establish-ment* £000	Waste Contracts* £000	Facilities* £000	Strategy £000	Procure-ment £000	Other £000	Total £000
Fees charges and other service income	(240)	(1,188)	(1,558)	(0)	(813)	(2,605)	**(6,404)**
Government grants	0	0	0	0	0	0	**0**
Levy	0	0	0	0	0	(70,872)	**(70,872)**
Total income	(240)	(1,188)	(1,558)	0	(813)	(73,477)	**(77,276)**
Employee expenses	1,662	0	0	0	0	0	**1,662**

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	Establish-ment* £000	Waste Contracts* £000	Facilities* £000	Strategy £000	Procure-ment £000	Other £000	Total £000
Other service expenses	758	51,299	4,461	146	813	3,959	**61,436**
Support service recharge	0	0	0	0	0	0	**0**
Total Expenditure	2,420	51,299	4,461	146	813	3,959	**63,098**
Net expenditure	**2,180**	**50,111**	**2,903**	**146**	**0**	**(69,518)**	**(14,178)**

** establishment includes communications; waste contracts includes landfill allowances; facilities includes closed landfill and rent, rates depreciation*

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of services income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009-10 £000	**2010-11 £000**
Net expenditure in the Service analysis	14,178	**4,662**
Net expenditure of services and support services not include din the analysis	0	**0**
Amounts in the Comprehensive Income and expenditure Statement not reported to management in the analysis	377	**7,759**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,831)	**951**
Cost of Services in the Comprehensive Income and Expenditure Statement	12,724	**13,372**

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Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010-11 (reporting year)

	Service analysis	Services and support services in analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(2,894)	0	0	(8,709)	0	**(11,603)**	0	**(11,603)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(1,500)	0	0	0	0	**(1,500)**	0	**(1,500)**
Income from Levy	(70,872)	0	0	0	0	**(70,872)**	0	**(70,872)**
Government grants and contributions	0	0	0	0	0	**0**	0	**0**
Total income	(75,266)	0	0	(8,709)	0	**(83,975)**	0	**(83,975)**
Employee expenses	1,618	0	0	0	0	**1,618**	0	**1,618**
Other service expenses	66,968	0	0	0	0	**66,968**	0	**66,968**
Support service recharges	0	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	787	0	0	0	0	**787**	0	**787**
Interest payments	1,230	0	0	0	0	**1,230**	0	**1,230**

	Service analysis	Services and support services in analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	0	**0**
Total expenditure	**70,603**	**0**	**0**	**0**	**0**	**70,603**	**0**	**70,603**
Surplus or deficit on the provision of services	**(4,663)**	**0**	**0**	**(8,709)**	**0**	**(13,372)**	**0**	**(13,372)**

2009-10 (comparative year)

	Service analysis	Services and support services in analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(4,771)	0	0	0	0	**(4,771)**	0	**(4,771)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(1,633)	0	0	0	0	**(1,633)**	0	**(1,633)**
Income from Levy	(70,872)	0	0	0	0	**(70,872)**	0	**(70,872)**
Government grants and contributions	0	0	0	0	0	**0**	0	**0**
Total income	(77,276)	0	0	0	0	**(77,276)**	0	**(77,276)**

	Service analysis £000	Services and support services in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of Services £000	Corporate amounts £000	TOTAL £000
Employee expenses	1,662	0	0	0	0	**1,662**	0	**1,662**
Other service expenses	53,727	0	0	1,454	0	**55,181**	0	**55,181**
Support service recharges	0	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	6,102	0	0	0	0	**6,102**	0	**6,102**
Interest payments	1,627	0	0	0	0	**1,627**	0	**1,627**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	0	**0**
Total expenditure	**63,118**	**0**	**0**	**1,454**	**0**	**64,572**	**0**	**64,572**
Surplus or deficit on the provision of services	**(14,158)**	**0**	**0**	**1,454**	**0**	**(12,704)**	**0**	**(12,704)**

29) Acquired or discontinued operations

The Authority is required to disclose the nature of any operations acquired in the year and of any that have been discontinued, together with a summary of the assets and liabilities attached to each. There have been no such acquisitions or discontinued operations in the year.

30) Trading operations

The Authority continues to have no trading operations.

31) Agency Services

The Authority neither provides nor does it receive services on an agency basis.

32) Members allowances

The Authority pays no allowances to the Members of the Board; there is no statutory basis for making any such payment.

33) 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.

The Authority is also 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 2010-11 (reporting year)

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	81,399	0	489	0	2,822	**84,710**	14,449	**99,159**
Assistant Director (Strategy & Resources)	67,571	0	1,000	0	2,628	**71,199**	12,017	**83,216**
Assistant Director (Operations)	65,642	0	670	0	2,822	**69,134**	11,749	**80,883**
Assistant Director (Finance)	65,511	0	368	0	2,516	**68,395**	11,661	**80,056**
Total	**280,123**	**0**	**2,527**	**0**	**10,788**	**293,438**	**49,876**	**343,314**

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Senior staff remuneration 2009-10 (comparative year)

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**

During the 2009-10 comparative year the former Treasurer retired and was replaced by a new Assistant Director (Finance). During the comparative period, 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 that year representing the estimated salary cost to the Authority of the Assistant Director (Finance) post for a full year with a single post holder.

Since the end of 2010-11 the posts of the Director and the Assistant Directors have been re-designated as Chief Executive and Directors, the former job titles are shown here as they were extant during the year to 31 March 2011.

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 was not included here as neither of the post holders were paid at the level that reached the threshold for the periods.

Remuneration band	2009-10 Number of employees	**2010-11 Number of employees**
£50,000 - £54,999	0	**0**
£55,000 - £59,999	0	**0**
£60,000 - £64,499	0	**0**
£65,000 - £69,999	2	**3**
£70,000 - £74,499	0	**0**
£75,000 - £79,999	0	**0**
£80,000 - £84,499	1	**1**
£85,000 - £89,999	0	**0**

34) External audit costs

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

	2009-10 £000	**2010-11 £000**
External audit service	76	**76**
Grant claims and other work	0	**0**
	76	**76**

35) Grant income

The Authority received no grant income either with conditions attached or without during 2009-10 or 2010-11 and so no further disclosure is required.

36) 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 one is a Member 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	
	2010-11	2009-10	**2010-11**	2009-10
	£000	£000	**£000**	£000
Local Authorities				
Levies				
Knowsley	**8,027**	7,743		
Liverpool	**23,799**	24,830		
St. Helens	**9,027**	9,010		
Sefton	**12,974**	12,809		
Wirral	**17,046**	16,480		
	70,872	70,872		
Halton Council contribution	**1,734**	1,280		
Disposal of Commercial Waste				
Knowsley	**169**	181		
Liverpool	**0**	0		
St. Helens	**0**	0		
Sefton	**120**	89		
Wirral	**94**	0		

	Receipts		Payments	
	2010-11	2009-10	**2010-11**	2009-10
	£000	£000	**£000**	£000
Recycling Credit Payments				
Knowsley			**396**	374
Liverpool			**1111**	1,027
St. Helens			**1,246**	1,071
Sefton			**1,941**	2,019
Wirral			**553**	1,102
Residuary Body Debt				
Wirral			**477**	501
Subsidiaries				
Payments for the Disposal of Waste (inclusive of Landfill Tax)				
- Mersey Waste Holdings Ltd*.	**0**	2	**29,306**	22,978
Dividends				
- Mersey Waste Holdings Ltd.	**0**	300		
Gas Rights – The Authority's share out of profits generated by				
- Bidston Methane Ltd.	**11**	34		

37) Capital Expenditure and Financing

Notes 11, 12 and 13 show the movement in the value of assets held, including additions by way of capital expenditure, and used by the Authority for 2010-11.

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.

All Fixed Assets of the Authority were revalued at 31 March 2010. The basis for revaluation was that recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

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.

Financing capital expenditure

	2009-10 £000	**2010-11 £000**
Opening Capital Financing requirement	35,474	**34,709**
Capital Investment		
Operational	56	**2,330**
Non operational	447	**0**
Prior years' capital movement to revenue	0	**0**
Sources of Finance		
Government grants	0	**0**
Minimum Revenue Provision (MRP)	(1,268)	**(1,308)**
Capital reserve		**(2,330)**
Closing Capital Financing Requirement	34,709	**33,401**

Explanations of movements in year

	2009-10 £000	**2010-11 £000**
Capital expenditure in year (unsupported)	503	**0**
Less MRP	(1,268)	**(1,308)**
Increase/(decrease) in Capital Financing Requirement	(765)	**(1,308)**

The capital expenditure for 2010-11 was funded from the Capital Fund, an earmarked reserve set aside to enable the Authority to invest in capital without the need for additional external borrowing.

Capital spending in 2010-11

The Authority spent £2.3M on capital expenditure in 2010-11. The largest areas of expenditure were:

	2009-10 £000	**2010-11 £000**
Kirkby HWRC capital works	114	**1,974**
Huyton HWRC capital works	322	**3**
Gilmoss electrical supply	0	**311**
Other	67	**42**
Total	503	**2,330**

Commitments under capital contracts

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

Analysis of assets held

This note is deleted from 2010-11.

38) Leases

Authority as lessee – finance leases

The Authority uses a number of assets and equipment under the terms of finance leases. Where these assets are used they are held in the Authority's balance sheet as property, Plant and Equipment at the following net amounts:

	31 March 2010 £000	**31 March 2011 £000**
Land and Buildings	0	**0**
Vehicles, Plant, Furniture and Equipment	24	**13**
Total	24	**13**

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and the finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2010 £000	**31 March 2011 £000**
Finance lease liabilities (net present value of minimum lease payments):		
• Current	0	**0**
• Non-current	900	**898**
Finance costs payable in future years	417	**417**
Minimum lease payments	1,317	**1,315**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000	**31 March 2011 £000**	31 March 2010 £000	**31 March 2011 £000**
Not later than one year	62	**96**	32	**53**
Later than one year and not later than five years	153	**127**	70	**52**
Later than five years	685	**675**	315	**312**
	900	**898**	417	**417**

The minimum lease payments do not include rents that are contingent on events talking place after the lease was entered into, such as adjustments following rent reviews. In 2010-11 no contingent rents were payable by the Authority.

Authority as lessee – operating leases

The Authority has acquired 14 assets by entering into operating leases with typical lives of between 2 years and 5 years respectively.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2010 £000	**31 March 2011 £000**
Not later than one year	67	**67**
Later than one year and not later than five years	160	**93**
Later than five years	0	**0**
	227	**160**

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The expenditure charged to services in the Comprehensive Income and Expenditure statement in the year relating to these leases was:

	2009-10 £000	**2010-11 £000**
Minimum lease payments	67	**67**
Contingent rents	0	**0**
Sublease payments receivable	0	**0**
	67	**67**

Authority as lessor – finance leases

The Authority does not lease out property as Finance Leases.

Authority as lessor – operating leases

The Authority leases out property plant and equipment for the following purposes:

- Environment and planning – use of closed landfill sites
- Household Waste Recycling Centres
- Investment properties

The future minimum lease payments receivable under leases in future years are:

	31 March 2010 £000	**31 March 2011 £000**
Not later than one year	830	**830**
Later than one year and not later than five years	870	**40**
Later than five years	0	**0**
	1,700	**870**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010-11 no contingent rents were receivable by the Authority.

39) Landfill allowances asset

The Authority has received its allocation of Landfill Allowances from DEFRA for 2010-11. The notional value of allowances in 2010-11 was estimated to be £5.5M. 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 £1.1M 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 2010-11. The following table reflects the notional cost of the allowances.

	2009-10 £000	**2010-11** **£000**
Balance b/f	0	**0**
Acquired without charge from DEFRA	6,200	**5,526**
Purchase in the year	800	**1,077**
Derecognition of usage	(6,696)	**(6,324)**
Written down to realisable value	(304)	
Balance c/f	0	**279**

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

40) 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 316,186 tonnes for 2010-11 (based on the purchase value of landfill allowances). The following table reflects the notional use of notional allowances.

	2009-10 £000	**2010-11** **£000**
Landfill allowances	6,696	**6,324**

41) 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 2010			**Balance at 31 March 2011**		
	Loan £000	Interest £000	Total £000	**Loan £000**	**Interest £000**	**Total £000**
Public works loan board	18,759	222	18,981	**18,759**	**215**	**18,974**
Market loan	2,000	24	2,024	**2,000**	**23**	**2,023**
	20,759	246	21,005	**20,759**	**238**	**20,997**
Analysis by maturity						
1-2 years	143	0	143	**286**	**0**	**286**
2-5 years	1,429	15	1,444	**3,429**	**49**	**3,478**
5-10 years	2,357	53	2,410	**214**	**14**	**228**
Over 10 years	16,830	178	17,008	**16,830**	**175**	**17,005**
	20,759	246	21,005	**20,759**	**238**	**20,997**

42) 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 10 £000	**31 3 11 £000**
Analysis		
Balance b/f	3,655	**3,440**
Repaid in year	(215)	**(215)**
Balance c/f	3,440	**3,225**

43) Impairment losses

The Code requires disclosure by class of assets the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in notes 11, and 13 reconciling the movement over the year of Property, Plant and Equipment and

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Intangible Asset balances. They are also recognised at note 18 on the impairment of short term debtor balances (previously recognised as provision for bad debt). The chief reason for impairment in 2010-11 was that some £44,000 which was spent at Closed Landfill Sites as capital expenditure has added nothing to the value of the site and so the value of the goods and works are regarded as impaired.

44) 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

The contingent liability in respect of legal liabilities has been removed as the likelihood that the Authority will need to pay the full costs of the landfill settlement has changed from possible to probable. This is reflected in note 21 on provisions.

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).

45) Contingent assets

The Authority does not recognise any contingent assets.

46) 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.

As part of the adoption by local government of the IFRS based accounting regime the actuary has reviewed the methodology adopted the scheme valuation now complies with IAS19 under the new accounting regime. In reality IAS19 and FRS17 (the UK GAAP pensions standard) are very similar in most respects. There are no major differences in the treatments adopted, where there are any significant differences then these will be highlighted and a commentary will be provided.

In 2010-11 pension costs amounting to £334k were charged to the Income and Expenditure Account (2009-10, £356k). The following disclosures are required in accordance with FRS 17 "Retirement Benefits".

	31 3 10 £M	**31 3 11** **£M**
Assets and liabilities attributable to the Authority		
Present value of funded benefit obligations	10.4	**10.6**
Present value of unfunded benefit obligations	0.5	**0.2**
Total present value of benefit obligations	10.9	**10.8**
Fair value of plan assets	(7.3)	**(8.5)**
Unrecognised past service cost	0	**0**
Net Liability	3.6	**2.3**

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 2011. 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, now included in IAS19. 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 2009-10 and on an ongoing basis for 2010-11.

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

	31 3 10	**31 3 11**
Rate of RPI inflation	3.3%	**3.4%**
Rate of CPI inflation	2.8%	**2.9%**
Rate of increase in salaries	4.55%	**4.4%**
Rate of increase in pensions	3.3%	**2.9%**
Discount rate	5.6%	**5.5%**
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	**22.8 years**
Life expectancy of female future pensioner aged 65 in 20 years time	24.1 years	**25.7 years**
Life expectancy of male current pensioner aged 65	20.4 years	**21.4 years**
Life expectancy of female current pensioner aged 65	23.2 years	**24.1 years**

The expected rates of return on assets are as follows:

	31 3 10	**31 3 11**
Rate of return on:		
Equities	7.5%	**7.5%**
Government bonds	4.5%	**4.4%**
Other Bonds	5.2%	**5.1%**
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 2010-11 have been below the level required to keep pace with assumptions adopted at the previous valuation. This has resulted in the actual return on assets being slightly lower than the expected return. The figures included in the Balance Sheet consist of the following categories by value and proportion:

	31 3 2010		**31 3 2011**	
	£000	%	**£000**	**%**
Equities	4,641	63.6	**5,155**	**60.7**
Government Bonds	883	12.1	**909**	**10.7**
Other Bonds	482	6.6	**569**	**6.7**
Property	460	6.3	**671**	**7.9**
Cash / Liquidity	190	2.6	**195**	**2.3**
Other assets	642	8.8	**994**	**11.7**

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

	2009-10		2010-11	
	£000	£000	£000	£000
Net pension liability @ 1 April		(2,511)		(3,590)
Movements in year				
Current service cost	(107)		(199)	
Gains/(Losses) on settlements & curtailments	(26)		0	
Employer contributions	226		223	
Interest on Pension liabilities	(564)		(609)	
Return on Plan Assets	341		474	
Actuarial Gain / (Loss) on assets	1,496		717	
Actuarial Gain /(Loss) on liabilities	(2,445)		(38)	
Past service costs	0		668	
Net pension liability at 31 March		**(3,590)**		**(2,354)**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has had the effect of reducing the MWDA liabilities in Merseyside Pension Fund by £668k which has been recognised as a past service gain in accordance with the guidance set down in UITF abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

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**
2010-11	**5.5**

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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 gain or loss can be analysed into the following categories measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2011.

		Asset Gain / (Loss)	Liability Gain / (loss)	Change in assumptions	**Net Gain / (Loss)**
2010-11	£000	717	(38	-	**(679)**
	%	8.4% of assets	0.4% of liabilities	-	
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

47) Post Balance Sheet Events

Following the closure of the draft accounts at the end of June, in July it became apparent that the arrangements the Authority had in place at Stretton Way in Huyton with Orchid Environmental were to come to an unexpected end. Orchid told the Authority it was ceasing its operations at the site on 8th July and that it would cease to occupy the site on 22nd July. The loss of 25 jobs was also announced by Orchid. The land and buildings and the plant and equipment at the site are owned by the Authority and were being leased to the company. The immediate effect is that the Authority will cease to get income from this agreement which on an annual basis was worth £790k (the effect in 2011-12 is some £550k) The medium term effect is that the arrangements that the Authority had put in place to eventually transfer ownership of the plant and equipment to the company have ceased. The Authority holds land and buildings with a value of £1.8M, which it is likely to realise the value on at a future date. The Authority is left holding plant and equipment with a notional book value of £2.5M, which future rentals were due to pay for. The Authority is working with Orchid (which has not ceased trading, simply ceased operations at this plant) and other organisations to ensure it is able to maximise the return on the asset and that any losses that crystallise are minimised. These options continue to be developed and it is unlikely that the whole value of these assets will be lost to the Authority. This is the subject of a separate report to the Authority.

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 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009-10 Gross Expenditure £000	2009-10 Gross Income £000	2009-10 Net Expenditure £000		2010-11 Gross Expenditure £000	2010-11 Gross Income £000	2010-11 Net Expenditure £000
57,174	(77,160)	(19,986)	Cultural, Environmental & Planning Services	65,617	(7,219)	58,398
364	0	364	Corporate & Democratic Core Costs	341		341
60	0	60	Non-Distributed Costs	71		71
57,598	(77,160)	(19,562)	**COST OF SERVICES**	66,029	(7,219)	58,810
			Other Operating Expenditure			
1561	(670)	891	Financing and Investment Income and Expenditure	1,498	(2,502)	(1,004)
8,819	(1,037)	7,782	Surplus or deficit of discontinued operations			
			Levy and non-specific grant income		(70,872)	(70,872)
67,978	(78,867)	(10,889)	**(SURPLUS) DEFICIT ON PROVISION OF SERVICES**	67,527	(80,593)	(13,066)
			Share of the surplus or deficit on the provision of services by associates			
432	0	432	Tax expenses of subsidiaries	0	(1,060)	(1,060)
			Tax expenses of associates			
68,410	(78,867)	(10,457)	**GROUP (SURPLUS)/DEFICIT**	67,527	(81,653)	(14,126)
		0	Surplus or deficit on revaluation of fixed assets	0	0	0
		0	Surplus or deficit on the revaluation of available for sale financial assets	0	0	0

Merseyside Waste Disposal Authority

2009-10 Gross Expenditure £000	*2009-10 Gross Income £000*	2009-10 Net Expenditure £000		**2010-11 Gross Expenditure £000**	**2010-11 Gross Income £000**	**2010-11 Net Expenditure £000**
1,254	*(846)*	408	Actuarial gains / losses on pension assets / liabilities		**(2,084)**	**(2,084)**
		0	Share of other comprehensive income and expenditure of associates and joint ventures			**0**
		0	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**			**0**
69,664	***(79,713)***	**(10,049)**	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**	**67,527**	**(83,737)**	**(16,210)**

THE GROUP BALANCE SHEET

Balance at 1 4 2009 £000	Balance at 31 3 2010 £000		£000	**Balance at 31 3 2011 £000**
25,204	25,066	Property, Plant and Equipment	**25,870**	
1850	1,835	Investment Property	**1,835**	
0	0	Intangible Assets	**279**	
0	0	Assets Held For Sale		
0	0	Long Term Investments	**5,138**	
0	0	Investments in associates and joint ventures	**0**	
0	0	Long Term Debtors	**0**	
0	0	Deferred tax asset	**5**	
27,054	**26,901**	**Long Term Assets**		**33,127**
1		Short term investments		
		Assets held for sale		
		Inventories		
34,442	31,644	Short Term Debtors	**52,923**	
13,494	13,824	Cash and Cash Equivalents	**9,780**	
0	0	Current tax asset	**0**	
47,936	**45,468**	**Current Assets**		**62,703**
0	0	Cash and Cash Equivalents	**(3,167)**	
(143)	(143)	Short Term Borrowing	**(143)**	
(11,691)	(12,808)	Short Term Creditors	**(16,758)**	
	(2,116)	Provisions	**0**	
	0	Liabilities in Disposal Groups	**0**	
	0	Current tax liability		
(11,834)	**(15,067)**	**Current Liabilities**		**(20,068)**

MERSEYSIDE WASTE DISPOSAL AUTHORITY

Balance at 1 4 2009 £000	Balance at 31 3 2010 £000		**£000**	**Balance at 31 3 2011 £000**
0	0	Long Term Creditors	**0**	
0	0	Provisions	**(5,647)**	
(20,759)	(20,757)	Long Term Borrowing	**(20,616)**	
(11,522)	(11,643)	Other Long Term Liabilities	**(8,289)**	
0	0	Donated Assets Account	**0**	
722	0	Capital Receipts in Advance	**0**	
0	0	Deferred tax liability	**0**	
(31,559)	**(32,400)**	**Long Term Liabilities**		**(34,552)**
31,578	**24,902**	**NET ASSETS**		**(41,210)**
(41,825)	(41,105)	Usable Reserves		**(51,648)**
10,247	16,203	Unusable Reserves		**10,438**
(31,578)	**(24,902)**	**TOTAL RESERVES**		**(41,210)**

THE GROUP CASH FLOW STATEMENT

2009-10 £000		**2010-11 £000**
(19,604)	**Net (surplus) or deficit on the provision of services**	**(13,171)**
16,040	Adjustments to net surplus or deficit on the provision of services for no cash movements	**8,750**
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**0**
536	**Net cash flows from Operating activities**	**561**
503	Investing Activities	**2,330**
0	Financing Activities	**143**
(1,525)	**Net increase or decrease in cash and cash equivalents**	**(1,387)**
(1,411)	Cash and cash equivalents at the beginning of the reporting period	**(2,254)**
(3,936)	**Cash and cash equivalents at the end of the reporting period**	**(3,641)**

THE GROUP MOVEMENT IN RESERVES STATEMENT

Movement in Reserves 2010-11 (Reporting year)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority share of reserves of Group companies	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	11,466	22,267	0	33,733	(11,630)	22,103	2,799	24,902
Movement in Reserves during 2010-11								
Surplus or (Deficit) on the provision of services	14,001			14,001	(1,308)	12,693	2,909	15,602
Other Comprehensive Income and Expenditure	679			679		679		679
Total Comprehensive Income and Expenditure	14,680			14,680	(1,308)	13,372	2,909	16,281
Adjustments between accounting basis and funding basis under regulations	(2,593)	100		(2,493)	2,493	0		0
Net Increase / Decrease before transfers to Earmarked	12,087	100		12,187	1,185	13,372	2,909	16,281

Reserves								
Transfers to / from Earmarked Reserves	(10,607)	10,607						0
Increase / Decrease in 2010-11	1,480	10,707		12,187	1,185	13,372	2,909	16,281
Balance at 31 March 2011 carried forward	12,946	32,974		45,920	(10,707)	35,475	5,708	41,183

Movement in Reserves 2009-10 (Comparative period)

	General Fund balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority share of reserves of Group companies	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	6,519	11,317	0	17,836	(8,437)	9,379	22,179	31,578
Movement in Reserves during 2009-10								
Surplus or (Deficit) on the provision of services	10,893			10,893		10,893	(19,400)	(8,507)
Other Comprehensive Income and Expenditure					1,831	1,831		1,831

MERSEYSIDE WASTE DISPOSAL AUTHORITY

Total Comprehensive Income and Expenditure	10,893			10,893	1,831	12,724	(19,400)	(6,676)
Adjustments between accounting basis and funding basis under regulations	5,004			5,004	(5,004)	0		0
Net Increase / Decrease before transfers to Earmarked Reserves	15,897			15,897	(3,173)	12,724	(19,400)	(6,676)
Transfers to / from Earmarked Reserves	(10,950)	10,950						
Increase / Decrease in 2009-10	4,947	10,950	0	15,897	(3,173)	12,724	(19,400)	(6,676)
Balance at 31 March 2010 carried forward	11,466	22,267	0	33,733	(11,610)	22,103	2,799	24,902

Merseyside Waste Disposal Authority

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 Ltd
- Mersey Waste Associates Ltd

The Authority's transactions are all with the holding company. The financial year end for the company and its group is 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 2009-10 the MWHL group and its companies was reviewed and a number of the subsidiary companies were 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 2011. Bidston Methane Limited prepared its accounts with a year end at 31 March 2011.

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*	(199)	0	0
Past service/curtailment/settlement gain	668	515	0
Interest cost on pension liabilities	(609)	(462)	(170)
Expected return on assets	474	290	134
Actual amount charged to I&E account in the period	223	288	33
Actuarial gain/(loss) in the year	557	631	(3)

** 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 for 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 was not included for 2009-10 as neither of the post holders were paid at the level that reached the threshold for the periods.

	2009-10		**2010-11**	
	MWDA £000	MWHL £000	**MWDA £000**	**MWHL £000**
£50,000 - £59,999	0	0	**0**	**0**
£60,000 - £69,999	2	0	**3**	**0**
£70,000 - £79,999	0	0	**0**	**0**
£80,000 - £89,999	1	0	**1**	**0**
£130,000 - £139,999	0	0	**0**	**0**
£260,000 - £270,000	0	0	**0**	**0**

Notes to the Group Balance Sheet

Fixed assets

1) Asset values – operational assets

	Land and Buildings				Vehicles, Plant & Equipment				**Total 2010-11**				2009-10
	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	11,070	0	0	11,070	12,139	0	93	12,232	23,209	0	93	**23,302**	26,251
Movement in year													
Additions	42	0	0	42	0	0	0	0	42	0	0	**42**	56
Disposals	0	0	0	0	0	0	0	0	0	0	0	**0**	0
Revaluations	0	0	0	0	0	0	0	0	0	0	0	**0**	943
Accounting policy adjustments	0	0	0	0	0	0	0	0	0	0	0	**0**	0
Impairment	(42)	0	0	(42)		0	0	0	(42)	0	0	**(42)**	(2,359)
Depreciation	(67)	0	0	(67)	(1,222)	0	(60)	(1,282)	(1,289)	0	(60)	**(1,349)**	(1,599)
Transfers (reclassified)	0	0	0	0	0	0	0	0	0	0	0	**0**	0
Net book value at 31 March	11,003	0	0	11,003	10,917	0	33	10,950	21,920	0	33	**21,953**	23,292

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 2010				31 March 2011			
	MWDA	MWHL	BML	Total	**MWDA**	**MWHL**	**BML**	**Total**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Government departments	995	0	6	**1,001**	10,591	52	5	**10,648**
Other local authorities	28,075	107	0	**28,182**	40,808	0	0	**40,808**
Employees	0	0	0	**0**	0	0	0	**0**
Sundry	1,642	832	10	**2,484**	1,427	31	9	**1,467**
Less – impairment of debt	(3)	0	0	**(3)**	0	**0**	**0**	**0**
Totals	30,709	939	16	**31,664**	**52,826**	**83**	**14**	**52,923**

4) Creditors

	31 March 2010				31 March 2011			
	MWDA	MWHL	BML	Total	**MWDA**	**MWHL**	**BML**	**Total**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Government departments	0	1,260	0	**1,260**	4	276	0	**280**
Other local authorities	1,423	0	0	**1,423**	5,088	0	0	**5,088**
Employees	56	0	0	**56**	0	0	0	**0**
Sundry	9,128	735	181	**10,044**	10,853	247	290	**11,390**
Totals	10,607	1,995	181	**12,783**	15,945	523	290	**16,758**

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 2010-11 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	223
MWHL	288

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 2010		**31 March 2011**	
Assets and liabilities attributable to:	MWHL £m	MWDA £M	**MWHL £M**	**MWDA £M**
Present value of funded benefit obligations	8.4	10.4	**8.1**	**10.6**
Present value of unfunded benefit obligations	0.1	0.5	**0.1**	**0.2**
Total present value of benefit obligations	8.5	10.9	**8.2**	**10.8**
Fair value of plan assets	(4.3)	(7.3)	**(5.5)**	**(8.5)**
Unrecognised past service cost	0	0	**0**	**0**
Net Liability	4.2	3.6	**2.7**	**2.3**

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 2011. 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 10	**31 3 11**
Rate of inflation (RPI)	3.3%	**3.4%**
Rate of inflation (CPI)	2.8%	**2.9%**
Rate of increase in salaries	4.55%	**4.4%**
Rate of increase in pensions	3.3%	**2.9%**
Rate of discounting scheme liabilities	5.6%	**5.5%**
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	**22.8 years**
Life expectancy of female future pensioner aged 65 in 20 years time	24.1 years	**25.7 years**
Life expectancy of male current pensioner aged 65	20.4 years	**21.4 years**
Life expectancy of female current pensioner aged 65	23.2 years	**24.1 years**

The expected rates of return on assets are as follows:

	31 3 10	**31 3 11**
Rate of return on:		
Equities	7.5%	**7.5%**
Government bonds	4.5%	**4.4%**
Other Bonds	5.2%	**5.1%**
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 2010			**31 3 2011**		
	MWHL £000	MWDA £000	%	**MWHL £000**	**MWDA £000**	**%**
Equities	2,721	4,641	63.6	**3,377**	**5,155**	**60.7**
Government Bonds	518	883	12.1	**589**	**909**	**10.7**
Other Bonds	282	482	6.6	**369**	**569**	**6.7**
Property	270	460	6.3	**435**	**671**	**7.9**
Cash / Liquidity	111	190	2.6	**127**	**195**	**2.3**
Other assets	377	642	8.8	**644**	**994**	**11.7**

The movement in the net pension liability for the year to 31 March 2011 was as follows:

	MWHL		MWDA	
	£000	£000	£000	£000
Net pension liability @ 1 4 2010		(2,511)		(3,590)
Movements in year				
Current service cost	(107)		(199)	
Employer contributions	226		223	
Interest on Pension liabilities	(564)		(609)	
Return on Plan Assets	341		474	
Actuarial Gain / (Loss) on assets	1,496		717	
Actuarial Gain /(Loss) on liabilities	(2,445)		(38)	
Curtailments	(26)		0	
Past service costs	0		668	
Net pension liability at 31 March 2011		**(3,590)**		**(2,354)**

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 2011

	MWHL	MWDA
	£000	£000
Asset gain / (loss)	(249)	(38)
Liability gain / (loss)	832	717
Change in assumptions gain / (loss)	0	0
Net gain / (loss)	583	679

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**
2010-11	**5.5**

MWDA
MERSEYSIDE WASTE DISPOSAL AUTHORITY

It should be noted that from 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.

	2009-10 £m	**2010-11** **£m**
Assets and liabilities attributable to MWHL		
Estimated liabilities in the scheme	(4,243)	**(1,197)**
Estimated assets in the scheme	3,565	**1,371**
Net assets in the scheme	(678)	**174**

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 2011:

	2010	**2011**
Rate of increase in salaries	n/a	**n/a**
Rate of increase in pensions in payment	3.8%	**3.5%**
Discount rate	5.3%	**5.5%**
Inflation assumption* (RPI)	3.8%	**3.6%**

**From 2010-11 Inflation will also be quoted at CPI – which was estimated at 2.8%*

MERSEYSIDE WASTE DISPOSAL AUTHORITY

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

	Long term rate of return expected at 31 March 2010 %	Value at 31 march 2010 £000	**Long term rate of return expected at 31 March 2011 %**	**Value at 31 march 2011 £000**
Equities	7.0	1,982	**6.8**	**820**
Government bonds	4.5	648	**6.8**	**68**
Corporate bonds	5.5	455	**4.3**	**214**
Property	7.0	176	**5.5**	**154**
Cash	0.5	303	**0.5**	**110**
Total market value of assets		3,564		**1,366**
Present value of scheme liabilities		(4,243)		**(1,197)**
Surplus/(deficit) in scheme		(678)		**174**
Related deferred tax asset		0		**0**
Net pension asset/(liability) on an FRS17 basis		(678)		**174**

	31 March 2010 £000	**31 March 2011 £000**
Movement in deficit during the period		
(Deficit)/surplus in scheme at 1 April	430	**(678)**
Operating cost	(30)	**0**
Other finance cost	(26)	**1,815**
Actuarial gains & losses	(1,135)	**(996)**
Contributions paid	83	**33**
Surplus / (Deficit) in scheme at end of year	(678)	**174**

	31 March 2010 £000	**31 March 2011** **£000**
Analysis of the amount charged to CIES		
Current service cost	(30)	**0**

	31 March 2010 £000	**31 March 2011** **£000**
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets	142	**(134)**
Interest on pension scheme assets	(168)	**(170)**
Total other finance (costs) / gains	(26)	**(304)**

	31 March 2010 £000	**31 March 2011** **£000**
Analysis of amounts recognised in MIRS		
Actuarial return less expected return on pension scheme asset	764	**(132)**
Experience losses arising on the scheme liabilities	(168)	**739**
Changes in assumptions underlying the present value of the scheme liabilities	(1,731)	**389**
Actuarial loss recognised in MIRS	(1,135)	**996**

	31 March 2010	**31 March 2011**
History of experience gains and losses		
Difference between the expected and actual return on scheme assets		
Amount £000	764	**(132)**
Percentage of scheme assets	21.4%	**(9.6%)**
Total amount recognised in MIRS		
Amount £000	(1,135)	**996**
Percentage of present value of scheme liabilities	26.7%	**83.2%**

MWDA
Merseyside Waste Disposal Authority

6) Segment reporting for Group Accounts 2010-11 (reporting year)

	Establish-ment* £000	**Waste Contracts* £000**	**Facilities* £000**	Strategy £000	Procure-ment £000	Other £000	MWHL £000	BML £000	**Total £000**
Fees charges and other service income	(192)	(1,935)	(855)	(0)	(701)	(701)	(3,597)	(74)	**(8,055)**
Government grants	0	0	0	0	0	(70,872)	0	(0)	**(70,872)**
Total income	(192)	(1,935)	(855)	(0)	(701)	(71,573)	(3,597)	(74)	**(78,927)**
Employee expenses	1,618	0	0	0	0	0	42	11	**1,671**
Other service expenses	696	55,783	1,701	268	701	9,827	604	176	**69,756**
Support service recharge	0	0	0	0	0	0	0	0	**0**
Total Expenditure	**2,314**	**55,783**	**1,701**	**268**	**701**	**9,827**	**646**	**187**	**71,427**
Net expenditure	**2,122**	**53,848**	**846**	**268**	**0**	**(61,746)**	**(2,951)**	**113**	**(7,500)**

** establishment includes communications; waste contracts includes landfill allowances; facilities includes closed landfill and rent, rates depreciation*

Segment reporting for Group Accounts 2009-10 (comparative period year)

	Establish-ment* £000	**Waste Contracts* £000**	**Facilities* £000**	Strategy £000	Procure-ment £000	Other £000	MWHL £000	BML £000	**Total £000**
Fees charges and other service income	(240)	(1,188)	(1,558)	(0)	(813)	(2,605)	(641)	(115)	**(7,160)**
Government grants	0	0	0	0	0	(70,872)	0	0	**(70,872)**
Total income	(240)	(1,188)	(1,558)	0	(813)	(73,477)	(641)	(115)	**(78,032)**
Employee expenses	1,662	0	0	0	0	0	31	24	**1,717**
Other service expenses	758	51,299	4,461	146	813	3,959	557	296	**62,289**
Support service recharge	0	0	0	0	0	0	0		**0**
Total Expenditure	**2,420**	**51,299**	**4,461**	**146**	**813**	**3,959**	**588**	**320**	**64,006**
Net expenditure	**2,180**	**50,111**	**2,903**	**146**	**0**	**(69,518)**	**(53)**	**205**	**(14,026)**

** establishment includes communications; waste contracts includes landfill allowances; facilities includes closed landfill and rent, rates depreciation*

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of segment income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009-10 £000	**2010-11 £000**
Net expenditure in the Service analysis	11,183	**7,500**
Net expenditure of services and support services not include din the analysis	0	**0**
Net expenditure of subsidiaries not included in the analysis	0	**0**
Amounts in the Comprehensive Income and expenditure Statement not reported to management in the analysis	377	**843**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,831)	**7,867**
Cost of Services in the Group Comprehensive Income and Expenditure Statement	9,729	**16,210**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010-11 (reporting year)

	Service analysis	Services and support services in analysis	Amounts not reported to management for decision making	Net expenditure of subsidiaries not included in the analysis	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(11)	0	0	(3,671)	(8,708)	0	**(12,390)**	0	**(12,390)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(691)	0	0	0	0	0	**(691)**	0	**(691)**
Income from Levy	(70,872)	0	0	0	0	0	**(70,872)**	0	**(70,872)**
Government grants and contributions	0	0	0	0	0	0	**0**	0	**0**
Total income	(71,574)	0	0	(3,671)	(8,708)	0	**(83,953)**	0	**(83,953)**
Employee expenses	1,618	0	0	53	0	0	**1,671**	0	**1,671**

2010-11

	Service analysis	Services and support services in analysis	Amounts not reported to management for decision making	Net expenditure of subsidiaries not included in the analysis	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Other service expenses	62,899	0	0	780	0	0	**63,677**	0	**63,677**
Support service recharges	0	0	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	1,300	0	0	0	0	0	**1,300**	0	**1,300**
Interest payments	1,095	0	0	0	0	0	**1,095**	0	**1,095**
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	**0**	0	**0**
Total expenditure	**66,912**	**0**	**0**	**833**	**0**	**0**	**67,743**	**0**	**67,743**
Surplus or deficit on the provision of services	**(4,662)**	**0**	**0**	**(2,838)**	**(8,708)**	**0**	**(16,210)**	**0**	**(16,210)**

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2009-10 (comparative year)

	Service analysis	Services and support services in analysis	Amounts not reported to management for decision making	Net expenditure of subsidiaries not included in the analysis	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(4,771)	0	0	(756)	0	0	**(5,527)**	0	**(5,527)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(1,633)	0	0	0	0	0	**(1,633)**	0	**(1,633)**
Income from Levy	(70,872)	0	0	0	0	0	**(70,872)**	0	**(70,872)**
Government grants and contributions	0	0	0	0	0	0	**0**	0	**0**
Total income	(77,276)	0	0	(756)	0	0	**(78,032)**	0	**(78,032)**
Employee expenses	1,662	0	0	55	0	0	**1,717**	0	**1,717**
Other service expenses	53,727	0	0	853	1,454	0	**56,034**	0	**56,034**

	Service analysis	Services and support services in analysis	Amounts not reported to management for decision making	Net expenditure of subsidiaries not included in the analysis	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Support service recharges	0	0	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	6,102	0	0	0	0	0	**6,102**	0	**6,102**
Interest payments	1,627	0	0	0	0	0	**1,627**	0	**1,627**
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	**0**	0	**0**
Total expenditure	**63,118**	**0**	**0**	**908**	**1,454**	**0**	**65,480**	**0**	**65,480**
Surplus or deficit on the provision of services	**(14,158)**	**0**	**0**	**152**	**1,454**	**0**	**(12,552)**	**0**	**(12,552)**

Merseyside Waste Disposal Authority

8) Contingent assets and liabilities

Mersey Waste Holdings Limited has 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.

9) Comparative information

For both Mersey Waste Holdings and Bidston Methane the companies changed their year end during the prior period, in consequence the comparative information for 2009-10 is not always directly comparable with the information for 2010-11.

ACCOUNTING POLICIES

General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2010) 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 brings the accounts of the local authorities into alignment with other sectors by making local government accounts compliant with international Financial Reporting Standards (IFRSs). The Code of Practice is referred to as the Code.

Status of the Code

The 2010 Code 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 Code 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 Code, although the Code advises authorities to consider whether additional information should be provided to make the financial statements as consistent with the SORP as possible.

- **The Code** – is given mandatory effect by the statutory framework in all parts of the United Kingdom; accounting standards in the form of International Financial Reporting Standards (IFRSs), Statements of Standard Accounting Practice (SSAPs) and other Statements of Recommended Practice determine the development of the Code. The Code 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 Code, to advise the accounting treatment and disclosure requirements of transactions that are not covered by the Code – where the Code differs from UK GAAP, the Code takes precedence.

- **UITF Abstracts** – to the extent that they are applicable, the Code 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 Code, 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 2011. 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.

Cash and Cash Equivalents

The Authority does not have its own bank account. In prior periods cash was accounted for as the Authority's asset by separating it from the cash held on its behalf by the service provider, St Helens Council. From 2010-11 it was recognised that this did not reflect the true nature of the Authority's balance sheet at the year end. The reality is that MWDA holds no cash in a bank account, but that all cash is held by St Helens Council. St Helens Council recognises that it has a debt to the Authority in respect of the amount it holds as cash. Therefore from 2010-11 the Authority's Balance sheet no longer shows any cash, instead a debtor is shown, which is equal and opposite to the amount included in St Helens Council's Balance Sheet as a creditor i.e. the amount owed to the Authority. This is a fairer reflection of each Authority's position at the year end. Petty cash is still shown on the authority's balance sheet.

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.

Componentisation of assets

Under the IFRS accounting regime there is a requirement on local authorities to account for capital expenditure on the basis of the separately identifiable components that make up an asset. For example in the past a building may have been accounted for as a single item, going forward there is a requirement for the Authority to consider accounting for the asset's separate components. So, for example in this case the land the building sits on would be accounted for separately from the building, and where identifiable, different components of the building may be accounted for as separate components. Here we might see a lift in a building given a different value and life than the building itself.

The intention of the change is to enable the authority to recognise the costs of holding and utilising assets more completely. In this example the land would have a value, and would not be depreciated; the building would have a separately identifiable value and an estimated life, the value of the building would be depreciated over its life. There may also be a separately identifiable component, the lift, which has a separate value and which is depreciated over the life of the lift which may be different from the life of the building. This will enable the local authority to identify the true costs of holding and using the asset and its component parts.

CIPFA has recognised that the accounting and valuation requirements of this change would be onerous if applied retrospectively to the assets of a local authority. Therefore the requirement to identify separate components, with separate fair values and separate asset lives and depreciation charges is applied on a prospective basis. In other words as assets are added to the Authority's portfolio the Authority will be required to identify components and their values and lives and to account for them separately, but this does not apply to existing assets. This means the accounting requirements are less onerous than they could have been.

In arriving at assessments of which components to identify the Authority has to establish and then apply a policy on de-mimimis thresholds – both in terms of overall assets to assess and the components making up those assets. These de-minimis levels are not the same as those for capital expenditure, but are used to determine whether by applying componentisation there will be a material impact on either the assets or their valuation in the balance sheet, or on the amounts of depreciation charged to the revenue account.

In the case of the capital values on the Authority's balance sheet – at 31/3/10 the Land and Buildings were valued at £12m, Plant and equipment at £12m and Assets under construction at £2m, giving a total value of £26m. At the same time the Authority turnover was some £70m. The materiality of asset values and depreciation charges may be taken from these thresholds. It may be reasonable to assume that an item would be material if it made a 2% difference to the I&E or turnover figure – in other words £1.4m. At the same time using the asset values at 5% of the total value gives an amount of £1.3m. It seems not unreasonable therefore to establish a de-minimis level for assets to be considered for componentisation at £1m. Below this level the overall impact and the revenue effect on the accounts would be unlikely to be considered material. Similarly the values for individual components to be identified within assets over £1m could, not unreasonably, be half of that amount, i.e. £500k. So if a component of an asset does not have a value of at least £500k then it may not need to be separately identified and componentised.

The effect of setting a relatively high level for the de-minimis levels on componentisation is to ensure that only significant items are accounted for separately. In our earlier example it may mean accounting for land separately from the building, but may mean we do not need to separately account for doors, windows, interior fixtures and fittings for example. The reason for this is that even when these items are accounted for separately the effect on the accounts is unlikely to be material. This also enables the Authority to comply with the revised accounting arrangements without making that compliance an onerous burden.

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 IFRS7, IAS32 and IAS39. 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 IAS39 - *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 no longer credited to a Government Grants Deferred Account but instead are credited via revenue to the CAA.

When a capital grant is provided to the Authority that has conditions attached then the grant will be credited to a conditional grant account until such time as the conditionality has been discharged and the grant may be released via revenue to the CAA.

Group accounts

The Statements have been prepared with due regard to the group accounting requirements contained in the Code, 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 2010-2011 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.

Investment properties

Investment properties are those that are used solely to earn rentals and/or for capital gain. Where a property is used for any purpose of the Authority it is not an investment property.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the CIES. The same treatment is applied to gains and losses on disposal. In the case of the Investment Property held by the Authority the value of the assets is considered to be the equivalent to the rental agreed with the tenant over the remaining notional length of the tenancy.

Rentals received in relation to investment properties are credited to the CIES and result in a gain for the General Fund Balance. However, revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore revered out of the General fund Balance in the MIRS and posted to the CAA and the Capital Receipts Reserve.

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 IFRS based Code accounting guidance the Authority has reclassified a number of leases as finance leases, which require the apportionment of rental payments between the finance charge and the principal element.

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

Pensions

Post Employment Benefits

Employees of the Authority are eligible to join the Local Government Pensions Scheme.

The scheme provides defined benefits to members (retirement lump sums and pensions).

Local Government Pension Scheme (LGPS)
Authority employees are eligible to join the LGPS. In Merseyside the appropriate fund is the Merseyside Pension Fund (MPF) which is administered by Wirral Metropolitan Borough Council. In addition to the information shown below, a separate set of accounts and further information can be obtained from the Merseyside Pension Fund at:

7thFloor,
Castle Chambers,
43 Castle Street,
Liverpool,
L69 2NW,

or via the website

www.merseysidepensionfund.org.uk.

The pension costs recognised in the Authority's accounts for LGPS employees have been supplied by Mercer Human Resource Services Ltd and are in full accordance with IAS19 *Employee Benefits*. This requires the Authority to account for its share of the pension fund assets and liabilities in its Balance Sheet, as well as recognising the full cost of providing for future retirement benefits in its CIES. The assumptions used in determining pension costs are as follows:

- The liabilities of the MPF pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an estimation of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate. In estimating liabilities for retirement benefits at 31 March 2011 for the 2010/11 Statement of Accounts, the actuary assumed a real discount rate of 2.1% (based on actual corporate bond yield of 5.5% less 3.4% inflation assumption).

- The assets of the MPF attributable to the Authority are included in the Balance Sheet at their fair value:

  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price;
  - Property – market value.

- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned in the year, allocated in the CIES to the revenue accounts of services for which the employees worked. It is based on the most recent actuarial valuation at the beginning of the period, with the actuarial assumptions updated to reflect conditions at that date.

- Past service cost – the increase in liabilities as a result of current year decisions which affect years of service earned in previous years debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income & Expenditure line in the CIES.
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income & Expenditure line in the CIES.
- Gains/losses on settlements and curtailments – relate to specific decisions made by the Authority that are not covered by the actuarial assumptions, for example a reduction in employees because of the transfer or termination of an operation. Gains and losses arising from such decisions are included in the Surplus or Deficit on the Provision of Services in the CIES as part of Non distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited/credited to the Pension Reserve and recognised within "Other Comprehensive Income & Expenditure" in the CIES.
- Contributions paid to the MPF – cash paid as employer's contributions to the pension fund is not accounted for as an expense in the CIES but is a reconciling item in the Movement in Reserves Statement.

Statutory provisions limit the Authority to raising its Levy to cover the amounts actually payable to the MPF or directly to pensioners in the year and therefore any difference between the amounts calculated under IAS19 and the statutory pension fund contributions are accounted or in the Movement on Reserves Statement via a transfer to and from the Pensions Reserve. In this manner the notional debits and credits for retirement benefits are removed and replaced with debits for the cash actually paid to the pension fund together with any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being able to account for retirement benefits on a cash basis rather than as benefits are earned. The Fund is subject to actuarial valuation every three years with the latest valuation being 31 March 2010.

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.

Unusable 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 usable and unusable reserves are detailed in notes accompanying the accounts.

Tangible fixed assets (Property, Plant and Equipment – PPE)

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

PPE 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). PPE are classified into the groupings required by the Code 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 31 March 2010. An impairment review of other assets identified impairment at the closed landfill sites. 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 PPE 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 via the Movement in Reserves Statement.

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

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

Revenue expenditure

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.

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

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Merseyside Waste Disposal Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet and, 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report. 10

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Merseyside Waste Disposal Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and 10
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Merseyside Waste Disposal Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

[*Signature*]

Michael Thomas
Officer of the Audit Commission

[*Address*]

23 September 2011

MWDA
MERSEYSIDE WASTE DISPOSAL AUTHORITY