



MERSEYSIDE RECYCLING & WASTE AUTHORITY

**MERSEYSIDE... A PLACE
WHERE NOTHING IS WASTED**

STATEMENT OF ACCOUNTS 2019-20

CONTENTS

	Page(s)
Chairperson's introduction	3 - 4
Narrative Statement	5 - 10
Certificate	11
Statement of responsibilities	12
Annual Governance Statement	13 – 16
Comprehensive Income and Expenditure Statement	17
Balance Sheet	18 – 19
Cash-flow statement	20

Movement in Reserves	21 – 22
Notes to core financial statements	23 – 75
Accounting Policies	76 – 84
Group accounts	85 – 97
Glossary of terms	98 – 100
Auditors Report to the Authority (Draft)	100 -101

Introduction to the 2019-20 Statement of Accounts by the Chairperson to the Authority

Chairperson's introduction

I am pleased to comment on Merseyside Recycling and Waste Authority's Statement of Accounts for 2019-20. The Authority continues to place an important emphasis on the use of waste as a resource and this is reflected in our priorities.

The Members of the Authority together with the Authority's officers have a duty to ensure the effective use of resources to deliver services to Merseyside residents. The Authority's turnover is £79.7M and the Authority reports to the public on the exercise of its responsibilities annually through the 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 the people of Merseyside about the care we take over the public funds that have been placed at our disposal by the public through the Levy.

For 2019-20 the Authority's Levy on Merseyside Councils increased by some 4.9% so that the Authority could continue to work towards matching resources with expenditure. This was helped by one off contributions from the Authority's wholly owned company totalling £2.5M. A further increase in the Levy has been approved by Members for 2020-21, although at 3.4% this is lower than had been anticipated, as the Authority looks to balance its resources in the medium term.

During 2019-20 the Authority's Resource Recovery Contract has continued to take Merseyside and Halton's residual waste from a Rail Transfer Loading Station at Knowsley to Energy from Waste Plant in Redcar where it is used to create electricity and steam. The contract has matured and both the Authority and the contractor Merseyside Energy Recovery Limited have a good understanding of how to make it effective in practice.

At the same time the Authority continues to employ Veolia ES under the Waste Management and Recycling contract to provide a network of

Household Waste Recycling Centres, transfer stations for waste and two Materials Recycling Facilities. Increasing pressure on global recycle markets has added to the challenges and cost pressures in delivering this contract successfully.

The Authority continues to monitor and manage a number of closed landfill sites across Merseyside, meeting our environmental liabilities and ensuring they do not pollute the local environment.

The Authority promotes the need to use less; re-use and recycle more and to raise waste management practices up the waste hierarchy through its approach to Behavioural Change.

The Authority continues to look for opportunities to work alongside District Council colleagues to implement efficiencies across the collection and disposal system.

All of this is made more difficult for the Authority and the people of Merseyside because of the impacts of the Covid19 pandemic. The consequences of the pandemic have had an impact

on the way we work and the way our services are provided. They are likely to affect all our lives and the activities of the Authority for some time to come.

Chairperson

Date 2020

Narrative Statement

Peter Williams: Treasurer

Background: the Authority and its Functions

Merseyside Recycling and Waste Authority (MRWA, which is the public facing name of the statutory joint waste Authority) came into being on 1st April 1986 on the demise of the former Metropolitan County of Merseyside. The statutory duty and powers over waste disposal were allocated to the new Waste Disposal Authority which was created for the purpose of waste disposal.

The arrangements mean that MRWA is a local authority that meets to take decisions on how it fulfils its responsibilities. MRWA is made up of Councillors (the Members) appointed to the Authority by each of the constituent authorities in Merseyside. The number of Members appointed by each Council is set by statute. The Authority is made up of nine Members appointed by the constituent authorities as follows: Liverpool 3, Sefton 2, Wirral 2, Knowsley 1, St Helens 1. These

appointed Members sit as the local authority on a statutory basis.

MRWA has all the legal duties and powers to dispose of Merseyside's waste. The constituent authorities have no such disposal powers, but are statutory waste collection authorities and have a duty to deliver controlled waste to MRWA for disposal.

MRWA is primarily responsible for:-

- the disposal of waste collected by its constituent Waste Collection Authorities
- providing Household Waste Recycling Centres (HWRC) for use by members of the public
- arrangements for the recycling and composting of waste
- payment of 'recycling credits' to third parties; and
- aftercare of seven former landfill sites

- minimising waste
- applying the Waste hierarchy

MRWA collects a statutory Levy from the constituent Merseyside councils to meet all its liabilities. It also collects payments from Halton Council in respect of services provided to the Council.

MRWA delivers its principal services through two main waste contracts. The Waste Management and Recycling Contract (WMRC) was let in 2009 and is the primary interface with waste collection authorities and members of the public through a number of facilities including Waste Transfer Stations, Materials Recycling Facilities (MRFs) and Household Waste Recycling Centres (HWRCs).

The majority of residual waste is dealt with under the Resource Recovery Contract with Merseyside Energy Recovery Ltd (MERL) under which waste is delivered to a Rail Transfer Loading Station at

Kirkby in Knowsley and transported by rail to and Energy from Waste facility at Wilton on Teesside.

MRWA's main aim is to manage waste as a resource which means providing and promoting sustainable waste management through the waste hierarchy where landfill is the least favourable option in environmental and financial terms.

MRWA acts mainly in an intelligent client procurement and contract management role with around 96.5% of the budget expended on contracted, statutory and non-controllable costs. There are currently 30 staff on the Establishment with a significant proportion of support services provided externally through service level agreements with St Helens Council and Mersey Travel.

Governance and Membership

MRWA consists of nine elected Members representing the five constituent district councils in Merseyside. The number of Members per district is set by statute and is shown in brackets against each council below alongside the membership during 2019-20:

- Knowsley (1): Cllr Terry Byron
- Liverpool (3): Cllrs Tony Concepcion, Laura Robertson-Collins and Joe Hanson

- St Helens(1): Cllr Charlie Preston
- Sefton (2): Cllrs Diane Roscoe and Yvonne Sayers
- Wirral (2): Cllrs Tony Norbury and Steve Williams

Halton Council has delegated part of its functions to enable its waste to be accepted under MRWA's contracts. A Member from Halton has been appointed to MRWA (Cllr Stef Nelson), however, this Member does not have voting rights.

MRWA has a schedule of five meetings per year, although special meetings may be called from time to time.

Unlike some other joint boards on Merseyside, MRWA does not have legal powers to pay any form of remuneration to its Members.

A voluntary Code of Conduct for Members was approved in 2013 and remains in place.

Scrutiny Arrangements

MRWA's Scheme of Delegation provides for three levels of decision-making, namely Key Decisions, Executive Decisions and Administrative Decisions.

MRWA does not have a Scrutiny Panel as all Key Decisions are considered by full Authority. The Scheme of Delegation does provide for the scrutiny of Executive Decisions where two or more Members call in a proposed decision and these scrutiny items are subsequently considered at full Authority meetings.

The Localism Act 2011 Schedule 2 (9FF) provides powers of scrutiny to relevant authorities over partner authority actions, including those actions of MRWA. MRWA has sent officers to attend a number of scrutiny panels over the years and makes an annual offer to each of the Merseyside and Halton councils.

Management of the Authority

The Authority has a Chief Executive who is also the Head of Paid Service, supported by an executive management team.

MRWA is required to appoint statutory officers, namely a Chief Finance Officer (under Section 73 of the Local Government Act 1985; equivalent to the s151 Officer in other Authorities); a Monitoring

Officer (Section 5 of the Local Government and Housing Act 1989); and a Clerk (Section 34(8) of the Local Government Act 1985). These duties are currently undertaken by MRWA staff.

Performance

The Authority’s performance management framework is established before the beginning of each year. The Authority approves the Corporate Plan which sets the high level objectives; these are then developed into Service Delivery Plans for each part of the organisation, which are also approved at the start of the year by the Authority. The Authority’s performance is measured against the Service Delivery Plans and is reported to management through the year and is considered by the Authority at the end of each year. The Authority’s consideration of the performance arrangements is documented annually in the Governance Statement.

The Contents of the Statements of Accounts

The Authority’s statement of accounts includes the following main statements and notes:

- The Comprehensive Income and Expenditure Statement (CIES), which shows the gains and losses of the Authority in the year;

- The Balance Sheet, which shows how resources available to the Authority are held in terms of assets and liabilities;
- The Movement in Reserves Statement (MIRS), which shows the changes in the Authority’s financial resources over the year; and
- The Cash Flow, which shows how the movement in reserves has been reflected in cash flows.

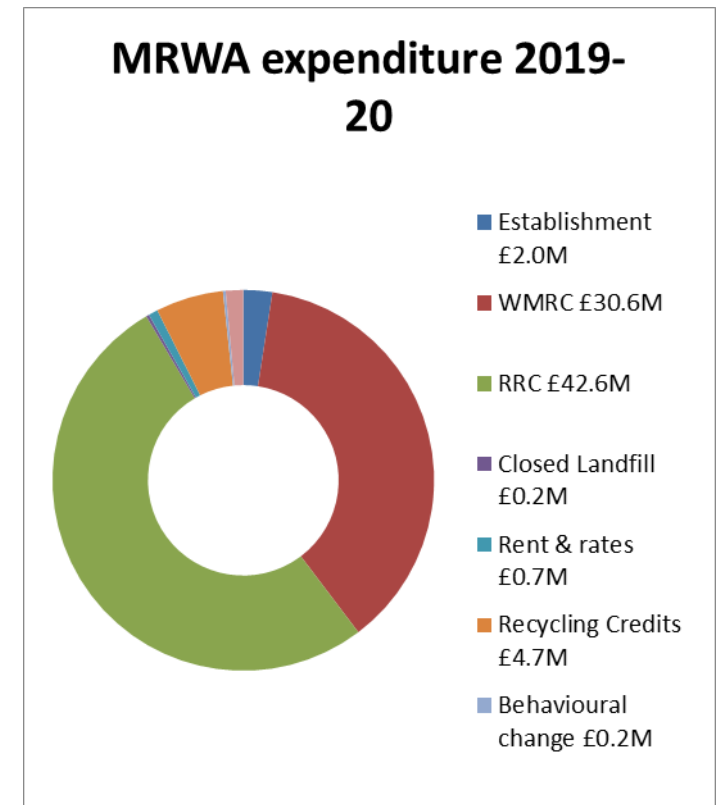
There are also a series of notes to the accounts which provide further information to support the main statements. Each key financial disclosure also has a comparative figure from the preceding year to enable the reader to consider how the financial performance of the Authority has changed over the reporting period.

Following on from the accounting statements for the main Authority there is a similar set of statements, notes and comparisons that incorporate the Group Accounts for the Authority and its associated companies and interests.

What we spend

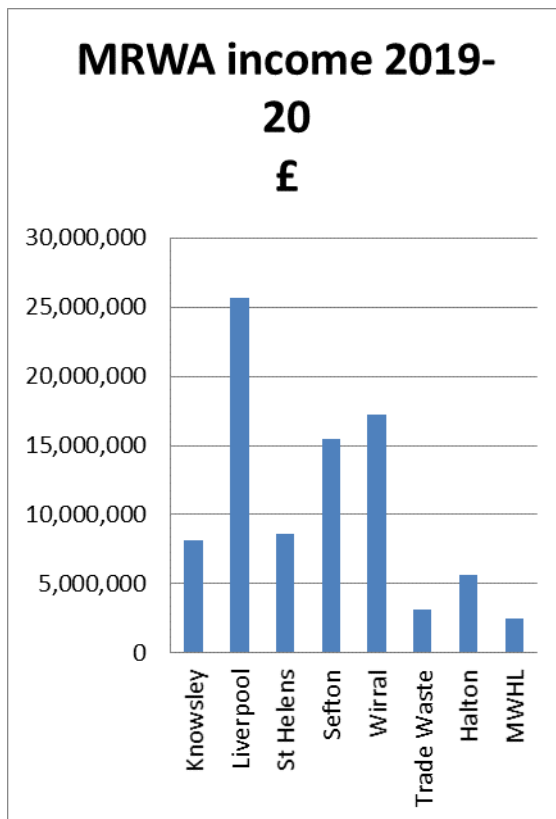
The significant majority of MRWA expenditure is spent on the contracts that provide waste disposal services to the public and to Councils in Merseyside and Halton, as well as other statutory

services including the maintenance of closed landfill sites. The expenditure for 2019-20 is summarised as follows:



Our income

The Authority’s income is largely from the Statutory Levy in the Constituent District Councils and a charge to Halton Council for Waste Disposal Services. This is summarised as follows:



The net effect of the Authority’s expenditure and income was that there was capacity for a contribution to the Authority’s balances of £4.129M to support expenditure in the year. This leaves the Authority with the following as balances:

Balances and Reserves

A summary of the Balances at 31 March 2020 with a comment about why the amounts are set aside is shown as follows:

	£M
General Reserve	3.603
To cover risks to the Authority in carrying out its functions.	

Assets

There are no significant new assets or liabilities that impact on the Authority in the year.

The Authority’s assets were the subject of a year-end valuation as at 31 March 2019 to ensure that they are carried in the accounts at the most

appropriate value under the fair value basis of measurement. This valuation was reviewed on an interim basis by the valuer at 31 March 2020 to consider whether there was any need for a fuller revaluation, the valuers assessment at this interim stage was that there was no need for a full revaluation as the Authority’s assets had undergone no changes of significance.

Pension liabilities

The balance sheet includes a net pension liability of £3.991M. This is a decrease of £709k on the pension liability in the prior year’s accounts. The change in the liability reflects the changes in the value of the assets held by the pension fund on behalf of the Authority and the numbers of and ages of employees and former employees who are Members of the pension schemes which the Authority has a liability to support. The values of the pension assets and liabilities are assessed periodically (every three years) by the scheme actuaries and contribution rates for employers are adjusted to ensure that the schemes liabilities are funded over time. Employee contribution rates are also reviewed periodically to further ensure liabilities are funded.

Unusual material items

The Authority did not make any material unusual payments in the year

Changes in accounting policy

There has been no significant change in any accounting policy in the year.

Changes in statutory functions

There have been no changes in statutory functions during the year.

Current borrowing

The Authority has a portfolio of loans taken out to finance capital expenditure and for the prudent management of its financial affairs over a number of years; the outstanding balance at 31 March 2020 was £41.04M, including a loan taken out in March 2019 as recommended by the Authority's Treasury advisers. One of the loans is a commercial loan, and is in line with other similar life loans. The remainder are loans from the Public Works Loans Board (PWLB). The PWLB loans are scheduled to mature at various dates up to 2058, while the final maturity on the former LOBO is 2065.

Cash Flow

The Authority's cash flow has been managed by St Helens Council under a service level agreement for a number of years. The Authority follows the Council's advice on the actions it takes to managed the cash flow.

Provisions, contingencies and write offs

The Authority carries provisions in the accounts.

One of the provisions is in respect of the Closed Landfill sites managed by the Authority. The Authority established the closed landfill provision in 2013/14 as a technical accounting provision, to recognise the need to provide for the potential future costs of maintaining Closed Landfill sites across Merseyside for which the Authority is responsible. Once again in 2019-20, the calculation of the amount set aside as a technical provision has been reviewed and amended to better reflect the potential future costs that the Authority may face in managing its Closed Landfill sites. This has resulted in an increase in the carried forward provision of £54k (value of £4.3M), reflecting in the main, a gradual reduction to the amounts that will be spent on closed land fill sites year on year as they begin to stabilise and settle requiring less maintenance.

Other provisions included an obligation to Mersey Waste Holdings Ltd, the Authority's wholly owned subsidiary, under a back to back funding arrangement for a payment made by the Company to the Citrus Pension Fund. To date the Company has not sought payment to discharge the obligation. During the last two years it has been recognised that this provision will never be called upon due to the nature of the back to back funding guarantees, therefore by agreement with the company the provision has been reversed, providing over £880k to support the Authority's general fund

The Authority has a 50% stake in Bidston Methane Ltd. Currently the company is running at a loss and the Authority's share of the loss is £111k as at 31 March 2019 based on the latest available accounts to 31 March 2019, although the 'loss' is offset by the assets held by the company that are due back to the Authority in the longer term. The Authority has given a commitment to support the company financially; hence it remains valued as a going concern. The Authority therefore recognises that it has a contingent liability for its share of the potential loss. A recent proposal by the partner in the joint venture to review the company may be pursued in the next financial year, although there are no decisions in place.

There are no significant write offs or impairment losses to reflect in the accounts.

At this stage there are no material events, adjusting or non-adjusting, that could have an impact on the financial statements or the way that they should be interpreted.

Local economic circumstances

The statement of accounts for 2019-20 should be considered alongside the budget for 2020-21 and the medium term financial prospects for the Authority.

The current financial environment that local government in England faces is one of continuing austerity. The Authority's constituent District Councils have faced a number of years of very significant spending reductions and that pattern is set to continue and to a degree accelerate as the Government moves from a national model of supporting local government spending to a more localised model with opportunities for funds raised locally to be retained locally. During this period of financial rebalancing the resources available to constituent District Councils have been reduced

significantly. At the same time over a period of eight budget cycles the Authority has reduced or maintained the Levy on the Districts at a neutral level. The maintenance of the Levy at these levels has only been possible in the latter years with cushioning from the General Fund. This ability to support the Levy from reserves is at an end and in both 2019-20 and in the budget for 2020-21 the planned level of Levy is increased, to ensure that resources are better matched to spending needs.

Covid19 Pandemic

Along with the rest of the Country the Authority has been faced with reacting to the circumstances of the Covid19 pandemic. This has meant significant changes to working arrangements, and since 23rd March working from home wherever possible to follow government advice on social distancing. There are some functions that still need staff to visit the office and so additional social distancing and cleanliness measures have been put in place to ensure the safety of staff.

At the same time the Authority meeting planned for April was postponed and the Annual General Meeting held in June was carried out 'virtually'

with Members and Officers joining an on-line meeting; it is likely that this approach will continue for some time to come.

Working alongside our contractors and following the Government's advice on essential transport only the Authority's Household Waste Recycling Centres (HWRCs) were closed during the initial period of the pandemic. Since then the majority of the HWRCs have been opened under new social distancing arrangements and with additional highways management support provided for the Authority by District Councils. Elsewhere the tonnages of wastes being delivered into the contracts are significantly higher than would normally be the case for this time of year. If these patterns continue it is likely that there will be an associated significant increase in costs for the Authority during 2020-21.

The impacts of the Covid19 pandemic will also be felt in 2019-20, with year-end property and pensions valuations affected by the uncertainties caused by the current situation. As the economic impacts of the pandemic continue to be felt it is likely that this will also impact the valuations in the balance sheet for 2020-21 as well.

Certificate

I certify that this Statement of Accounts presents a true and fair view of the financial position of Merseyside Recycling and Waste Authority (the statutory Waste Disposal Authority for Merseyside) at 31 March 2020 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

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 its 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/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (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.

Peter Williams
Treasurer to the Authority

Date

Annual Governance Statement 2019/20

The governance framework has been in place at the Authority for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

The governance framework

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 underpinned by a Corporate Plan which sets out the Authority's long-term aims;
- the current Corporate Plan was approved by Members on and has a mission statement, "To contribute to the economic, environmental and social well-being of Merseyside by promoting the best use of resources and ensuring that waste is sustainably managed." The plan is delivered through the development and implementation of an annual Service Delivery Plan which reflects current corporate strategies, risks and priorities;
- performance against the Service Delivery Plan is published on a quarterly basis and circulated to Members and other stakeholders;
- there is a Joint Recycling and Waste Management Strategy for Merseyside in place which has been approved by all partner organisations and was used to inform the procurement of major waste contracts, most notably the Waste Management and Recycling Contract and the Resource Recovery Contract;
- there is a Risk Management Strategy in place which provides the Authority with a framework to identify and analyse the risks associated with its activities and ultimately supports the Authority in planning for and delivering its Corporate Plan.
- 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 for Members, both of which include a Register of Interests;
- The Authority's Constitution, including a comprehensive set of Procedural Rules which define its internal control mechanisms, is in place and reviewed regularly;
- 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 is provided by St Helens Council under a service level agreement and 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 is 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. The strategy is currently under review to ensure it remains fit for purpose;
- Inter Authority Agreements are being reviewed and where appropriate, put in place to ensure effective partnership and joint working arrangements; 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 has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority, namely the Primary Assurance Group, who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Authority measures its arrangements against a Code of Corporate Governance developed and approved by the Authority 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 Governance Statement;

- the Authority is responsible for the approval of the Annual Statement of Accounts once they have been approved by the Chief Finance Officer and audited;
- the scrutiny function is provided by the full Authority;
- the Director of Finance 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.

The Primary Assurance Group has reviewed the Authority's Code of Corporate Governance and conducted an annual assessment to identify and address any weaknesses in the Authority's governance arrangements. An action plan for delivering improvements has been developed and will be implemented during 2019/20 to continue to strengthen and improve the Authority's governance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Primary Assurance Group and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

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. Whilst these are important and action plans are being developed to address them they are not considered significant. Areas for improvement include:

- Contribution to the implementation of the Strategic Review undertaken by Merseyside and Halton Councils Leaders and Chief Executive Group
- Develop a new Waste and Resource Strategy for the LCR Following the publication and consultations of the New National Waste Strategy

- To review and implement a standardised approach to the delivery of waste services to key stakeholders

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

Signed:
2020

Signed:
2020

The Comprehensive Income and Expenditure Statement (CIES)

This statement shows the full cost of providing services during the year, and the income raised to cover that expenditure, in accordance with generally accepted accounting practices. These are different from the statutory amounts required to be charged to the General Fund Balance for Levy purposes, which is set out in the Movement in Reserves

2018/2019			Notes	2019/2020		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
60,376	(5,744)	54,632		62,898	(4,194)	58,704
182		182		182		182
60,558	(5,744)	54,814		63,080	(4,194)	58,886
		10,687	8			8,024
		(71,494)	9			(74,998)
		(5,993)				(8,088)
		0				0
		(35,248)	18			0
		0	18			0
		(245)	17			(233)
		429	28			(1,184)
		(35,064)				(1,417)
		(41,057)				(9,505)

The Balance Sheet

The Balance Sheet shows the assets and liabilities of the Authority at the year end. The net assets of the Authority are matched by two categories of reserves. The first is useable reserves which can be deployed for any purpose, subject to the need to maintain a prudent level of working capital. The second category, un-useable reserves set aside in order to meet statutory and accounting requirements.

31st March 2019		Notes	31st March 2020
£000			£000
361,074	Property, Plant & Equipment	10	347,665
0	Long Term Investments	13	0
361,074	Long Term Assets (1)		347,665
22	Inventories		22
4,723	Short Term Debtors	14	5,960
4,068	Cash and Cash Equivalents	15	4,371
8,813	Current Assets (2)	16	10,353
(5,184)	Short Term Creditors	16	(5,002)
(248)	Provisions	17	(237)
(5,432)	Current Liabilities (3)		(5,239)
(4,950)	Provisions	17	(4,131)
(41,830)	Long Term Borrowing	11	(41,046)
(286,932)	Other Long Term Liabilities	31	(267,354)
(333,712)	Long Term Liabilities (4)		(312,531)
30,743	Net Assets (1+2+3+4)		40,248
(507)	Usable reserves (5)	MiRS	(3,603)
(30,236)	Unusable Reserves (6)	18	(36,645)
(30,743)	Total Reserves (5+6)		(40,248)

Certificate

I confirm that these accounts present fairly the position of Merseyside Recycling and Waste Authority (the statutory waste disposal authority for Merseyside) as at 27th August 2020 and are authorised for issue at that date.

Peter Williams CPFA

Treasurer to the Authority

Date 27th August 2020

The 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 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.

2018/2019		Notes	2019/2020
£000			£000
(3,164)	Net surplus or (deficit) on the provision of services		(8,088)
11,104	Adjustment to surplus or deficit on the provision of services for non-cash movements	19	12,943
(10,687)	Less items included in the net surplus or deficit on the provision of services that are investing and financing activities	19	(8,100)
18,627	Net cash flows from operating activities		12,955
13,235	Net Cash flows from Investing Activities	20	13,972
(11,762)	Net Cash flows from Financing Activities	21	(26,624)
20,099	Net increase or decrease in cash and cash equivalents		303
(16,031)	Cash and cash equivalents at the beginning of the reporting period		4,068
4,068	Cash and cash equivalents at the end of the reporting period		4,371

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'useable 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

2019/2020	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2019	(473)	0	(34)	(507)	(30,239)	(30,746)
Movement in reserves during the year						
Surplus or (deficit) on the provision of services	(8,088)			(8,088)	(1,414)	(9,502)
Other Comprehensive Income and Expenditure				0		0
Total Comprehensive Income and Expenditure	(8,088)	0	0	(8,088)	(1,414)	(9,502)
Adjustments between accounting basis & funding basis under regulations	4,958		34	4,992	(4,992)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(3,130)	0	34	(3,096)	(6,406)	(9,502)
Transfers to or from earmarked reserves				0		0
Increase/Decrease in Year	(3,130)	0	34	(3,096)	(6,406)	(9,502)
Balance as at 31 March 2020	(3,603)	0	0	(3,603)	(36,645)	(40,248)

2018/2019	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	(4,282)	0	(55)	(4,337)	14,648	537
Movement in reserves during the year						
Surplus or (deficit) on the provision of services	(5,993)			(5,993)	(35,064)	(41,057)
Other Comprehensive Income and Expenditure				0		0
Total Comprehensive Income and Expenditure	(5,993)	0	0	(5,993)	(35,064)	(41,057)
Adjustments between accounting basis & funding basis under regulations	9,802		21	9,823	(9,823)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	3,809	0	21	3,830	(44,887)	(41,057)
Transfers to or from earmarked reserves				0		0
Increase/Decrease in Year	3,809	0	21	3,830	(44,887)	(41,057)
Balance as at 31 March 2019	(473)	0	(34)	(507)	(30,239)	(30,746)

NOTES	Page(s)
Note 1 Accounting standards issued not yet adopted	23
Notes 2-3 Critical judgements, key assumptions and accounting estimates	23 – 27
Note 4 Material items of Income and expenditure	28
Note 5 Expenditure and Funding Analysis and Notes	29 – 30
Note 6 Expenditure and Income Analysed by Nature	31 - 32
Note 7 Adjustments between accounting and funding basis under regulations	33 – 35
Note 8 Financing and investment income and expenditure	36
Note 9 Levy income	36
Notes 10 Property, plant and equipment	37 – 39
Notes 11-12 Financial instruments	40 – 45
Note 13 Investments	46
Note 14 Debtors	47
Note 15 Cash	47
Note 16 Creditors	47
Note 17 Provisions	48 – 49
Note 18 Unusable reserves	50 – 54
Notes 19-21 Cash Flow Statement	55 – 56
Note 22 Staff Costs and remuneration	57
Note 23 External audit	58
Note 24 Related party transactions	58 – 59
Note 25 Capital financing	60
Note 26-27 Leasing and service concession arrangements	61 – 63
Notes 28 Retirement benefits	64 – 71
Note 29-30 Contingent assets and contingent liabilities	72
Notes 31 Other long term liabilities	72 – 73
Note 32 Events after reporting period	74 - 75

Notes to the Accounts

Note 1

Accounting Standards issued but not yet adopted

Under the code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code), the Authority is required to disclose information setting out the impact of an accounting change standard that has been issued but not yet adopted by the code. The standards that may apply from 2020-21 are as follows:

- IFRS 16 – leasing – which amends the way that leases are accounted for – leases will no longer be classed as operating or finance leases, all will simply be classed as leases and the assets and liabilities associated with those leases will be brought into the Authority's balance sheet. The Authority's finance leases are already accounted for on the balance sheet, including those within the PPP contracts. Other leases currently classed as operating leases are relatively small in value and few, it is considered unlikely that there will be a material impact on the balance sheet.

Note 2

Critical judgements made in applying accounting policies

In applying 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:

- a) Influences on going concern, such as future funding levels and long term contracts. The constituent authorities, in common with the rest of local government are experiencing significant financial pressures but the Authority is committed to maintain and improving value for money and to identifying additional sources of funding where possible, to reduce demands on the levy it raises from constituent authorities.
- b) The Authority has determined that it exercises control over two entities:
 - Mersey Waste Holdings Ltd
 - Bidston Methane Ltd through a joint venture

The Authority's interests in these two companies are reflected in the Authority's Group Accounts at 85 to 86 of the Statement of Accounts.

- c) The Authority is deemed to control the services and the residual value of assets created under the Waste Management and Recycling contract with Veolia and the Resource Recovery Contract with Merseyside Energy Recovery Ltd. The accounting policies for the service concession arrangements (formerly known as PFI schemes and similar contracts) have been applied to these contracts and assets (valued at £16.9m for the WMRC contract and £342.3m for the Resource Recovery Contract) are recognised as Property, Plant and Equipment on the Authority's balance sheet. The cost of the Authority's contract is mitigated by some third party income but this is both variable and insufficiently significant to impact on the balance sheet in respect of the service concession.
- d) The Authority is deemed to control the services and the residual value of assets leased from constituent authorities. The Authority's view is both the land and building elements of the leases are operating leases and therefore no assets as Property, Plant and Equipment on the Authority's balance sheet
- e) The Authority has a 50% stake in Bidston Methane Ltd. Currently the company is running at a loss and the Authority's share of the profit is £111,00 based on the latest available accounts which are as at 31 March 2019. The Authority has given a

commitment to continue to support the company financially, hence it remains valued as a going concern. The Authority has recognised a contingent liability at Note 29 for the Authority's share of the potential loss.

- f) The Authority provides a technical accounting provision for future costs associated with closed landfill sites. The value of the provision is based on the anticipated expenditure which may be incurred over the statutory monitoring period for each site in accordance with guidance issued by the Environment Agency. The value of the provision has been estimated based on the average management cost over the last 6 years, extrapolated over the remaining life of each site and then discounted to reflect the time value of money, using HM Treasury discount rates, to arrive at an estimate of the total provision. This estimate is updated annually.
- g) The Authority entered into service concession arrangement with Sita SempCorp now Merseyside Energy Recovery Ltd in 2013 for the design, build and operation of an energy from waste facility to be located in Redcar in Cleveland and a rail transfer loading station in Kirkby on Merseyside. The

Commissioning phase of the contract ended in September 2017 with full operation from this date at which point the accounting requirements of IFRIC 4 and IFRIC 12 were taken fully into account.

- h) Under the terms of the Resource Recovery Contract with MERL a number of assets including a Rail Transfer Loading Station and an Energy from Waste plant were brought onto the Authority's balance sheet as they are considered to be leased assets under the contract. The contract term remaining at the end of the year was 23.5 years, with an option for an additional five years that may be taken up at the end of the contract. The decision on whether to take up the option of the additional five years has not yet been made and will only be considered a long way into the future. As a consequence the life of the leased assets will only be considered against the existing term of the contract and will not consider the additional five year option as it has not yet been exercised. This contract life is reflected in the valuation of the assets and the capital accounting that accompanies them.

NOTE 3

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 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 made.

The items in the Authority's Balance Sheet 31 March 2020 for which there may be a risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainties	Affect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are valued on a triennial basis by suitably qualified and experienced valuers, who also provide an interim view about whether the value of assets should be fully reviewed between full triennial valuations. 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 values and useful lives of assets is incorrect, depreciation charges and the carrying amount of the assets may be incorrect.
Provisions (closed landfill costs)	The Authority has made provision for the anticipated expenditure costs of managing the closed landfill sites, this is based on the pattern of expenditure in the previous 6 years. Future costs may vary and the provision will be revisited at each subsequent balance sheet date.	The provision does not impact on the useable reserves balance. Therefore there is no effect on the Authority's useable reserves if the assumptions made prove incorrect.
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. The Authority has engaged Mercer Ltd as its consulting actuaries to provide expert advice about the assumptions to be applied.	The affects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £0.6m.
Accruals of waste contract payments	The final waste data flows and settlements 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 anticipated then the value of waste contract payments and year end creditors 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.
Gilmoor Materials Recycling Facility	The WMRC contract payment is not separated for the cost of the finance lease under IFRIC 4 for the Gilmoor MRF	An estimate of the amount payable over the life of the contract for the finance lease element of the Gilmoor MRF has been made. This is based on the value of the asset and the estimated life of the asset in the contract.
Leasing discount rate	The real discount rate for lease costs is not separated clearly within leases and the Gilmoor MRF lease	The estimated discount rate has been used to arrive at the net present value of future lease payments based on the Treasury discount rate and RPIX

<p>Long term contracts</p>	<p>The Authority has entered into a long term service concession contract with Merseyside Energy Recovery Ltd (MERL). The contract makes provision for penalty payments in the event that the contract is terminated or significantly altered by either party.</p>	<p>At this stage the probability of the contract not being executed in substantially the same form as it was entered into is considered very remote, therefore no consideration of whether to include a contingent liability in respect of the penalty clauses contained in the contract being applied has been made. This position will be reviewed each year.</p>
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Note 4 Items of Material Expense

2018/2019 £000	Description	2019/2020 £000
0	Income from MWHL	(2,500)
24,081	Waste Management & Recycling contract payments	24,735
43,993	RRC Contract	39,981
68,074		62,216

The Expenditure and Funding Analysis

Note 5

This statement is designed to bring together the spending and funding basis of the Authority with the formal accounting framework and therefore help to demonstrate how the Authority has used its funds. This follows on the next page.

MRWA statement of Accounts 2019-20

2018/2019 Net expenditure chargeable to the General Fund £000	Adjustments between funding and accounting £000	Net expenditure in the CIES £000		2019/2020 Net expenditure chargeable to the General Fund £000	Adjustments between funding and accounting £000	Net expenditure in the CIES £000
1,989		1,989	MWDA Establishment	1,846		1,846
24,081	(653)	23,428	Waste Management contracts	24,532	(595)	23,937
41,638	(8,296)	33,342	Resource Recovery contract	40,014	(7,775)	32,239
291		291	Closed Landfill sites	208		208
15,274	(13,089)	2,185	Rents, rates & depreciation	14,839	(6,078)	8,761
4,318		4,318	Recycling Credits	4,714		4,714
1		1	Strategy & Resources	0		0
378		378	Behavioural Change	(2)		(2)
		0	Contract Review	163		163
12		12	Permit Scheme	24		24
87,982	(22,038)	65,932	NET COST OF SERVICE	86,338	(14,448)	71,866
1,313	8,949	10,262	Interest (Net)	1,450	8,370	9,820
		0	Dividends	(2,500)		(2,500)
89,295	(13,089)	76,206	NET OPERATING EXPENDITURE	85,288	(6,078)	79,210
(2,767)		(2,767)	Transfers to from General Fund			0
(13,992)		(13,992)	Contribution to/ from CAA	(13,717)		(13,717)
72,536	(13,089)	59,447	TOTAL COST OF SERVICE	71,571	(6,078)	65,493
(71,494)		(71,494)	Levy Income	(74,998)		(74,998)
1,042	(13,089)	(12,047)	NET SURPLUS/ CONTRIBUTION IN YEAR	(3,427)	(6,078)	(9,505)
(4,282)		(4,282)	Opening GF balance at 1st April	(473)		
0			Prior year opening balance GF adjustment			
2,767			Contributions & use of GF Net			
(473)			Closing General Fund Balance 31st March	(3,900)		

Note 5(A) Note to the Income and Expenditure Funding Analysis

Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital purposes	2019/2020 Net change for the Pensions adjustments	Other Differences	Total Adjustments
Waste Disposal - Net Cost of Services	(240)			(240)
Other Income and Expenditure from the Expenditure and Funding analysis		(119)		(119)
Difference between General Fund surplus and the CIES surplus or deficit on provision of Services	(240)	(119)	0	(359)

Note 5(B) Segmental Income

Service	2018/2019 Income from Services £000	2019/2020 Income from Services £000
Waste Disposal Services	(5,744)	(4,194)
Levy	(71,494)	(74,998)
	(77,238)	(79,192)

Note 6

Expenditure and Income Analysed by Nature

Service	2018/2019 £000	2019/2020 £000
Expenditure/ income		
Employee benefits expenses	1,676	1,676
Other services expenses	57,594	60,116
Support services recharges		
Depreciation & Impairment	1,288	1,288
Interest Payments	10,687	8,024
Gain on Disposal of assets		
Total expenditure	71,245	71,104
Income		
Fees, charges and other service income	(5,744)	(4,194)
Interest & investment income	0	0
Income from Levy	(71,494)	(74,998)
Total income	(77,238)	(79,192)
Surplus or Deficit on the provision of Services	(5,993)	(8,088)

Note 7

Adjustments between accounting 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.

The General Fund balance is the statutory fund into which all the receipts of the Authority required to be paid and from which all liabilities of the Authority are to be met except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources the Authority is required to recover) at the end of the financial year.

Earmarked reserves are a subset of the General Fund and show those parts the General Fund balance that has been set aside for specific nominated purposes. The balance at the year-end shows the resources that have yet to be applied for these purposes at the year end. The Capital Receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure

	2019/2020	Usable Reserves		Movement in
		General Fund Balance	Capital Receipts Reserve	Unusable Reserves
		£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		(14,186)		(14,186)
Revaluation of Investmet Property				
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				0
Statutory Provision for the Financing of Capital Investment		19,619		19,619
Adjustments involving the Capital Receipts Reserve:				0
Use of the Capital Receipts Reserve to finance new capital expenditure				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 30)		(780)		(780)
Employer's pensions contributions and direct payments to pensioners payable in the year		305		305
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Adjustments in relation to Short-term compensated absences				
Total Adjustments		4,958	0	4,958

	2018/2019	Usable Reserves		Movement in
		General Fund Balance	Capital Receipts Reserve	Unusable Reserves
		£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		(10,170)		(10,170)
Revaluation losses on Property Plant and Equipment		0		0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Financing of Capital Investment		20,092		20,092
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(21)	21	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 32)		(426)		(426)
Employer's pensions contributions and direct payments to pensioners payable in the year		307		307
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Adjustments in relation to Short-term compensated absences				0
Total Adjustments		9,782	21	9,803

Note 8

Financing and Investment Income and Expenditure

The CIES includes an item of 'Financing and Investment Income and Expenditure'; This note provides additional details of that amount

2018/2019		2019/2020
£000		£000
10,263	Interest payable and similar charges	7,320
424	Net interest on the defined benefit liability/(asset)	780
0	Interest receivable and similar income	(76)
10,687	Total	8,024

Note 9

Levy Income

The Authority is funded by a levy on the five Merseyside District Councils. The Levy each District pays to the Authority is agreed at the start of the year.

Levies received from member authorities during the year were as follows:

2018/2019		2019/2020
£000		£000
7,360	Knowsley	8,104
25,033	Liverpool	25,687
8,571	St Helens	8,583
14,430	Sefton	15,442
16,100	Wirral	17,182
71,494		74,998

Note 10

Property, Plant and Equipment

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

Movements in 2019-20	Property, Plant & Equipment					Total PP&E	Service Concession Assets included in Property, Plant and Equipment	TOTAL
	Land	Buildings	Vehicles, Plant & Equipment	Assets Under Construction				
	£000	£000	£000	£000	£000			
Cost or Valuation								
Balance as at 1 April 2019	10,035	153,742	197,445	0	361,222	339,422	361,222	
Additions		55	726		781	726	726	
Balance as at 31 March 2020	10,035	153,797	198,171	0	362,003	340,148	361,948	
Depreciation and Impairment								
Balance as at 1 April 2019	0	102	46	0	148	0	148	
Depreciation Charge		5,990	8,200		14,190	13,709	14,190	
Depreciation and impairments written out to Revaluation Reserve	0	0	0	0	0	0	0	
Balance as at 31 March 2020	0	6,092	8,246	0	14,338	13,709	14,338	
Net Book Value								
Balance as at 31 March 2020	10,035	147,705	189,925	0	347,665	326,439	347,610	
Balance as at 1 April 2019	10,035	153,640	197,399	0	361,074	339,422	361,074	

Movements in 2018-19	Property, Plant & Equipment				Assets Under Construction	Total PP&E	Service Concession Assets included in Property, Plant and Equipment	TOTAL
	Land	Buildings	Vehicles, Plant & Equipment					
	£000	£000	£000	£000				
Cost or Valuation								
Balance as at 1 April 2018	10,634	142,363	184,670	0	337,667	314,796	337,667	
Revaluation increases/decreases to Revaluation Reserve	(663)	16,285	19,626		35,248	35,618	35,248	
Other Movements in Cost or Valuation	64	(4,926)	(7,417)		(12,279)	(11,558)	(12,279)	
Balance as at 31 March 2019	10,035	153,742	197,445	0	361,222	339,422	361,222	
Depreciation and Impairment								
Balance as at 1 April 2018	0	1,237	1,020		2,257	(1,295)	2,257	
Depreciation Charge		4,464	6,318		10,782	(10,263)	10,782	
Depreciation and impairments written out to Revaluation Reserve	(64)	(673)	125		(612)		(612)	
Other Movements in Depreciation or Impairment	64	(4,926)	(7,417)		(12,279)	11,558	(12,279)	
Balance as at 31 March 2019	0	102	46	0	148	0	148	
Net Book Value								
Balance as at 31 March 2019	10,035	153,640	197,399	0	361,074	339,422	361,074	
Balance as at 1 April 2018	10,634	141,126	183,650	0	335,410	316,091	335,410	

Valuation

Property, Plant and Equipment are revalued on a three year cycle in accordance with RICS guidance. All assets were revalued at 31st March 2019 by the Authority's valuer, Mr Bernard White (MRICS) of Bell Ingram. The accounting policies provide further information on revaluation and depreciation policies. An Interim valuation was carried out at 31st March 2020 to confirm whether values needed to be amended for material changes, this interim valuation confirms that there is no such requirement in 2019-20.

The significant assumptions applied in estimating the fair values are:

- The Authority has good title to the property and that they are not subject to any unusual or onerous restrictions;
- No deleterious or hazardous materials nor techniques have been used in the construction of the property from past or present uses
- There are no environmental factors which would cause the valuation to alter.

The Authority has a relatively small asset base (except for its interests in the PPP contracts) so re-values its assets periodically, currently on a three year cycle, rather than via a rolling revaluation programme. In between periodic valuations the Authority has extended the appointment of the valuer to provide their views on whether asset values in the interim periods are likely to have changed materially.

Capital Commitments

The Authority has no significant capital commitments as at 31 March 2019

Note 11

Financial Instruments

Carrying amount of financial assets and liabilities

2018/2019			2019/20	
Current	Long-term		Current	Long-term
£000	£000		£000	£000
		Current assets		
4,724	0	Loans and receivables	5,960	0
4,724	0	Total included in current assets	5,960	0
		Liabilities		
(5,184)	(321,433)	Financial liabilities at amortised cost	5,418	(321,433)
(5,184)	(321,433)	Total included in liabilities	5,418	(321,433)

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value of trade receivables (debtors) and payables (creditors) are assumed to be the invoiced or billed amount;

The authority's financial assets are predominantly loans and receivables consisting of principally of trade debtors and cash (bank) deposits held by the Authority or by St Helens council on behalf of the Authority. These assets are initially valued at fair value and held on the Balance Sheet at amortised cost. The amortised cost is calculated using the effective interest rate which is the rate which exactly discounts the forecast cash flows of the instrument over its expected life to its carrying amount. For most short-term assets (e.g. trade debtors) the carrying value is deemed to be the invoice 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 2019
- For the Authority's commercial loan, the interest rate is the rate charged by the bank.

The fair values calculated are as follows:

The Authority does not have any investments required to be classed as either Available for Sale or Fair Value through Profit and Loss.

The value of the Authority's financial liabilities is ore 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 difference represents the opportunity costs to the Authority of continuing to hold relatively high interest debt compared with current (lower interest rates).

Fair Values of Assets and Liabilities

2018/2019			2019/20	
Carrying Value	Fair value		Carrying Value	Fair value
£000	£000		£000	£000
		Debtors		
4,724	4,724	Loans and receivables	5,960	5,960
4,724	4,724	Total included in Debtors	5,960	5,960
		Borrowings		
(41,830)	(52,223)	Financial liabilities at amortised cost	(41,047)	(49,552)
(41,830)	(52,223)	Total included in borrowings	(41,047)	(49,552)
		Other Long Term Liabilities		
(280,727)	(327,803)	Service concession liabilities	(310,103)	(332,788)
(322,557)	(358,581)	Total long term liabilities	(351,150)	(382,340)
		Creditors		
(5,184)	(5,184)	Financial liabilities at amortised cost	(5,002)	(5,002)
(5,184)	(5,184)	Total creditors	(5,002)	(5,002)
(327,741)	(363,765)	Total liabilities	(356,152)	(387,342)

Long-Term Borrowing

The Authority borrows to finance its expenditure on capital assets. The Long Term Borrowing is analysed as follows:

31st March 2019		31st March 2020	Fair Value Level
	Analysis by type		
(39,830)	Public Works Loans Board	(39,047)	2
(2,000)	Market Loan (Former LOBO)	(2,000)	2
(41,830)		(41,047)	
	Analysis by maturity		
0	1 - 2 years	0	
0	2- 5 years	0	
(300)	5 - 10 years	(300)	
(41,530)	More than 10 years	(40,747)	
(41,830)		(41,047)	0

Level 2 – Fair Value is calculated from inputs other than quoted prices that are observable for the asset or liability e.g. interest rates or yields for similar instruments.

NOTE 12

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and

Credit risk

Credit risk arises from deposits with banks and financial institutions.

The Authority does not have significant credit risk exposure to customers as it rarely supplies goods and services on credit.

Credit risk on deposits is minimised by using St Helens Council to manage day to day treasury management in line with the Council's own Treasury Management Policy. The maximum exposure to credit risk is that St Helens Council fail repay monies invested with it by the Authority. However given that the Council is a tax-backed organisation, this is an extremely unlikely scenario.

Liquidity risk

The Authority relies on the service level agreement with St Helens Council to provide a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;

- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is the responsibility of the Treasurer, with day-to-day management undertaken by St Helens Council on behalf of the Authority. St Helens Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash

Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 60% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

Analyses of the maturity of financial liabilities are disclosed at Notes 10 and 33.

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

Interest rate risk

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

- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will

During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Authority has a number of strategies for managing interest rate risk. At present the aim is to keep a minimum of its borrowings in variable rate loans

Price risk

The Authority does not invest in equity shares. The Authority has a 100% shareholding in Mersey Waste Holdings Ltd and a 50% stake in Bidston Methane Ltd. Neither company is traded in an active market and the Authority has no plans to trade either stake.

Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rate

NOTE 13

Investments

The Authority holds a long-term investment in Mersey Waste Holdings Limited. The company is incorporated under the terms of the Companies Acts. The Authority is the principal shareholder in the company holding 1 ordinary £1 shares representing 100% of the issued share capital. This investment is included in the balance sheet at its current value

There has been a decrease of £1.494m in value from £5.660m in 18/19 to £4.166m in 2019/20

Note 14**Short Term Debtors**

2018/2019		2019/2020
£000		£000
694	Central Government Bodies	
	Other Local Authorities	626
0	Public Corporations and Trading Funds	
4,029	Bodies External to General Government	5,334
4,723	Total	5,960

Note 15**Cash and Cash Equivalents**

The balance of cash and cash equivalents comprises:

- (a) cash held by the Authority
- (b) cash held on behalf of the Authority by St Helens MBC

2018/2019		2019/2020
£000		£000
4,067	Cash equivalents	4,370
1	Cash held by the Authority	1
4,068	Total	4,371

Note 16**Short Term Creditors**

2018/2019		2019/2020
£000		£000
0	Central Government Bodies	(5)
(3,745)	Other Local Authorities	(891)
(1,439)	Bodies External to General Government	(4,106)
0	Other creditors	0
(5,184)	Total Short Term Creditors	(5,002)

Note 17

Provisions

The provisions at the balance sheet date are required to be split between those that are likely to be payable within twelve months, recognised in the Balance Sheet as current liabilities, and those payable after twelve months from the balance sheet date, recognised as long term liabilities. The Authority holds provisions for the following purposes.

Closed landfill sites The Authority established the closed landfill provision in 2013/14 to recognise the need to provide for the potential future costs of maintaining Closed Landfill sites across Merseyside for which the Authority is responsible. There will be gradual reduction to the amounts that will be spent on closed land fill sites year on year as they begin to stabilise and settle requiring less maintenance

Other Provisions The Authority had an obligation to the Mersey Waste Holdings Ltd under an arrangement for a payments made by the company to the Citrus Pension Fund. The Company did not seek to call on this provision and under the governance arrangements between the Company and the Authority the back to back funding of any call on the Company by the Pension Fund is guaranteed in full. Therefore a decision was agreed between the Company and the Authority that this provision was no longer required, it has been reversed during the year.

The following tables analyse the movement in those categories of provision

Current Year Provisions

	Balance as at 1 April 2019	Increase in provision during year	Utilised during year	Balance as at 31 March 2020
	£000	£000	£000	£000
Current provisions				
Other provisions	(26)			(26)
Closed landfill sites	(222)	(168)	179	(211)
	(248)	(168)	179	(237)
Long-term provisions				
Other provisions	(885)		885	0
Closed landfill sites	(4,066)	(65)	0	(4,131)
	(4,951)	(65)	885	(4,131)

Previous Year Provisions

	Balance as at 1 April 2018	Increase in provision during year	Utilised during year	Balance as at 31 March 2019
	£000	£000	£000	£000
Current provisions				
Other provisions	(26)			(26)
Closed landfill sites	(233)	(224)	235	(222)
	(259)	(224)	235	(248)
Long-term provisions				
Other provisions	(885)			(885)
Closed landfill sites	(4,325)	(20)	279	(4,066)
	(5,210)	(20)	279	(4,951)

Note 18

Unusable Reserves

2018/2019		2019/2020
£000		£000
11,408	Capital Adjustment Account	3,900
(46,361)	Revaluation Reserve	(44,553)
4,700	Pensions Reserve	3,991
17	Accumulating Compensated Absences Adjustment Account	17
(30,236)	Total Unusable Reserves	(36,645)

Capital Adjustment Account

The Capital Adjustment account absorbs the timing difference 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 and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings with the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/2019		2019/2020
£000		£000
21,836	Balance at 1 April	11,408
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
10,170	Charges for depreciation and impairment of non current assets	14,186
10,170	Net written out amount of the cost of non current assets consumed in the year	14,186
	Capital financing applied in the year:	
(21)	Use of the Capital Receipts Reserve to finance new capital expenditure	(34)
(20,092)	Statutory provision for the financing of capital investment charged against the General Fund balance	(19,619)
(245)	Increase/ Reduction in Closed Landfill Site Provision	(233)
(240)	Other Movements Charged to CAA	(1,808)
(20,598)		(21,694)
11,408		3,900

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

- 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.

2018/2019		2019/2020
£000		£000
(11,353)	Balance at 1 April	(46,361)
(36,069)	Upward revaluation of assets	
821	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
240	Difference between fair value depreciation and historical cost depreciation	1,808
(46,361)	Balance at 31 March	(44,553)

Pensions Reserve

The Pensions Reserve absorbs the timing difference 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 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.

2018/2019		2019/2020
£000		£000
4,151	Balance at 1 April	4,700
432	Remeasurements of the net defined benefit liability/asset	(1,184)
424	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	780
(307)	Employer's pension contributions and direct payments to pensioners payable in the year	(305)
4,700	Balance at 31 March	3,991

Accumulated Absences Account

The Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance 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.

2018/2019		2019/2020
£000		£000
17	Balance at 1 April	17
(17)	Settlement or cancellation of accrual made at the end of the preceding year	(17)
17	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	17
17	Balance at 31 March	17

Note 19

Cash Flow Statement – operating activities

Items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2018/2019		2019/2020
£000		£000
10,263	Interest Payable	7,320
424	Net interest on the defined benefit liability/(asset)	780
	Interest Receivable	
10,687		8,100

The Surplus/ Deficit on the Provision of Services has been adjusted for the following non-cash movements

2018/2019		2019/2020
£000		£000
(10,170)	Depreciation	(14,186)
0	Impairment & downward revaluations	0
555	Increase/(Decrease) in creditors	182
0	(Increase)/Decrease in inventory	0
524	(Increase)/Decrease in debtors	1,237
0	Movement in provisions	(885)
(549)	Movement in pension liability	709
(377)	Contributions to Other Reserves/Provisions	
(10,017)		(12,943)

Note 20**Cash Flow Statement - Investing activities**

2018/2019		2019/2020
£000		£000
11,708	Accounting for Unitary charge - RRC	12,477
2,203	Other Inflows from Investing Activities	1,495
13,911		13,972

Note 21**Cash Flow Statement - Financing activities**

2018/2019		2019/2020
£000		£000
(19,845)	Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(19,380)
25,000	Loan Recievable	0
(10,263)	Interest paid/ receivable	(7,244)
(6,655)	Repayment of Short and Long Term Borrowing	0
(11,763)	Net Cash flows from Financing Activities	(26,624)

Note 22**Officer Remuneration**

The Accounts and Audit Regulations 2015 require local authorities to disclose the number of employees whose remuneration was £50,000 or more in the financial year, expressed in bands of £5,000. Other than senior officers whose remuneration is shown separately below at the foot of this Note, there were no other officers employed during the year whose remuneration exceeded £50,000.

Exit packages and termination benefits

The Accounts and Audit Regulations 2015 require the separate disclosure by name of individual remuneration details for senior local government employees earning over £150,000, and for all other 'senior' employees for each financial year by post title.

Senior officers are individuals earning over £150,000 per year, or individuals whose salary is more than £50,000 per year (pro-rata) and hold defined 'senior' positions. In the case of the Authority this comprises the Chief Executive and members of the Corporate Management Team.

		Salary, Fees and Allowances £	Expenses and Allowances £	Pension Contribution £	Total £
Chief Executive	2019/2020	87,877	1,325	12,742	101,944
	2018/2019	86,154	1,299	12,492	99,945
Director of Finance	2019/2020	70,922	1,289	10,284	82,495
	2018/2019	69,531	1,264	10,082	80,877
Assistant Director - Contracts	2019/2020	62,643	1,885	9,083	73,611
	2018/2019	61,415	1,848	8,905	72,168
Assistant Director - Governance and Performance	2019/2020	67,278	1,327	9,755	78,360
	2018/2019	65,959	1,301	9,564	76,824
Total	2018/19	288,720	5,826	41,864	336,410
	2018/2019	283,059	5,712	41,043	329,814

18/19 inflated by 2% to estimate 19/20 values currently not available from Service Provider

Note 23

External Audit Costs

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

2018/2019		2019/2020
£000		£000
36	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	36
36		36

Note 24

Related Party Transactions

Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2018/19

2018/2019	Payments	2019/2020
£000		£000
(4,557)	Halton	(5,495)
528	Knowsley	535
1,354	Liverpool	1,339
1,096	St Helens	1,131
1,219	Sefton	1,351
969	Wirral	1,057
609		(82)

Entities Controlled or Significantly Influenced by the Authority

Mersey Waste Holdings Limited (MWHL)

This company is a former Local Authority Waste Disposal Company (LAWDC), now used by the Authority solely to manage the pension liabilities of former employees. For 2019/20 the company's results showed a deficit of £0.098m (£0.121m in 2018/19) and net assets of £4.166m 31 March 2020 (£5.660m at 31 March 2019).

The Authority controls MWHL through its ownership of 100% of the issued share capital of 1 ordinary £1 shares held at cost. MWHL owns two subsidiary companies, Mersey Waste Limited and MWH Associates Limited, over which the Authority also exercises effective control as a result of its relationship with Mersey Waste Holdings Limited. Although both these companies are currently considered as dormant and no transactions are carried out by either.

Bidston Methane Limited

Bidston Methane Limited is a joint venture established to manage gas production and electricity from landfill sites which remain the responsibility of the Authority. The joint venture is with Infinis Energy PLC and the Authority controls Bidston Methane through its ownership of 50% of the issued share capital which is held at cost. The most up to date audited financial information shows a loss of £0.049m for 2018/19 (£0.133m for 2017/18) and net liabilities of £.271m at 31 March 2019 (£.222m at 31 March 2018).

Note 25

Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and the Waste Management and Recycling service concession contract), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue assets used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR analysed in the second part of this Note

2018/2019 £000	Capital Expenditure and Financing	2019/2020 £000
	Capital expenditure incurred in the year	
55	Property, Plant and Equipment	55
55		55
	Financing	
	Grants and contributions receivable in relation to capital expenditure incurred in the year	
55	Increase in underlying borrowing requirement	55
	Supported borrowing approvals	
55	Unsupported borrowing for the year	55
	Sources of finance	
0	Unsupported borrowing	0
0	Increase in Capital Financing Requirement relating to new capital investment	0

2018/2019 £000	Explanation of movements in the Capital Financing Requirement in the year	2019/2020 £000
361,597	Opening Capital Financing Requirement	341,526
0	Restatement	0
361,597	Restated opening Capital Financing Requirement	341,526
	Decrease in Capital Financing Requirement relating to new capital investment	
21	Capital Receipts used	33
(20,092)	Charges to revenue for Minimum Revenue Provision	(19,619)
341,526	Closing Capital Financing Requirement	321,940

Note 26

Leases Authority as Lessor

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

- Environment and planning – use of closed landfill sites
- Household waste recycling centres

2018/2019		2019/2020	
£000		£000	
139	No later than one year	139	
558	Later than one year and not later than five years	558	
694	Later than five years	417	
1,391		1,114	

Authority as lessee

The Authority has acquired 14 assets by entering into leases with typical lives of between 2 and 30 years.

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

2018/2019		2019/2020	
Land and buildings		Land and buildings	
£000		£000	
139	Minimum lease payments	139	
139		139	

No sub-lease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under operating lease agreements are used exclusively by the Authority.

Note 27**Service Concession****Waste Management and Recycling Contract**

2019/20 was the 10th year of a 20 year Waste Management and Recycling Contract with Veolia. Under the contract Veolia operate the Authority's existing waste facilities and is responsible for building, maintaining and operating the Gilmoor Material Recycling Facility (MRF) which came into operation in December 2011.

This contract specifies the minimum standards for the services to be provided by the contractor, Veolia, with deductions from the fee payable if facilities are unavailable or performance is below the standards set out. The contractor took on the obligation to construct and maintain the Gilmoor MRF to a minimum acceptable condition and to procure the plant and equipment needed to operate the MRF. The building, plant and equipment installed will transfer to the Authority at the end of the contract period for nil consideration.

The Authority has the rights to terminate the contract it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, plant and equipment

The assets used to provide services at the Materials Recycling Facility are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment at Note 11.

Total at 31/03/2019		Service Charge	Payment for Services	Interest	Total at 31/03/2020
£000		£000	£000	£000	£000
40,226	Payable within one year	13,438	18,419	8,369	40,226
156,958	Payable within two to five years	61,149	67,991	27,818	156,958
187,797	Payable within six to ten years	98,574	64,869	24,354	187,797
179,931	Payable within eleven to fifteen years	109,548	53,643	16,740	179,931
194,067	Payable within sixteen to twenty years	125,844	57,832	10,391	194,067
200,128	Payable within twenty one to twenty five years	135,630	60,977	3,521	200,128
0	Payable within twenty six to thirty years				0
959,107	Total	544,183	323,731	91,193	959,107

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the service concession contract at 31 March 2019 (excluding any estimation of inflation and availability/ performance deductions) are as follow

Resource Recovery Contract

In December 2013, the Authority entered a 30 year contract with SITA Sembcorp UK Ltd (now MERL) due to end in December 2043. The contract gives MERL responsibility for processing, treating, disposing and recycling the contract waste accepted from the Authority. The contract specifies minimum standards for the services to be provided MERL with deductions if facilities are unavailable or performance is below standards set out in the contract. Under the terms of the contract, the contractor was responsible for the design, build, finance and operation of two major facilities: energy from waste (EfW) facility at Wilton in Redcar, Teesside and a rail transfer loading station in Kirkby in Merseyside.

The construction phase of the contract was completed in summer 2017 and the facilities became operational on 1 September 2017. Under the terms of the Contract and the scope of IFRIC 12/ IPSAS 32, as adapted and interpreted by the Code. At the end of the Contract period the Authority has an option to extend the contract term by 5 years on new payment terms or it can terminate and the facilities transfer to the Authority at no additional cost

Value Assets

The assets used to provide the services under the contract are included in the Authority's Property Plant and Equipment (see below). This is set out in Note 10

	19/20 £000s
Asset value at start of year	322,542
Additions	726
Revaluation	0
Less Cumulative Depreciation *	(13,165)
Value of the asset at the end of the year	310,103

*In line with the Authority's accounting policies depreciation commences in the year after the asset becomes operational.

The Authority makes a "Unitary" payment to the operator each year based on a predetermined contractual formula, including indexation and the ability to reduce the payment if the Operator does not meet availability and performance requirements. Payments remaining to be made at 31 March 2020 (excluding any estimate of inflation or availability/ performance deductions) are as follows:

	Service cost £000s	Reimbursement of capital £000s	Interest £000s	Total £000s
within 1 year	13,300	17,805	7,229	38,334
2 - 5 years	59,825	66,024	24,196	150,045
6 - 10 years	93,770	64,869	23,428	182,067
11 - 15 years	112,542	57,832	15,504	185,878
16 - 20 years	130,323	60,977	9,071	200,371
21 - 25 years	107,600	49,349	2,245	159,194
	517,360	316,856	81,673	915,889

Although the payments made to the Operator are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable.

whilst the capital expenditure remains to be reimbursed. The liability commitments shown, include lifecycle capital costs and therefore may be different from the balance sheet liability. The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

	18/19 £000s
Liability outstanding at onset of operations	(280,727)
In year life cycle capital	(726)
Repayment	19,380
Value of the asset at the end of the year	(262,073)

Liabilities

The contract payments have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable on the capital expenditure still to be reimbursed to the contractor. The liability outstanding for capital expenditure is as follows:

2018/2019		2019/2020
£000		£000
(298,105)	Balance outstanding at start of year	(322,542)
	Additional Items: RRC	
(566)	Payments during the year	(726)
(33,808)	Payments during the year	0
9,937	Capital expenditure incurred in the year	13,165
(322,542)	Balance outstanding at year-end	(310,103)
	Analysed between:	
(19,380)	Payments due within 1 year	(19,380)
(303,162)	Long term liabilities	(290,723)
(322,542)		(310,103)

NOTE 28**Defined benefit pension schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) which is administered locally by Wirral Council (the Merseyside Pension Fund). The LGPS is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The LGPS provides defined benefits with its benefit structure having been revised recently by the Government. Members will have final salary benefits for service accrued prior to 1 April 2014 with career average revalued earnings ("CARE") benefits accruing from this date.

The Merseyside Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of the Pensions Committee consisting of members from the five Merseyside authorities and one member representing other employing organisations in the Fund. Policy is determined in accordance with the LGPS regulations.

The principal risks to the Authority relate to the impact of changes to longevity assumptions, statutory changes to the scheme, structural changes to the scheme (eg large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. Merseyside Pension Fund has reported that the principal risk to its funding position is the investment risk inherent in its predominantly equity based strategy, as actual asset outperformance between successive valuations could diverge from the overall 1.4% per annum assumed in the longer term.

Transactions relating to retirement benefits- CIES Charges

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make against the Levy is based on the cash payable in the year, and the real cost of post-employment/ retirement benefits is reversed out of the General Fund via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019	2019/2020	2018/2019	2019/2020
	£000	£000	£000	£000
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	315	333	0	0
Past service cost	0	329	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:	0	0	0	0
Net Interest expense	104	113	0	0
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	419	775	0	0
Return on plan assets (excluding the amount included in the net interest expense)	6	0	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	(1,118)	0	0
Actuarial gains and losses arising on changes in financial assumptions	432	780	0	0
Other	0	0	0	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	857	(338)	0	0

MRWA statement of Accounts 2018-19

Movement in Reserves Statement	2018/2019		2019/2020	
	£000	£000	£000	£000
	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	424	780	0
Actual amount charged against the general fund balance for pensions in the year:	0	0	0	0
Employers' contributions payable to scheme	291	288	16	17
Retirement benefits payable to pensioners	(416)	(416)		
Net charge to the General Fund Summary	299	652	16	17

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019	2019/2020	2018/2019	2019/2020
	£000	£000	£000	£000
Present value of the defined obligation	(18,954)	(17,590)	(187)	(108)
Fair value of plan assets	14,081	(13,707)		
Other movements in the liability (asset)	0	0	0	0
Net liability arising from the defined benefit obligation	(4,873)	(31,297)	(187)	(108)

Reconciliation of movements in the fair value of the scheme assets:

	2018/2019	2019/2020	2018/2019	2019/2020
	£000	£000	£000	£000
Opening fair value of scheme assets	13,302	14,081	0	0
Interest on plan assets	345	0	0	0
Remeasurements (assets)	488	0	0	0
Administration expenses	(5)	0	0	0
Employer contributions	291	288	16	17
Member contributions	76	0	0	0
Benefits/transfers paid	(416)	(553)	(16)	(17)
Closing value of scheme assets	14,081	13,816	0	0

Reconciliation of the present value of the scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019	2019/2020	2018/2019	2019/2020
	£000	£000	£000	£000
Opening balance at 1 April	(17,261)	(18,594)	(192)	(187)
Current service cost	(315)	333	0	0
Interest cost	(444)	(444)	(5)	(5)
Member contributions	(76)	(72)	0	0
Experience (gain)/loss	0	(241)	0	(57)
(Gain)/loss on financial assumptions	(914)	(278)	(6)	(2)
(Gain)/loss on demographic assumptions	0	(1,110)	0	(8)
Benefits/transfers paid	416	553	16	17
Balance as at 31 March	(18,594)	(19,853)	(187)	(242)

Local Government pension scheme assets comprised

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019	2019/2020	2018/2019	2019/2020
	£000	£000	£000	£000
Opening fair value of scheme assets	13,302	0	0	0
Interest on plan assets	345	0	0	0
Remeasurements (assets)	488	0	0	0
Administration expenses	(5)	0	0	0
Employer contributions	291	288	16	17
Member contributions	76	0	0	0
Benefits/transfers paid	(416)	(553)	(16)	(17)
Closing value of scheme assets	14,081	(265)	0	0

Local Government pension scheme assets comprised

Fair value of scheme assets				
	2018/2019		2019/2020	
	£000	%	£000	%
Equities - quoted	5,103	36	4,994	37
- unquoted	1,813	13	1,648	12
Bonds - quoted	2,233	16	1,910	14
- unquoted	0	0	0	0
Property - quoted	28	0	36	0
- unquoted	1,317	9	1,417	10
Alternatives - quoted	288	2	169	1
- unquoted	2,889	21	3,322	24
Cash - quoted	410	3	211	2
	14,081	100	13,707	100

Basis for estimating assets and liabilities

Local Government Pension Scheme		
2018/2019		2019/2020
%		%
	Mortality assumptions:	
	Longevity at 65 current pensioners:	
22.2	Men	20.9
25.0	Women	24.0
	Longevity at 65 for future pensioners:	
25.2	Men	22.5
27.9	Women	25.9
	Financial assumptions:	
2.2	Rate of CPI inflation	2.1
3.7	Rate of increase in salaries	3.6
2.3	Rate of increase in pensions	2.2
2.4	Discount Rate	2.4

Fair value of scheme assets				
	2018/2019		2019/2020	
	£000	%	£000	%
Equities - quoted	5,103	36	4,994	37
- unquoted	1,813	13	1,648	12
Bonds - quoted	2,233	16	1,910	14
- unquoted	0	0	0	0
Property - quoted	28	0	36	0
- unquoted	1,317	9	1,417	10
Alternatives - quoted	288	2	169	1
- unquoted	2,889	21	3,322	24
Cash - quoted	410	3	211	2
	14,081	100	13,707	100

Impact on the Defined Benefit Obligation in the Scheme

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all other assumptions remain constant.

For example, the longevity assumptions assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period

	Increase in assumption
	£000
Longevity (increase of one year)	0
Rate of inflation (increase of 0.1%)	(277)
Rate of increase in salaries (increase of 1%)	(39)
Rate for discounting liabilities (increase of 0.1%)	273

The McCloud Case – additional disclosure

The case concerns the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pensions reform. Tapered protections were provided for those 3-4 years younger. On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

If the protections are unlawful then those members who are found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will need to be ‘upwards’ - that is the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced.

Protections were applied to all members within 10 years of retirement in all public service schemes, with the form that protection took varying from scheme to scheme. Although the case only relates directly to two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes. However, there remains some uncertainty about the application to LG pension schemes.

An appeal from Government against the judgement in the ‘McCloud’ case has been considered at the Supreme Court, this appeal was lost after the year end and there is no further recourse to appeal.

The Authority anticipates to pay £0.133m contributions to the scheme in 2020/21.

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Merseyside Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The latest triennial valuation was completed on 31 March 2017.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

NOTE 29 Contingent liabilities

The Authority has a 50% stake in Bidston Methane Ltd. Currently the company is running at a loss and the Authority's share of the loss is £111,000 as at 31 March 2019 based on the latest available accounts to 31 March 2019. The Authority has

given a commitment to support the company financially; hence it remains valued as a going concern. The Authority therefore recognises that it has a contingent liability for its share of the potential loss

NOTE 30

Contingent assets

On 23rd December 2013 The Authority entered into a contract with Sita Semcorp UK (SSUK) Ltd, since renamed Merseyside Energy Recovery Ltd (MERL) for 30 years. The contract provides for a profit share arising from electricity generated from the contract, however, the value of the potential income from the future profit share cannot be accurately estimated as the company does not meet its own 'guaranteed income' levels until electricity sales reach levels that have not yet been achieved.

Note 31

Other Long Term Liabilities

2018/2019		2019/2020	
£000		£000	
(4,700)	Pensions liability		(3,991)
(1,505)	Merseyside MCC residual debt liability		(1,290)
(280,727)	Service Concession Liability		(262,073)
(286,932)			(267,354)

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.

2018/2019		2019/2020	
£000		£000	
(1,720)	Balance b/f		(1,505)
	In Year Adjustment		
215	Repayments in year		215
(1,505)	Balance c/f		(1,290)

32 Events after the reporting period

The Statement of Accounts was authorised for issue by the Director of Finance 26/08/2020. Events taking place after this date are not reflected in the financial statements or Notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and Notes would be adjusted in all material respects to reflect the impact of this information.

Events after the balance sheet date

The Authority is required to bring to the attention of readers of the accounts any significant events which occur after the balance sheet date and before the auditor gives an opinion on the statements.

Covid19

The only event of significance that may have an impact on the context within which the accounts are reviewed is the global pandemic which is referred to as Covid 19. The Government's response to the pandemic has had an impact on the Authority and its services. Initially Household Waste Recycling Centres were closed as they were not on the list for 'essential travel', they have subsequently re-opened with social distancing measures and traffic management in place, which means the throughput is lower than in previous years. Elsewhere the tonnages of waste delivered by Councils for both residual and recycling treatment have shown significant increases as people were advised to work from home and not to travel. The Covid19 emergency as also had a significant negative impact on the country's financial markets and this may also have an impact on the Authority's future financial position.

In brief:

For income and expenditure, the following assessment may be made:

- Levy income – the levy is set by statute and has already been agreed by the Authority – it is a statutory charge on Councils and there is no expectation that this is under threat;

- HWRC costs – as the HWRC network is closed there are likely to be knock-on savings from tonnage and service charge reductions, but these are not clear and not agreed with the contractor. Since the re-opening less waste has been treated than in ordinary years, this will be settled during the reconciliation process during the second half of 2020-21.
- Recycling costs – these are likely to increase as there is evidence that there are more deliveries than in prior comparative periods, this may be offset by additional income sharing;
- Residual tonnages – there has been an increase in residual tonnages that are treated at the Energy from Waste plant. Dependent upon the scale of any increase this will initially be at a low cost, but the meaning the cost will grow as more tonnes are processed. This is once again uncertain and yet to be agreed with the contractor.

In terms of the balance sheet

The Authority has values in the balance sheet as at 31 March 2019 that will not change as a result of the Covid19 pandemic. However, the future values in the balance sheet may change as a result of the changes to market conditions, specifically:

- The pension fund values which are based in stock market investments are likely to reduce in the medium term, although for 2019-20 the actuary has already provided a statement suggesting that the Authority's share of the fund is in credit and that the proposed payments over the medium term should come down. At this stage it is not possible to give any certainty about the future values of the pension fund, but it is likely to change.
- For the Authority's property plant and equipment values we have been advised by the valuer of an interim valuation that suggests that for the next period there are no significant changes to the values. The valuer has suggested that the impact of Covid19 may have an effect on the general property values across the country, however, as waste is seen as a key sector in addressing the Covid19, equally it may be that the sector behaves differently, that values are maintained or even increase. This is yet another area of uncertainty that the Authority has insufficient information about at this stage.

Where income and expenditure or balance sheet values vary by material amounts this will be reflected in the most up to date statements of accounts and will be based on more information than is available at present.

ACCOUNTING POLICIES**General principles**

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require it to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on the basis of the Authority's assessment that it is a going concern and will continue to be a going concern for a further twelve months from the date the accounts are approved by the Authority.

Summary of Significant Accounting Policies**i) Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Levies received from the constituent authorities are recognised in the year to which they relate and are credited to the surplus / deficit on the provision of services

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

ii) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iii) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a

material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period

iv) Charges for Non-Current Assets

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;

- amortisation of intangible fixed assets attributable to the service.

Minimum Revenue Provision

The Authority is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the minimum revenue provision (MRP) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v) Employee Benefits

Benefits Payable during Employment

An accrual is made to represent the cost of holiday entitlement earned but not taken at each year-end, to meet Code and IAS requirements.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure

Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Authority are eligible to join the Local Government Pension Scheme, administered by Wirral Metropolitan Borough Council as the pension fund administering authority for Merseyside Pension Fund.

The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees of the Authority.

Full details of Merseyside Pension Fund including the Pension Fund Annual Report and Statement of Accounts can be obtained from:

Merseyside Pension Fund
 7th Floor
 Castle Chambers
 43 Castle Street
 LIVERPOOL
 L69 2NW

www.merseysidepensionfund.org.uk

Pension costs for those employees who are members of the LGPS, have been recognised in the statement of accounts on a defined benefits basis in accordance with IAS19 Employee Benefits. This requires the Authority to account for its share of the pension fund assets and liabilities in the Balance Sheet, as well as recognising the full cost of providing for future retirement benefits in the Comprehensive Income and Expenditure Statement. The assumptions used in determining pension costs are as follows:

- the liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment 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 projected earnings for current employees:

- liabilities are discounted to their value at current prices, using a discount rate based on actual corporate bond yield less an assumption for inflation.
- The assets of Merseyside Pension Fund 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 the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period - taking into account any

changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the net return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - 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 - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to Merseyside Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

Statutory provisions limit the Authority to raising its Levy to cover the amounts actually payable to Merseyside Pension Fund or payable direct to pensioners in the year, not the amount calculated according to the relevant accounting standards.

Therefore any difference between the amounts calculated under IAS19 and the statutory pension fund contribution is accounted for in the Movement in Reserves 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 and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Fund is subject to actuarial revaluation every three years with the latest valuation being that as at 31 March 2019

vi) Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the Notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

vii) Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It made changes to previous guidance on the classification and measurement of financial assets and introduced an 'expected credit loss' model for impairment of financial assets. The Authority's trade receivables

and investments in financial assets classed as held to maturity (unless classed as fair value through profit and loss) have been assessed for impairment by applying the expected credit loss model. The reclassification changes have not had a material impact upon the financial statements because the majority of the financial assets have retained the same measurement bases. With respect to trade receivables, the Authority already makes a provision for doubtful debts on its service assets. The standard also contains new requirements on the application of hedge accounting (which will have no impact on the Authority, as local authorities are not permitted to use hedge accounting).

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the Authority's borrowings, this means that the amount presented in the Balance Sheet is

the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables

specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale assets

In line with the Code, the Authority's interests in Merseywaste Holdings Ltd and Bidston Methane Ltd are not classed as Available for Sale assets, because they are consolidated into the Authority's group accounts.

viii) Interests in Companies and Other Entities

The Authority has material interests in companies that have the nature of subsidiaries and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies are recorded as financial assets at cost, less any provision for losses.

ix) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets

The Authority as Lessee

Finance Leases

The Authority has no finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not

match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

The Authority as Lessor

The Authority has no arrangements which fall into this category. SEE NOTE ABOVE

x) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are carried in the balance sheet using the following bases:

- assets under construction - depreciated historical cost
- all other assets - fair value, at existing use (EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations

are matched by credits to the Revaluation Reserve to recognise unrealised gains.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment by systematically allocating depreciation over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land) and assets that are not yet available for use (e.g. assets under construction).

Depreciation is calculated on a straight-line basis over the useful life of the assets.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Amounts received for a disposal in excess of £10,000 are statutorily defined as capital receipts, and are credited to the Capital Receipts Reserve. These amounts can only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are

appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xi) Service Concession Arrangements

Service concession arrangements (formerly classed as PFI and similar contracts) are contractual arrangements between the Authority and an operator where responsibility for providing public services, using assets provided either by the operator or the Authority, passes to the operator for a specified period of time. As the Authority is deemed to control the services that are provided under its service concession contract, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contract for no additional charge, the Authority carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment for those assets provided by the operator under the service concession arrangement.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority

The amounts payable to the service concession operator each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the service concession operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xii) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Closed landfill sites provision

The Authority provides a technical accounting provision for the future revenue costs arising from the after care of closed landfill sites under its statutory obligations. In accordance with the Code the landfill provision has been capitalised.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a Note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a Note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xiii) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive

Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority. 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.

xiv) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The Group Accounts

The purpose of the Group Accounts is to provide a picture of Merseyside Recycling and Waste Authority (the statutory waste disposal Authority for Merseyside) 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 Recycling and Waste Authority, Mersey Waste Holdings Limited and Bidston Methane Limited.

Accounting policies for the Group

In common with many other local authorities, where appropriate the Authority uses different forms of service delivery. In some cases it has created separate companies with to deliver those services. The use of separate companies means that the Authority's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The aim of the Group Accounts is to give an overall picture of the activities of the Authority and the resources used to carry out those activities. The Group Accounts also provide further information on the material financial risks and benefits of all entities over which the Authority exercises control, significant influence or joint control.

The Group Accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of the subsidiaries have been aligned with the policies of the Authority, for the purposes of Group Accounts, where materially different. Such adjustments as are necessary to align the Group Accounting policies are made as consolidation adjustments

To give a full picture of the financial activities of the Authority, Group Accounts have been prepared which include those organisations where the Authority's interest is considered material. This information is still subject to audit by each organisation's own auditor.

Accordingly the Group Accounts consolidate the Authority's accounts with the following subsidiaries:

- Mersey Waste Holdings Ltd; and
- Bidston Methane Ltd.

The entities have prepared their accounts in line with IFRSs and UK GAAP rather than the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). However there are no material areas where this conflicts with the Authority's accounting policies. Consequently no adjustments have been required to realign the accounts of the Group entities with those of the Authority. The accounting policies applied to the Group financial statements are consistent with those set in the single entity statements.

Mersey Waste Holdings limited has been consolidated on a line by line basis as it is a wholly owned subsidiary of MWDA. Bidston Methane is consolidated on a proportionate basis due to MWDA having a 50% stake in the joint venture

Results of subsidiaries

Key information on a group basis has been included alongside the single entity disclosure Notes for reserves, debtors, creditors, segmental reporting and defined benefit schemes. The following Notes provide additional details about the Authority's involvement in the entities consolidated to form the group accounts.

Mersey Waste Holdings Limited

Mersey Waste Holdings limited is a former LAWDC (Local Authority Waste Disposal Company) that was established to provide waste management services for the Authority. Since the procurement of services by the Authority under its Waste Management and Recycling Contract with Veolia ES a large part of the activity of the company has ceased, the Resource Recovery Contract with MERL means that the remainder of the company’s activities are no longer required. Other responsibilities e.g. for the pension liabilities of former employees are also managed through the company.

MWHL is a company incorporated under the terms of the Companies Acts. The Authority is the sole shareholder in the company holding 1 ordinary £1 shares representing 100% of the issued share capital. Under accounting standards the Authority has a controlling interest in this company. It is therefore included in the group accounts as a subsidiary.

The financial performance of MWHL is summarised below.

2018/2019		2019/2020	
£'000		£'000	
0	Turnover	0	
122	(Surplus)/Deficit	98	
5,660	Net Assets	4,166	

Bidston Methane Ltd

Bidston Methane Ltd is a joint venture enterprise established to manage gas production and electricity generation from certain closed landfill sites which remain the responsibility of the Authority. The joint venture is with INFINIS and has in recent years been operating at a loss which is reflected in the group accounts. The accounts of the joint venture are prepared later than those of the Authority and so for consolidation purposes the latest available set of accounts is used. There is no material impact on the group accounts from adopting this approach.

2018/2019		2019/2020	
£'000		£'000	
31	Turnover	3	
(67)	(Surplus)/Deficit	25	
111	Net Assets	136	

The accounts are available from Infnis Holdings, 1st Floor, 500 Pavilion Drive, Northampton Business Park, Northampton NN4 7YJ. The accounts are audited by KPMG LLP.

The Group Comprehensive Income and Expenditure statement

2018/2019				2019/2020		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
81,254	(5,907)	75,347	Cultural, environmental, regulatory and planning services	79,568	(4,247)	75,321
182		182	Corporate and democratic core	182	0	182
		0	Non distributed costs	0	0	0
81,436	(5,907)	75,529	Surplus/Deficit on Continuing Operations	79,750	(4,247)	75,503
		10,739	Financing and Investment Income and Expenditure			12,145
		(71,494)	Taxation and Non-Specific Grant Income			(74,998)
		(11,610)	RRC Statutory Overrides			(13,074)
		3,164	Group(Surplus) or Deficit			(424)
			Surplus or deficit on revaluation of non current assets			(3,891)
		(6,503)	Revenue Provision Charged to CAA not charged to GF			(3,724)
		(39,545)	Surplus or Deficit on Revaluation of non current assets			1,774
		(245)	Revaluation of closed landfill site provision			(54)
		429	Remeasurements of the net defined benefit liability (asset)			(402)
		(45,864)	Other Comprehensive Income and Expenditure			(6,298)
		(42,700)	Total Comprehensive Income and Expenditure			(6,722)

2018/2019				2019/2020		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000

81,254	(5,907)	75,347	Cultural, environmental, regulatory and planning services	79,568	(4,247)	75,321
182		182	Corporate and democratic core	182	0	182
		0	Non distributed costs	0	0	0
81,436	(5,907)	75,529	Surplus/Deficit on Continuing Operations	79,750	(4,247)	75,503
		10,739	Financing and Investment Income and Expenditure			12,145
		(71,494)	Taxation and Non-Specific Grant Income			(74,998)
		(11,610)	RRC Statutory Overrides			(13,074)
		3,164	Group(Surplus) or Deficit			(424)
			Surplus or deficit on revaluation of non current assets			(3,891)
		(6,503)	Revenue Provision Charged to CAA not charged to GF			(3,724)
		(39,545)	Surplus or Deficit on Revaluation of non current assets			1,774
		(245)	Revaluation of closed landfill site provision			(54)
		429	Remeasurements of the net defined benefit liability (asset)			(402)
		(45,864)	Other Comprehensive Income and Expenditure			(6,298)
		(42,700)	Total Comprehensive Income and Expenditure			(6,722)

The Group Balance Sheet

The balance sheet shows the assets and liabilities of the Group at the year end. The net assets of the Authority are matched by two categories of reserves. The first is useable reserves which can be deployed for any purpose, subject to the need to maintain a prudent level of working capital. The second category, un-useable reserves, is set a side in order to meet statutory and accounting requirements.

Balance as at 31 March 2019 £000		Notes	Balance as at 31 March 2020 £000
361,959	Property, Plant & Equipment		347,405
	Long Term Investments		0
361,959	Long Term Assets (1)		347,405
22	Inventories		22
4,731	Short Term Debtors		5,960
12,154	Cash and Cash Equivalents		13,064
	Current tax asset		
16,907	Current Assets (2)		19,046
(5,252)	Short Term Creditors		(4,995)
	Short Term Lease		0
(248)	Provisions		(237)
(5,500)	Current Liabilities (3)		(5,232)
(4,113)	Provisions		(4,131)
(41,831)	Long Term Borrowing		(41,046)
(287,621)	Other Long Term Liabilities		(267,795)
(333,564)	Long Term Liabilities (4)		(312,972)
39,802	Net Assets (1+2+3+4)		48,247
1,810	Usable reserves (5)		(6,080)
37,993	Unusable Reserves (6)		(42,167)

39,802	Total Reserves (5+6)		(48,247)
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Balance as at 31 March 2019	Notes	Balance as at 31 March 2020
£000		£000
361,959	Property, Plant & Equipment	347,405
	Long Term Investments	4,167
361,959	Long Term Assets (1)	351,572
22	Inventories	22
4,731	Short Term Debtors	5,960
12,154	Cash and Cash Equivalents	8,897
	Current tax asset	
16,907	Current Assets (2)	14,879
(5,252)	Short Term Creditors	(4,995)
	Short Term Lease	0
(248)	Provisions	(237)
(5,500)	Current Liabilities (3)	(5,232)
(4,113)	Provisions	(4,131)
(41,831)	Long Term Borrowing	(41,046)
(287,621)	Other Long Term Liabilities	(267,795)
(333,564)	Long Term Liabilities (4)	(312,972)
39,802	Net Assets (1+2+3+4)	48,247
1,810	Usable reserves (5)	(6,080)
37,993	Unusable Reserves (6)	(42,167)
39,802	Total Reserves (5+6)	(48,247)

The Group Cash Flow

2018/2019		2019/2020	
£000		£000	
(3,164)	Net surplus or (deficit) on the provision of services		(515)
11,482	Adjustment to surplus or deficit on the provision of services for noncash movements		11,137
(10,329)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(11,133)
18,647	Net cash flows from operating activities		(511)
13,235	Net Cash flows from Investing Activities		13,566
(11,763)	Net Cash flows from Financing Activities		(12,145)
20,119	Net increase or decrease in cash and cash equivalents		910
0	In year adjustment		
(7,965)	Cash and cash equivalents at the beginning of the reporting period		12,154
12,154	Cash and cash equivalents at the end of the reporting period		13,064

2018/2019		2019/2020	
£000		£000	
(3,164)	Net surplus or (deficit) on the provision of services		(515)
11,482	Adjustment to surplus or deficit on the provision of services for noncash movements		11,137
(10,329)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(13,706)
18,647	Net cash flows from operating activities		(3,084)
13,235	Net Cash flows from Investing Activities		11,984

(11,763)	Net Cash flows from Financing Activities		(12,145)
20,119	Net increase or decrease in cash and cash equivalents		(3,245)
0	In year adjustment		
(7,965)	Cash and cash equivalents at the beginning of the reporting period		12,154
12,154	Cash and cash equivalents at the end of the reporting period		8,909

The Group Movement in Reserves Statement

2019/2020	Authority Adjusted Reserves Balances						Authority's share of subsidiaries & associates	Total Group Reserves
	General Fund Balance	Capital Receipts Reserve	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2019	(1,776)	0	(34)	(1,810)	(38,104)	(39,914)	(497)	(40,411)
Movement in Reserves during the year				0		0		0
Surplus or (deficit) on provision of services	(417)	0	0	(417)	(5,558)	(5,975)		(5,975)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	(747)	(747)
Total Comprehensive Expenditure and Income	(417)	0	0	(417)	(5,558)	(5,975)	(747)	(6,722)
Adjustments between Group accounts and Authority accounts	(3,888)	0	34	(3,854)	3,854	0	(1,114)	(1,114)
Net Increase / Decrease before Transfers	(4,305)	0	34	(4,271)	(1,704)	(5,975)	(1,861)	(7,836)
Adjustments between accounting basis & funding under regulations				0				0
Increase / Decrease before Transfers to Earmarked Reserves		0	34	34				0
Transfers to / from Earmarked Reserves		0	0	0		0		0
Increase / Decrease in Year	(4,305)	0	34	(4,271)	(1,704)	(5,975)	(1,861)	(7,836)
Balance as at 31 March 2020	(6,080)	0	34	(6,046)	(39,808)	(45,888)	(2,358)	(48,246)

2018/2019	Authority Adjusted Reserves Balances						Authority's share of subsidiaries & associates	Total Group Reserves
	General Fund Balance	Capital Receipts Reserve	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	(4,530)	0	(55)	(4,585)	7,989	3,404	(497)	2,907
Movement in Reserves during the year								
Surplus or (deficit) on provision of services	3,164	0	0	3,164	0	3,164	609	3,773
Other Comprehensive Expenditure and Income	0	0	0	0	(46,482)	(46,482)		(46,482)
Total Comprehensive Expenditure and Income	3,164	0	0	3,164	(46,482)	(43,318)	609	(42,709)
Adjustments between Group accounts and Authority accounts	(410)	0	21	(389)	389	0		0
Net Increase / Decrease before Transfers	2,754	0	21	2,775	(46,093)	(43,318)	609	(42,709)
Adjustments between accounting basis & funding under regulations				0		0		0
Increase / Decrease before Transfers to Earmarked Reserves	2,754	0	21	2,775	(46,093)	(43,318)	609	(42,709)
Transfers to / from Earmarked Reserves	(1,776)	0	(34)	(1,810)	(38,104)	(43,318)		(43,318)
Increase / Decrease in Year	2,754	0	(13)	2,741	(46,093)	(43,318)	609	(42,709)
Balance as at 31 March 2019	(1,776)	0	(47)	(1,823)	(38,104)	(39,914)	112	(39,802)

Notes to the Group Financial Statements

1 Property, plant and equipment

Mersey Waste Holdings Limited has no Property Plant and Equipment (PPE) and so the Group PPE is the same as for the single entity disclosed at Note 9 of the single entity accounts.

2 Cash and cash equivalents

2018/2019		2019/2020	
£000		£000	
8,086	Cash held by Subsidiary & Associate	8,693	
4,068	Cash held/ Overdraft on behalf of the parent authority by St Helens MBC	4,371	
12,154	Total	13,064	

3 Other Long Term Liabilities

2018/2019		2019/2020	
£000		£000	
(3,319)	Pension liabilities - Mersey Waste Holdings Limited	(2,312)	
(4,700)	Pension liabilities - Merseyside Recycling and Waste Authority	(3,991)	
(1,505)	Merseyside MCC residual debt liability	(1,290)	
(278,098)	Service concession liability	(260,339)	
(287,622)	Total Other Long-Term Liabilities	(267,932)	

4 Pensions

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 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. Disclosure in relation to the pension liabilities of the Authority are set out in Note 28 of the single entity accounts. Disclosures to the pension liabilities of Mersey Waste Holdings Limited are set out below.

Comprehensive Income and Expenditure Statement	LGPS		LAWDC	
	2019/2020 £000	2018/2019 £000	2019/2020 £000	2018/2019 £000
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	0	0	0	0
Past service cost	21	0	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:	0	0	0	0
Net Interest expense	72	77	(2)	(2)
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	93	77	(2)	(2)
<i>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the the net defined benefit liability comprising:	0	0	0	0
Return on plan assets (excluding the amount included in the net interest expense)	0	6	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0		
Actuarial gains and losses arising on changes in financial assumptions	(648)	219	187	(122)
Other	0	0	0	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	(555)	302	185	(124)

Movement in Reserves Statement	LGPS		LAWDC	
	2019/2020	2018/2019	2019/2020	2018/2019
	£000	£000	£000	£000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(93)	(77)	(26)	(43)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	271	261	92	85
Retirement benefits payable to pensioners	0	0	0	(60)
Net charge to the General Fund Summary	178	184	66	(18)

Pensions Assets and Liabilities recognised in the balance sheet

	LGPS		LAWDC	
	2019/2020	2018/2019	2019/2020	2018/2019
	£000	£000	£000	£000
Present value of the defined obligation	(8,499)	(9,760)	(1,968)	(2,151)
Fair value of plan assets	6,187	6,622	2,052	1,972
	(2,312)	(3,138)	84	(179)
Other movements in the liability (asset)	0	0	0	0
Net liability arising from the defined benefit obligation	(2,312)	(3,138)	84	(179)

Reconciliation of Movement in the Fair Value Scheme liabilities

	LGPS		LAWDC	
	2019/2020 £000	2018/2019 £000	2019/2020 £000	2018/2019 £000
Opening fair value of scheme assets	6,622	6,493	1,972	1,880
Interest on plan assets	156	165	50	51
Remeasurements (assets)	(359)	234	(4)	16
Administration expenses	0	0	0	0
Business combinations	0	0	0	0
Settlements	0	0	0	0
Employer contributions	271	261	92	85
Member contributions	0	0	0	0
Benefits/transfers paid	(503)	(531)	(58)	(60)
Closing value of scheme assets	6,187	6,622	2,052	1,972

Reconciliation of present value of the scheme liabilities

	LGPS		LAWDC	
	2019/2020 £000	2018/2019 £000	2019/2020 £000	2018/2019 £000
Opening balance at 1 April	(9,760)	(9,596)	(2,151)	(2,021)
Current service cost	0	0	0	0
Interest cost	(228)	(242)	(52)	(53)
Member contributions	(21)	0	0	0
Experience (gain)/loss	365	0	(24)	(41)
(Gain)/loss on financial assumptions	642	(453)	187	(122)
(Gain)/loss on demographic assumptions	0	0	14	26
Benefits/transfers paid	503	531	58	60
Balance as at 31 March	(8,499)	(9,760)	(1,968)	(2,151)

Local Government scheme Assets comprised**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, estimates for Merseyside Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013. The LAWDC scheme liabilities have been assessed by Hymans Robertson, independent actuaries, estimates for the LAWDC fund being based on the latest full valuation of the scheme as at 1 April 2015.

	Fair Value of Scheme Assets			
	31st March 2020		31st March 2019	
	LGPS £000	LAWDC £000	LGPS £000	LAWDC £000
Equities - quoted	3,000	176	3,258	236
- unquoted	0	0	0	0
Bonds - quoted	860	0	1,046	978
- unquoted	0	0	0	0
Property - quoted	656	0	629	0
- unquoted	0	0	0	0
Cash - quoted	93	0	192	0
- unquoted	0	0	0	0
Other - quoted	1,578	1,876	1,497	758
	6,187	2,052	6,622	1,972

The significant assumptions used by the actuary are set out below

Local Government Pension Scheme				
2018/2019			2019/2020	
LGPS	LAWDC		LGPS	LAWDC
%	%		%	%
		Mortality assumptions:		
		Longevity at 65 current pensioners:		
22.2	19.6	Men	20.9	*
25.0	23.2	Women	24.0	*
		Longevity at 65 for future pensioners:		
25.2	24.2	Men	22.5	*
27.9	27.0	Women	25.9	*
		Financial assumptions:		
2.2	2.4	Rate of CPI inflation	2.1	2.7
3.7	3.4	Rate of increase in salaries	3.6	*
2.3	2.4	Rate of increase in pensions	2.2	1.9
2.4	2.7	Discount Rate	2.4	2.3

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.

Curtailement

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.

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).

Scheme liabilities

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

Useful life

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

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

We have audited the financial statements of Merseyside Waste Disposal Authority (the "Authority") for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a

body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us 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 financial statements sufficient to give reasonable assurance that the financial 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 Director of Finance; and the overall presentation of the financial statements. In addition,

we read all the financial and non-financial information in the Chairperson's introduction, the Narrative Statement and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2020 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Chairperson's introduction, the Narrative Statement and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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.

We are required under Section 20(1) (c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves 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 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements

for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Andrew Smith

Andrew Smith
for and on behalf of Grant Thornton UK LLP,
Appointed Auditor

Royal Liver Building
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L3 1PS

