



**Greater Manchester  
Waste Disposal Authority**

**STATEMENT OF ACCOUNTS  
2008 / 2009**

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# EXPLANATORY FOREWORD

1. The accounts of the Authority for the financial year 2008/09 are set out on pages 20 to 60.

The accounts consist of: -

- a) The Income and Expenditure Account - this shows the income and expenditure of the Authority allocated over its main divisions of service and indicates the surplus or deficit for the year;
  - b) The Statement of Movement on General Fund balance - this shows whether the Authority has over or under-spent against the Levy income that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure;
  - c) The Statement of Total Recognised Gains and Losses - this brings together all the gains and losses of the Authority for the year and shows the aggregate increase or decrease in its net worth;
  - d) The Balance Sheet - which sets out the financial position of the Authority on 31<sup>st</sup> March 2009, with regard to its assets and liabilities;
  - e) The Cash Flow Statement - which summarises the total movement of the Authority's cash; and
  - f) Group Accounts - which bring together the accounts of the Authority and those of its subsidiary companies Greater Manchester Waste Limited and Greater Manchester Collections (2006) Limited.
2. The Authority's accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA). They also reflect the requirements of CIPFA's Best Value Code of Practice (BVACOP) which modernises the system of local authority accounting and reporting to ensure that it meets the changed and changing needs of modern local government particularly the duty to secure and demonstrate Best Value in the provision of its services to the community.
  3. These accounts are supported by the Statement of Accounting Policies, which follows this foreword, and various notes to the accounts.
  4. The staff who work for the Authority are members of the Greater Manchester Pension Fund (GMPF). Tameside MBC administers this fund on behalf of the Authority. The Actuaries' latest report states that the Fund's liabilities are currently more than its assets. The current liability is £3.474m (£1.137m in 2007/08).

The details of the movement can be seen in the Statement of Accounts and the notes. The breakdown of the individual elements now reflects the requirements of the relevant accounting standard, FRS17, Retirement Benefits.

## Financial Summary 2008/09

### Revenue

5. Revenue expenditure and income refers to the day-to-day transactions such as salaries and wages, running expenses, fees and charges, etc.

In February 2008 the Authority approved the revenue budget for 2008/09 amounting to £89.103m. A contribution to a PFI Smoothing Reserve of £7.052m was added to give a total Levy of £96.155m. The budget did not assume any contribution from balances and was based on a projected balances figure as of 31<sup>st</sup> March 2008 of £2.358m. Following finalisation of the 2007/08 accounts the actual level of balances was £4.572m.

In February 2009 the Authority approved a revised budget for 2008/09 of £89.568m and agreed a refund of contribution to the PFI Smoothing Reserve, to be replaced by a virtual smoothed levy dealt with at a district level on an optional basis. This was based upon an expected financial close of the Contract in February 2009 and represented an increase of £0.465m on the original budget. As a result of the removal of the contribution to the Smoothing Reserve the Authority approved a rebate to Districts against the original Levy of £7.052m.

The table below summarises the revenue costs of the Authority in 2008/09 compared to the Original and Revised Budgets:

	Original Budget £000	Revised Budget £000	Actual £000
<u>WASTE DISPOSAL</u>			
Net Expenditure and Smoothing Reserve	96,155	89,568	88,570
Levy on districts	<u>96,155</u>	<u>89,103</u>	<u>89,103</u>
Net contributions to/(from) balances for year	0	(465)	533

The net cost of services in 2008/09, after interest and similar charges, was £88.570m. This is an increase of £5.834m (7.05%) on the equivalent figure for 2007/08. This increase in service cost in part reflects the removal of the separate charge for industrial and commercial waste, that was previously raised on Districts (£3.376m in 2007/08), in preparation for the charging regime that will exist under the new Contract. That charge (£3.376m in 2007/08) was previously netted off the service cost but now forms part of the Levy. The service cost also includes a £3.474m refund to Districts in respect of the tonnage reductions that have been achieved through waste minimisation efforts

The Authority's Accounts show a surplus for the year (contribution to General Fund Balances) of £533k (page 27). This represents an underspend of £998k when compared to the revised budget. The revised budget showed a contribution from balances of £465k. The increased balances resulting from the surplus will provide an added cushion to compensate for the changed risks that the Authority will be exposed to under the Contract and the charging set out in the Inter Authority Agreement. Those risks arise mainly as a result of the mismatch (between the basis that the Authority will incur costs under the Contract and the basis for recharging Districts) that has been introduced into the charging mechanism to incentivise District's recycling, and hence meet our overall Municipal Waste Management Strategy (MWMS) expectations.

An analysis of the main variances against the revised budget is as follows:

	Over (Under) Spend £'000
Advisory Costs	441
Payments to Contractor	(1,505)
Central Support Costs	(285)
Other net decreases in Supplies, Services and other costs	(95)
Debt Charges / Capital financing	446
	_____
Net underspend against revised budget	(998)
Forecast deficit per revised budget	<u>465</u>
Surplus per Accounts	<u>(533)</u>

As previously reported, the overspend against the budget on Advisory costs of £441k reflects the additional workload due to the delay in reaching financial close. The revised budget was set with an expectation of a February 2009 financial close and the continued Advisor involvement at an extremely high level leading up to the actual close on 8<sup>th</sup> April has resulted in the additional costs. A further report on advisory costs is rostered for consideration at the September meeting of the Authority.

Payment to Contractors is showing a saving against the budgeted figures of £1,505k due to the Authority having negotiated a freeze on fixed costs within the interim contract, reductions in waste tonnages presented for processing and the increased recycling rates achieved which result in less expensive disposal processes. This saving has been realised after refunding the tonnage rebates to individual districts.

The reduction in Central Support Costs from Oldham MBC reflects the continuing reduction in reliance on support from the lead authority. As advised in the February 2009 Budget and Levy report, a process of renewing charges had commenced. That exercise, and hence the final charge for the year, was only recently agreed, whilst the budget had prudently included the previous level of charges in the absence of better information.

The additional cost for Debt Charges and Capital Financing results mainly from the cost of borrowing to finance the Advance Works Contract payments of £29.4m. The monies advanced were refunded in full by Viridor Laing on 30<sup>th</sup> April 2009 following the successful completion of the PFI Contract.

### Balances

- The Authority's revenue balances at 31<sup>st</sup> March 2009 stood at £5.105m. For 2009/10 the Authority has set a levy that does not intentionally budget for any contribution to or from balances.

The Authority's balances represent its buffer against future unforeseen expenditure and as such should ideally be maintained at minimum risk assessed levels. The Authority has assessed that the minimum level at which balances should be maintained is £4.072m.

### Capital

7. Capital expenditure relates essentially to spending on assets that last for more than one year. The Authority spent £9.328m on capital schemes in 2008/09. £8.8m of this was spent on securing sites for use within the new waste management contract.

### Further Information

8. The Authority is keen to promote an awareness of its activities amongst the public. In addition to the statutory right of the public to inspect the accounts before the annual audit is completed, further information is available from the Treasurer and Deputy Clerk to the Authority, Media Chambers, 5 Barn Street, Oldham OL1 1LP.  
Telephone Number: 0161 770 1700  
Website: [www.gmwda.gov.uk](http://www.gmwda.gov.uk)

J.R. BLAND, CPFA  
Treasurer and Deputy Clerk to the Authority

25<sup>th</sup> September 2009

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## 1. The Authority's Responsibilities

The Authority is required:

- i) to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Treasurer and Deputy Clerk to the Authority.
- ii) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- iii) to approve the Statement of Accounts

## 2. The Treasurer to the Authority's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts which is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2009. In preparing this statement of accounts, the Treasurer has:

- i) selected suitable accounting policies and then applied them consistently;
- ii) made judgements and estimates that were reasonable and prudent;
- iii) complied with the Accounts and Audit Regulations, the Local Government and Housing Act 1989, the Code of Practice on Local Authority Accounting (SORP), issued by CIPFA/LASAAC, and also with guidance notes issued by CIPFA on the application of accounting standards (IAS) and Landfill Allowance Trading Scheme (LATS).

The Treasurer has also:

- i) kept proper accounting records which were up to date;
- ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

## 3. Certification of Accounts

I certify that the Statement of Accounts present fairly the position of the Greater Manchester Waste Disposal Authority at 31<sup>st</sup> March 2009 and its income and expenditure for the year ended 31<sup>st</sup> March 2009.

Signed John Bland  
Treasurer and Deputy Clerk to the Authority

Date 25<sup>th</sup> September 2009.

4. Approval of accounts

In accordance with the Accounts and Audit Regulations 2003 I certify that the Audited Statement of Accounts 2008/09 was approved at a Meeting of the Authority on 25<sup>th</sup> September 2009.

Signed Cllr Neil Swannick  
Chair of the Authority

Date: 25<sup>th</sup> September 2009.

# ANNUAL GOVERNANCE STATEMENT 2008/09

## Scope of Responsibility

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

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

The Authority has not approved and adopted a formal code of corporate governance. However, its arrangements for corporate governance are consistent with the principles of the CIPFA/SOLACE Framework - *Delivering Good Governance in Local Government*.

The Authority meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at the Greater Manchester Waste Disposal Authority for the year ended 31<sup>st</sup> March 2009 and up to the date of approval of the annual report and statement of accounts.

## The Governance Framework

The Authority is a single purpose body established by statute as a Joint Waste Disposal Authority. As such, it is not required to have, nor does it have, a scheme of executive governance similar to those most commonly in place in the largest local authorities, the Metropolitan Districts and Unitary Councils.

As a joint authority, this Authority relies on its accountability to its component districts and its stewardship of their levy payments as a vital addition to its internal governance arrangements.

The key elements of the Authority's governance framework are as follows:-

## Purpose and Outcomes for Citizens and Service Users

- (a) The Municipal Waste Management Strategy (MWMS) identifies and communicates the Authority's vision of its purpose and intended outcomes for citizens and service users. The MWMS was very widely consulted about (11,748 responses) when adopted in May 2004, and was consulted about again prior to being revised then adopted again in April 2007. The revision to the MWMS was accompanied by a Strategic Environmental Assessment and a Sustainability Appraisal which meet the requirements of both the European Directive 2001/42/EC and the Environmental Assessment of Plans and Programmes Regulations 2004.

Over 97% of respondents to consultations agreed or strongly agreed with a recycling and composting-led approach to waste disposal. This consensus shaped development of the strategy that the highest priority is for waste reduction, then re-use, recycling and composting, followed by using waste as a source of energy. With full implementation of the MWMS, landfilling will be confined to residues and materials for which no productive treatment or use can be found.

The key objectives of the MWMS are:-

- to meet landfill allowance and bio-diversion targets as set out in the Landfill Allowance Trading Scheme (LATS) and the requirements of the EU Landfill Directive;
- to meet a target recycling and composting rate of at least 50% of household waste for 2020. The milestone target for 2005/06 of recycling and composting of 20% of household waste was met. The milestone target for 2010 of 33% has been substantively met in 2008/09;
- to arrest the increases in Municipal Solid Waste (MSW) arising to no more than 1% per annum by 2010 and zero by 2020;
- to reduce non-household waste by 50% in proportion to current MSW arising, which will reduce total tonnage by 10%;
- to develop an approach which takes account of new and emerging technologies;
- to adopt partnership waste management working arrangements at a strategic and operational level between the GMWDA and other partners;
- to develop an effective interface between waste collection systems, processing, treatment and disposal systems to ensure best value is delivered;
- to retain and optimise the use of Bolton Thermal Recovery Facility (TRF) throughout the life of the MWMS.

## Service Quality and Use of Resources

- (b) The Authority's arrangements for: measuring the quality of services for users; for ensuring they are delivered in accordance with the MWMS; and for ensuring that they represent the best use of resources focus around the annual Corporate Plan. The Corporate Plan sets out:-
- the Authority's annual and medium-term performance targets and service developments; and
  - a review of immediate past performance.

During the year, the Authority received quarterly reports on operational and financial performance. From 2008/09 the Corporate Plan fulfilled a similar purpose to the previous

Best Value Performance Plan in converting the Authority's vision and objectives, as expressed through the MWMS, into operational plans.

- (c) The principal means of full achievement of the MWMS is the letting of a 25 year waste management contract to Viridor Laing (Greater Manchester) Limited under the Public Finance Initiative. The contract places achievement of the MWMS at its core and through it the Authority expects to achieve the MWMS. The contract was signed on the 8<sup>th</sup> April 2009. In the period leading up to it the interim yearly targets for recycling and composting and for reduction of arisings in municipal solid waste have all been met or exceeded. The procurement, commenced in February 2005, had as its main objective the replacement of the conurbation's waste disposal infrastructure so as to ensure the achievement of the MWMS. The project was guided by a Steering Group chaired by the Clerk to the Authority, the project's sponsor, and includes: the Authority's Chair and Vice-Chair; its Treasurer and Solicitor; advisors; and nominees of DEFRA's Waste Implementation Development Programme. The Steering Group met monthly in 2007/08, and as required in 2008/09.

### Organisational Governance

- (d) The Authority consists of 21 Members, two each from Bolton, Bury, Oldham, Rochdale, Salford, Stockport, Tameside and Trafford Councils, and three from Manchester Council. Wigan Council has two Members on the Authority but they attend "for administrative purposes" only.

The Authority, which had 6-weekly meetings throughout the year and but also met other times to guide the PFI procurement, conducts its business primarily at full meetings of the Authority.

The role and functions of the Authority and its senior officers are set out in the Constitution, which can be found at [www.gmwda.gov.uk/constitution.htm](http://www.gmwda.gov.uk/constitution.htm). The document has been subject to periodic review by the Solicitor to the Authority to ensure that it remains up-to-date and appropriate for the Authority's needs in the conduct of its business. The Constitution provides for the establishment and use of a Special Purposes Committee with the decision-making powers of the full Authority.

On occasion during the year and especially for matters related to the PFI contract, the Authority delegated matters for decision by named officers, usually in consultation with the Chair and Vice-Chair. These delegations have been exercised in conjunction with a written report and the actions taken have either been recorded in subsequent reports to the Authority or by delegated decision reports lodged on the Authority's Intranet for access by Authority Members and stakeholders.

The commencement of the PFI contract has caused the Scheme of Delegation under the Constitution and the constitution itself to be reviewed and, if necessary, to be revised.

### Codes of Conduct

- (e) Authority Members are bound by the National Code of Conduct. Should an ethical standards issue arise, it would be dealt with through the Standards Committee of the Member's host council. The Authority has adopted a Code of Conduct for Officers. During the PFI procurement each year recently the Solicitor to the Authority has written to the Authority's staff, its advisors and its Preferred Bidder to draw attention to the requirements on gifts and hospitality of the Authority's Code of Conduct and of statute.

### Audit

- (f) At its Annual Meeting in June 2006, the Authority decided that it would not have an Audit Committee. It resolved instead to receive and deal with the External and Internal Audit Plans and audit performance and related matters at full meetings of the Authority. The Authority's Vice-Chair in 2008/09 was the Chair of the Audit Committee in his host council,

and other Authority Members have extensive relevant experience in these matters. In 2008/09, the External Auditors received all of the papers for all of the Authority meetings and a member of the External Auditor's staff attended most of the Authority meetings. As part of the process of closing the PFI contract, the Authority's External Auditor was briefed exhaustively throughout 2008/09 and was provided with all relevant contractual and Authority documents.

### Day-to-Day Decision-Making

- (g) The Authority has few staff, but the technical complexity of its PFI contract, its funding and its high financial value have combined throughout 2008/09 to require the Authority's Clerk (who until October 2008 was the Authority's Monitoring Officer), to involve himself personally and extensively in Authority business, especially the letting of the PFI contract. The Treasurer, Monitoring Officer and Solicitor attend Authority meetings and advise freely whenever appropriate on any and all relevant matters. When formal reports are prepared for the Authority, they include formal sections for the written comments of the Treasurer and Solicitor to ensure that legislation and internal policies are complied with and that expenditure is lawful. In October 2008, the previous Clerk and Monitoring Officer Andrew Kilburn was replaced as Clerk by Charlie Parker. At the same time to strengthen governance the Authority's Treasurer became a full time employee of the Authority as Deputy Clerk and Treasurer and the full time Solicitor to the Authority became its Monitoring Officer.

### Whistle Blowing, Fraud and Corruption

- (h) In October 2007, the Authority adopted a Whistle Blowing Policy and a Policy and Strategy to combat Fraud and Corruption, to deal with concerns raised by the public or members of staff, including by internal check or audit activity. These policies were formally consulted about with the workforce, but also briefed about at staff briefing sessions. Since the Authority contracts for its service delivery, key strands of the contractual arrangements are the complaints procedure and customer care arrangements which the contractor has put in place and which Authority officers client.

### Member and Officer Development

- (i) Each year new Members of the Authority are trained prior to their adoption at the Authority's Annual Meeting. This is of vital importance, given the technical complexity of the Authority's core operations, the contract structure and expected financial value of the PFI contract.

### Communications

- (j) The Authority tends to be proactive in its communications. It chooses to be proactive because it is vital for the local waste partnership to boost and maintain public understanding of, and support for, recycling. The Authority employs specialist communications staff under a functional director and has procured public relations and marketing consultants to help it to convey its messages. As planning applications for new facilities were made, the communities in which the facilities are being located was consulted with "face-to-face" by the Authority and its Preferred Bidder. Beyond that, in January 2008, the Authority produced information leaflets linking the work and construction programmes under the PFI contract with the MWMS about which the Authority had publicly consulted previously. It maintained regular contact with its nine constituent waste collection authorities through the monthly meetings of the Association of Greater Manchester Authorities (AGMA) and by monthly meetings with Waste Chief Officers and quarterly meetings with the Treasurers of the nine constituent councils. The Authority's annual levy and budget is subject to scrutiny by 2 Leaders and 2 Treasurers nominated to the purpose by AGMA prior to its consideration by the Authority.

As facilities are constructed under the PFI contract, community liaison groups including ward councillors are being maintained.

### Governance in Partnership Working

- (k) When the Authority has engaged in partnership working, it has been keen to identify and codify the governance arrangements prior to entry into them.

To underpin the PFI contract, the Authority and its 9 constituent districts have signed an Inter-Authority Agreement (IAA). Primarily, this establishes the arrangements to charge the PFI contract costs amongst the districts, but it also deals with the arrangements to admit new member authorities.

The Authority had agreed with the Preferred Bidder for the PFI contract that once the contract was in operation a partnership approach would be taken to it. In September 2007, the Authority adopted a partnership structure for the contract of a quarterly Strategic Partnering Board with member involvement (3 members were appointed to the role at the Annual Meeting in June 2008), underpinned by a monthly Partnership Management Group and a network of functional Service Delivery Groups. The cardinal principle of this structure is that the various levels do not have decision-making powers. Both parties are clear that the project agreement governs the contract and that the partnership structures created exist to advise and influence only. The contract requires the Authority to nominate a Project Director to discharge the Authority's obligations under the contract. That role is fulfilled by the Director of Contract Services. The network of boards and service delivery groups exists to promote good governance of the contract but authority to determine matters relating to the contract resides with the role of Project Director.

Since September 2007, preparations to mobilise the PFI contract have been worked on by shadow operation of the partnership structure described above. The PFI contract encompasses the periodic performance reporting obligations of the contractor, and these have been augmented. At the start of the PFI contract all client and contractor systems were in place and operative, and had been operated on a trial basis for up to six months prior to that.

### Governance of the Authority's Companies

- (l) Throughout 2008/09, the Authority owned and controlled its service provider, Greater Manchester Waste Limited. It also owned and controlled a transitional holding company, Greater Manchester Collections (2006) Ltd. These companies were governed through formal minuted shareholders' meetings with the companies' executive directors, where the Authority's performance requirements were conveyed. This was augmented by day-to-day liaison with them primarily by the Authority's Deputy Treasurer. Greater Manchester Waste Limited was sold at the commencement of the PFI contract. The Collections (2006) Ltd company was dormant through 2008/09.

### 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 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 annual review of the effectiveness of its governance framework takes place at its Annual Meeting (in June) when the draft Annual Governance Statement for the previous financial year (ending 31<sup>st</sup> March) is considered for adoption.

At the Annual Meeting, the Authority was advised on the implications of the result of the review of the effectiveness of the governance framework and of the plan to address weaknesses and ensure continuous improvement of the system is in place.

### Significant Governance Issues

The Annual Governance Statement last year identified a body of issues mainly related to the implementation of the PFI Contract which were regarded as significant because of their combined potential to prevent the MWMS from full and timely achievement.

Of the issues then mentioned 3 are regarded as having been resolved satisfactory they are:-

- Conclusion of the PFI Contract - it was signed on 8<sup>th</sup> April 2009.
- Planning approval of the Ineos Chlor Refuse Derived Fuel Combined Heat and Power Plan - this was granted
- Site Acquisition - all of the key sites were acquired by the time the contract was signed.

The two other issues recorded in last year's Annual Governance Statement remain but at present are not regarded as significant governance issues, they are:-

- Resilience of the Inter-Authority Agreement in relation to the potential for volatility in charging in the contract's early years and
- Control of Costs and of Construction Performance under the PFI Contract - the concern here is that cost increases and a falling away of construction performance can jeopardise the PFI contract's successful execution. Whilst these potential risks remain work done by contractor and client during 2008/09 gives much greater certainty about the price and fixity of performance.

As a result of the pressures on officers' time in bringing the PFI Contract to a close there has been no Internal Audit work carried out during 2008/09. This represents a potential weakness in the Governance arrangements of the Authority. A full Internal Audit programme for 2009/10 has been agreed and is being implemented.

In April 2009 the Authority agreed in principle to explore the admission of Wigan Council as a full member council. It set a timescale for the examination to be concluded by the end of March 2010. An objective of the admission of Wigan Council for the Authority is to ensure that the whole capacity of the facilities to be built under the PFI contract is used and thus that the average cost of processing waste for the nine founder councils is kept as low as practicable. A joint project team with Wigan Council has been established. It includes the Authority's Executive Director and the Deputy Treasurer.

During 2008/09, in order to comply with the security of funds aspects of the Authority's Treasury Management Strategy, it has on numerous occasions been necessary to exceed the recommended maximum sums deposited with the limited number of approved financial institutions. Additional compliant institutions are constantly being sought in order to increase numbers and allow funds invested to be spread more widely. These breaches have been reported intermittently to the Authority and with effect from 2009/10 the performance against the Treasury Management Strategy will be the subject of regular reports.

We propose over the coming year, but especially the early months of it, to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Authority's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continuously throughout the year.

Cllr Neil Swannick\_\_\_\_\_ Chair of the Authority

Charlie Parker\_\_\_\_\_ Clerk

John Bland\_\_\_\_\_ Treasurer and Deputy Clerk

Paul Dunn\_\_\_\_\_ Executive Director

25<sup>th</sup> September 2009

# INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF GREATER MANCHESTER WASTE DISPOSAL AUTHORITY

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## Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Greater Manchester Waste Disposal Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Greater Manchester Waste Disposal Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## Respective responsibilities of the Treasurer and Deputy Clerk and auditor

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

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

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

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

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

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent

misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

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

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

## Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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

### Authority's Responsibilities

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

### Auditor's Responsibilities

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

### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I was unable to obtain sufficient appropriate evidence that Greater Manchester Waste Disposal Authority had in place effective internal audit, in accordance with relevant requirements, during the period.

Having regard to relevant criteria specified by the Audit Commission for other local government bodies, published by the Audit Commission in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Greater Manchester Waste Disposal Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009, except that it did not put in place adequate arrangements for managing risks and maintaining a sound system of internal control.

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## Certificate

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

Jackie Bellard  
(Officer of the Audit Commission)

2nd floor, Aspinall House  
Aspinall Close  
Middlebrook  
Horwich  
Bolton  
BL6 6QQ

30<sup>th</sup> September 2009

# STATEMENT OF ACCOUNTING POLICIES

## 1. General

The Authority's accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (SORP) issued by CIPFA and Accounting Standards.

## 2. Accruals of Income and Expenditure

The accounts of the Authority are maintained on an accruals basis in accordance with the Code of Practice. Debtors and creditors are raised based on either known amounts or best estimates.

All significant sums due to the Authority are recorded at the time they become due; the debtors appearing in the Balance Sheet therefore represent sums due to the Authority that had not been received at 31<sup>st</sup> March 2009. Provision is made for any doubtful debts.

Creditors included in the Balance Sheet relate to goods and services received or rendered during the year of account where payments had not been made by 31<sup>st</sup> March 2009.

Interest payable on external borrowings and interest income are accrued and accounted for in the accounts of the period to which they relate on a basis which reflects the overall economic effect of the borrowings.

## 3. Provisions

The Authority sets aside provisions for specific future expenses, which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements requiring provisions are reviewed at the end of each financial year. Where it is likely that a provision for transfer of economic benefits is not now required it will be reversed and credited back to the relevant revenue account.

## 4. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Authority - these reserves are explained in notes 20 and 23.

## 5. Government Grants and Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants deferred account. Amounts are released to the income and expenditure account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

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

## 6. Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the Authority operates a defined benefit pension scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Greater Manchester Pension Fund (GMPF), administered by Tameside MBC - this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Under the Local Government Pension Scheme, contribution rates are set at 100% of overall liabilities. The last review was at 31<sup>st</sup> March 2007 (revised rates applied from 1<sup>st</sup> April 2008). The next review will be at 31<sup>st</sup> March 2010 (revised rates will apply from 1<sup>st</sup> April 2011).

The costs of inflation awards on added years (Pensions Increase Act payments) and certain other costs not chargeable to the Fund are met by the Authority.

In 2008/09 the Authority paid an employers' contribution of £282,992 based on 17.2% (15.0% in 2007/08) of employees' pensionable pay into the Greater Manchester Pension Fund. In addition, deficit recovery and discretionary "ex-gratia" and "added years" payments totalling £208,678 were made.

## 7. Value Added Tax

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

## 8. Costs of Support Services

The costs of management and administration of the Authority carried out by Oldham MBC, our lead district, are recharged at negotiated rates.

## 9. Intangible Fixed Assets

Intangible fixed assets are assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. computer software)

Recognition: expenditure on the acquisition is capitalised when it will bring benefits to the Authority for more than one financial year.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet at the lower of depreciated historical cost and net realisable value.

Amortisation: amortisation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Amortisation is calculated as a straight-line allocation over five years. Newly acquired assets are amortised from the mid-point of the year with no amortisation in year of sale.

## 10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Authority for more than one year. The Authority has a de minimis limit for capital expenditure of £5,000.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value;
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net replacement cost or net realisable value. In the case of investment properties, this is normally open market value;
- infrastructure assets and vehicles, plant and equipment are included in the balance sheet at historical cost, net of depreciation.

The current asset values used in the accounts are based upon a certificate issued by Oldham MBC's Valuation Officer as at 13<sup>th</sup> July 2005. Amounts incurred which have not added value to the asset are written down on acquisition.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to the Revenue Account.

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: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a revaluation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits - the loss is charged to the revenue account
- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the

Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated using the straight-line method on the following bases:

Operational buildings	- over 50 years
HWRC and former landfill sites	- over 50 years
Vehicles, plant and equipment	- over 5 - 10 years
Infrastructure assets	- over 50 years
Assets held under finance leases	- over the term of the lease

Newly acquired assets are depreciated from the mid-point of the year, although assets in the course of construction are not depreciated until they are brought into use. Vehicles are depreciated from the year of purchase, no depreciation being made in the year of sale.

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.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a useful finite life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in line with the depreciation policy applied to them.

## 11. Investments

Investments are shown in the Balance Sheet at cost and further details are given in Note 12.

## 12. Charges to Revenue for Fixed Assets

Revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets

The Authority is not required to raise a levy to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute 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, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### 13. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the revenue account during the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the amount of the levy.

### 14. Leases

#### Finance Leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset - the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

#### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### 15. Financial Liabilities

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

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the periods during which the repurchase or early settlement is made.

### 16. Financial Assets

The financial assets of the Authority consist of loans and receivables i.e. assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

## 17. Landfill Allowance Trading Scheme (LATS)

The Landfill Allowance Trading Scheme is a 'cap and trade' scheme, which allocates tradable landfill allowances to each WDA in England up to the amount of the WDA's 'cap'. In the absence of any UK Financial Reporting Standard on LATS, CIPFA's Local Authority Accounting Panel (LAAP) issued guidance, for 2005/06 only, in the form of bulletin LAAP 64 *Accounting for the Landfill Allowances Trading Scheme (England) in 2005/06*. For 2008/09, in the continued absence of any UK GAAP (Generally Accepted Accounting Practice) the recommendation from CIPFA is that authorities should adopt the accounting treatment set out in proposed Urgent Issues Task Force (UITF) Abstract *Emission Rights*. This represents essentially the same treatment as in 2005/06 as LAAP 64 was based on the proposed UITF Abstract.

In accordance with the UITF Abstract, allowances, whether allocated by DEFRA or purchased from another WDA, are recognised as assets and classified as current assets. They are measured initially at their fair value.

Landfill allowances are issued free by DEFRA. The fair value of the allowances issued to WDA's is treated as a government grant and accounted for accordingly.

As landfill is used, a liability is recognised for actual BMW (Biodegradable Municipal Waste) landfill usage. This liability is a provision that falls within the scope of FRS 12.

The Authority takes the view that the recognition of Revenue surpluses through the process of following the provisions of the UITF Abstract, when, in part, these are unrealised and may well reverse in future years as BMW landfill exceeds available allowances, would be imprudent. Consequently the impact on Income and Expenditure account for the year is transferred to a *LATS Equalisation Reserve* and will be used to reduce the impact of future years' LATS costs as they arise or will be released to Revenue once there is certainty as to their retention.

Profits or losses on the revaluation of LATS Allowances held are shown on the Statement of Total Recognised Gains and Losses and are adjustments to the balance on the LATS Equalisation Reserve.

## 18. Group Accounts

At 31<sup>st</sup> March 2009 the Authority had two wholly owned subsidiary companies - Greater Manchester Waste Limited and Greater Manchester Collections (2006) Limited.

In the Authority's own single-entity accounts, the interests in these companies are recorded as investments, i.e. at cost, less any provision for losses.

# INCOME AND EXPENDITURE ACCOUNT

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

		2008/09 Gross Expend £000	2008/09 Income £000	2008/09 Net Expend £000	2007/08 Net Expend £000
<b>CONTINUING SERVICES</b>					
Waste Disposal		83,203	(653)	82,550	77,496
Current additional service pension costs (FRS 17)	Note 4			1	7
<b>NET COST OF SERVICES</b>				<b>82,551</b>	<b>77,503</b>
Gain or loss on disposal of fixed assets				-	-
Dividends from subsidiaries				-	-
Interest payable and similar charges	Note 1			2,273	2,096
Interest and investment income	Note 2			(409)	(1,057)
Landfill Allowance Trading Scheme	Note 3			-	(118)
Pension Interest Cost and Expected Return (FRS 17)	Note 4			78	(169)
<b>NET OPERATING EXPENDITURE</b>				<b>84,493</b>	<b>78,255</b>
Levies on Districts				(89,103)	(84,552)
Tonnage rebates to Districts				3,424	3,617
<b>NET LEVY INCOME FROM DISTRICTS</b>				<b>(85,679)</b>	<b>(80,935)</b>
<b>(SURPLUS) FOR YEAR</b>				<b>(1,186)</b>	<b>(2,680)</b>

# STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed. Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- The General Fund Balance shows whether the Authority has over- or under-spent against the levy that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

		2008/09 £000	2007/08 £000
(Surplus) for the year on the Income and Expenditure Account		(1,186)	(2,680)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	Note 8	653	864
		<hr/>	<hr/>
(Increase)/Decrease in General Fund Balance for the year		(533)	(1,816)
General Fund Balance brought forward		(4,572)	(2,756)
		<hr/>	<hr/>
General Fund Balance carried forward		(5,105)	(4,572)
		<hr/>	<hr/>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

	2008/09 £000	2007/08 £000
(Surplus)/Deficit for the year on the Income and Expenditure Account	(1,186)	(2,680)
Deficit arising on revaluation of landfill allowances	-	6,124
Deficit / (Surplus) arising on Revaluation of Fixed Assets	112	(636)
Actuarial losses/(gains) on pension fund assets and liabilities	2,258	196
	<hr/>	<hr/>
Total recognised losses/(gains) for the year	1,184	3,004
	<hr/>	<hr/>

# BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2009

		2009	2009	2008	2008
		£000	£000	£000	£000
INTANGIBLE ASSETS	Note 9		25		33
FIXED ASSETS	Note 10,11				
Operational Assets					
Land and buildings		5,037		2,792	
Long Leasehold Property		2,983		2,367	
Vehicles, plant and equipment		305		594	
Infrastructure assets		8,925		3,134	
Non Operational Assets - Land and buildings		898		898	
Assets held under finance leases		-		8	
			18,148		9,793
LONG TERM INVESTMENTS	Note 12		13,478		13,478
LONG TERM DEBTORS	Note 13				-
TOTAL LONG TERM ASSETS			31,651		23,304
LATS Allowances Asset Account	Note 14	-		-	
Debtors	Note 15	30,592		3,852	
Short term investments	Note 12	3,124		16,254	
Cash		-		1	
		33,716		20,107	
CURRENT LIABILITIES					
Creditors	Note 16	(14,593)		(14,820)	
Short term borrowing	Note 17	(22,075)		-	
Liability for BMW Landfill	Note 14	-		-	
		(36,668)		(14,820)	
NET CURRENT ASSETS			(2,952)		5,287
TOTAL ASSETS LESS CURRENT LIABILITIES			28,699		28,591
LONG TERM LIABILITIES					
Creditors due after more than 1 year	Note 16	-		(4)	
Long term borrowing	Note 18	(14,495)		(14,496)	
Deferred liabilities	Note 19	(15,640)		(16,373)	
Government Grants deferred		(102)		(409)	
Pensions liability	Note 20	(3,474)		(1,137)	
Provision for insurance	Note 21	(62)	(33,773)	(62)	(32,481)
TOTAL ASSETS LESS LIABILITIES			(5,074)		(3,890)
RESERVES AND OTHER BALANCES					
Revaluation reserve	Note 23		524		636
Capital adjustment account	Note 23		(8,227)		(8,959)
Usable capital receipts	Note 23		160		160
Pensions Reserve	Note 23		(3,474)		(1,137)
Insurance reserve	Note 23		391		391
LATS Equalisation Reserve	Note 23		447		447
Revenue account surplus	Note 23		5,105		4,572
TOTAL EQUITY			(5,074)		(3,890)

John Bland  
Treasurer and Deputy Clerk  
25<sup>th</sup> September 2009

# CASH FLOW STATEMENT

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

	2008/09 £000	2007/08 £000
<b>Revenue Activities</b>		
<i>Cash Outflows</i>		
Cash paid to and on behalf of employees	(2,087)	(2,151)
Other operating cash payments	(84,197)	(80,464)
<i>Cash Inflows</i>		
Cash received for goods and services	99	3,449
District Levy	89,103	84,552
Government grants	372	251
<b>NET CASH FLOW ON REVENUE ACTIVITIES</b>	3,290	5,637
<b>Returns on Investments and Servicing of Finance</b>		
<i>Cash Outflows</i>		
Interest paid	(2,199)	(2,095)
<i>Cash Inflows</i>		
Interest received	406	1,057
<b>Capital Activities</b>		
<i>Cash Outflows</i>		
Purchase of fixed assets	(13,060)	(793)
<i>Cash Inflows</i>		
Sale of fixed assets	-	-
Sale of LATS Allowances	-	-
Capital grants received	-	-
<b>Other Cash Flows</b>		
Advance Works Contract payments	(22,835)	-
<b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>	(34,398)	3,806
<b>Financing</b>		
<i>Cash Outflows</i>		
Repayment of amounts borrowed	(733)	(671)
Purchase of short term investments	(176,899)	(223,869)
<i>Cash Inflows</i>		
New loans raised	15,000	-
Short term borrowing	7,000	-
Maturity of short term investments	190,029	220,715
<b>NET INCREASE/(DECREASE) IN CASH</b>	(1)	(19)

Note 1 Reconciliation of Revenue Activities Net Cash Flow to Increase/(Decrease) in the General Fund Balance

	2008/09 £000	2007/08 £000
Increase/(Decrease) in General Fund for the year	533	1,816
Non-cash transactions		
Minimum Revenue Provision (MRP)	561	522
Provision for repayment of loans	733	671
Items on an accrual basis (revenue only):		
(Increase)/decrease in debtors	(3,726)	(356)
Increase/(decrease) in creditors	3,501	1,945
Government Grants accrued	(176)	-
Items classified elsewhere on the cash flow statement:		
Add: Interest payable	2,273	2,096
Less: Interest receivable	(409)	(1,057)
Cash (outflow)/inflow on Revenue Activities	<u>3,290</u>	<u>5,637</u>

Note 2 Reconciliation of the Movement in Cash to the Movement in Net Debt

	2008/09 £000	2007/08 £000
Increase/(Decrease) in cash in the period	(1)	(19)
Cash inflow from new debt raised	(22,000)	-
Cash outflow from debt repaid	733	671
Changes in net debt resulting from cash flows	<u>(21,268)</u>	<u>652</u>
Net debt at 1 <sup>st</sup> April	(30,728)	(31,380)
Net debt at 31 <sup>st</sup> March	<u>(51,996)</u>	<u>(30,728)</u>

# NOTES TO THE ACCOUNTS

## 1 Interest Payable and Similar Charges

Interest payable and similar charges is mainly comprised of the interest cost of the Authority's long term borrowing.

## 2 Interest and Investment Income

Interest and investment income is made up of the interest earned on the short-term deposits and on the long-term loan to Greater Manchester Waste Limited together with any dividends received from investments.

	2008/09 £000	2007/08 £000
Interest receivable on short term deposits	(409)	(1,057)
Interest receivable on loan	-	-
Dividends received from subsidiary	-	-
	<u>(409)</u>	<u>(1,057)</u>

## 3 Landfill Allowance Trading Scheme (LATS)

The impact on the Income and Expenditure Account of the accounting entries for LATS required by CIPFA guidance is made up as follows:

	2008/09 £000	2007/08 £000
Income from Government Grant - allocation of allowances	-	-
Loss on sale of allowances	-	-
Adjust Liability for BMW Landfill 2007/08	-	(118)
Provision for Liability for BMW Landfill 2008/09	-	-
	<u>-</u>	<u>(118)</u>

## 4 Pensions

We recognise the cost of retirement benefits in the Net Cost of Services 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, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure.

The following transactions have been made in the Income and Expenditure Account during the year.

	Greater Manchester Pension Fund			
	2008/09	2008/09	2007/08	2007/08
	£000	£000	£000	£000
Net Cost of Service:				
Current Service Cost		205		225
Curtailments and settlements				-
Past Service Cost		76		23
Net Operating Expenditure:				
Interest Cost	1,038		869	
Expected return on assets in the Fund	<u>(960)</u>		<u>(1,038)</u>	
Amounts to be financed from Levy	78		(169)	
Movement on Pension Reserve	<u>(79)</u>		<u>162</u>	
		<u>(1)</u>		<u>(7)</u>
Actual amount charged against Levy for pensions in the year:				
Employers' contributions payable to the scheme		<u>280</u>		<u>241</u>

Note 20 contains details of the assumptions made in estimating the figures included in this note.

## 5 Publicity

Under the requirements of Section 5 of the Local Government Act 1986 the Authority's expenditure on publicity totalled £410,363 (£241,855 in 2007/08). In addition to this a further £411,647 was spent under the terms of a Waste and Resources Action Programme (WRAP) funded scheme. This latter sum was recovered in full by way of a grant from WRAP.

## 6 Officers' Remuneration

The number of direct employees whose remuneration, excluding employer's pension contributions, exceeded £50,000 or more, in bands of £10,000 was:

	Number of Employees	
	2008/09	2007/08
Band £50,000 - £59,999	1	-
£60,000 - £69,999	-	3
£70,000 - £79,999	3	-
£80,000 - £89,999	1	1

7 Audit Costs

The cost of external audit fees payable to the appointed auditor included in the accounts was:

	2008/09	2007/08
	£	£
Fees payable in respect of external audit services	74,208	63,992
Fees payable in respect of the certification of grant claims and returns	-	-
Fees payable/(overprovision) in respect of other services	1,000	1,900
	<u>75,208</u>	<u>65,892</u>

8 Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year

	2008/09	2008/09	2007/08	2007/08
	£000	£000	£000	£000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year				
Depreciation of fixed assets	(869)		(1,055)	
Impairment of fixed asset	-		(176)	
Government Grants Deferred amortisation	307		622	
Net charges made for retirement benefits in accordance with FRS 17	<u>(79)</u>		<u>162</u>	
		(641)		(447)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining movement on the General Fund Balance for the year				
Minimum Revenue Provision for capital financing	561		522	
Provision for repayment of outstanding debt under the Local Government Re-Organisation (Debt Administration) (Greater Manchester) Order 1986	<u>733</u>		<u>671</u>	
		1,294		1,193
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on General Fund Balance for the year				
Transfer to LATS Equalisation Reserve		-		118
Net additional amount required to be debited to the General Fund Balance for the year		<u>653</u>		<u>864</u>

The practice of presenting these items within the Statement of Movement on the General Fund Balance rather than as adjustments to the net operating expenditure within the Income and Expenditure Account complies with recommended practice.

## 9 Intangible Assets

	£000
Cost as at 1 <sup>st</sup> April 2008	40
Computer Software purchased in the year	-
	<hr/> 40
Cost as at 31 <sup>st</sup> March 2009	7
Depreciation as at 1 <sup>st</sup> April 2008	8
Depreciation for the year	<hr/> 15
Depreciation as at 31 <sup>st</sup> March 2009	<hr/> 33
Net Book Value 1 <sup>st</sup> April 2008	<hr/> 25
Net Book Value 31 <sup>st</sup> March 2009	<hr/>

## 10 Fixed Assets

### 10.1 Movement of Fixed Assets 2008/09

	Operational Assets				Non-Operational Assets	Total
	Land and Buildings	Vehicles, Plant and Equipment	Assets held under Finance Leases	Infra-structure	Land and Buildings	
	£000	£000	£000	£000	£000	£000
Cost or Revaluation						
At 1 <sup>st</sup> April 2008	5,255	3,081	40	4,659	898	13,933
Transfers	-	-	-	-	-	-
Additions	2,975	90	-	6,263	-	9,328
Impairments	-	-	-	(130)	-	(130)
Revaluations	-	-	-	-	-	-
At 31 <sup>st</sup> March 2009	8,230	3,171	40	10,792	898	23,131
Depreciation						
At 1 <sup>st</sup> April 2008	96	2,487	32	1,525	-	4,140
Transfers	-	-	-	-	-	-
Impairments	-	-	-	(18)	-	(18)
Revaluations	-	-	-	-	-	-
For year	114	379	8	360	-	861
At 31 <sup>st</sup> March 2009	210	2,866	40	1,867	-	4,983
Net Book Value						
At 1 <sup>st</sup> April 2008	5,159	594	8	3,134	898	9,793
At 31 <sup>st</sup> March 2009	8,020	305	-	8,925	898	18,148

## 10.2 Main Items of Capital Expenditure 2008/09

The main items of capital expenditure during the year related to the further acquisition of operational land and buildings and sites for use within the forthcoming PFI Waste Management Contract.

## 10.3 Capital Commitments

At 31<sup>st</sup> March 2009 the Authority had committed to capital expenditure of £2,856,664 in respect of the acquisition of a further site for use within the PFI contract. The funds for this acquisition were on deposit with Solicitors at the year end and the deal was completed on 8<sup>th</sup> April 2009.

The approved capital programme for 2009/10 totalling £37.8 million includes a sum of £35.8 million in respect of the Authority's agreed capital contribution to the PFI Waste Management Contract. This was the estimated sum payable during 2009/10 out of a total contribution over the next 4 years of £68 million.

## 10.4 Types and Source of Capital Expenditure 2008/09

Capital Expenditure	£000	Financing	£000
Intangible Assets	-	Loan finance	9,328
Fixed Assets	9,328		
	<u>9,328</u>		<u>9,328</u>

## 11 Fixed Asset Revaluations

Operational plant and equipment were valued on the basis of historical cost written down over their anticipated life on a straight-line basis. Operational properties were valued at their open market value by Oldham's Executive Director, Environmental Services and by the District Valuer on 13<sup>th</sup> July 2005.

## 12 Investments

### 12.1 Long Term Investments

At 31<sup>st</sup> March 2009 the Authority held an investment in Greater Manchester Waste Limited of £13.478m, which represented 100% of the issued share capital of the company based on historical cost. The Authority's investment in the company was disposed of on 8<sup>th</sup> April 2009 as part of the arrangements for the 25 year PFI Waste Management Contract. On 27<sup>th</sup> April 2009 following its disposal to Viridor Waste Management Limited the company changed its name to Viridor Waste (Greater Manchester) Limited.

The investment is valued at its original cost throughout this statement of accounts because there is no trade market for the investment through which fair value can be evaluated. The accounts figures for 2008/09 show that the company had net assets of £28.2m (£33.9m in 2007/08) and profit before tax and dividends of £0.8m (£13.3m in 2007/08). A copy of the accounts can be obtained from Viridor Waste (Greater Manchester) Limited, Higher Swan Lane, Bolton BL3 3WW.

Notes 22 and 26 explain the arrangements under which the Authority disposed of its entire interest in the company at the commencement of a long term waste management contract with PFI funding. At that time the Authority's investment in the company ceased. Under the arrangements negotiated with the Preferred Bidder, and as is usual for PFI deals, the

Authority will have the right to take back ownership of the assets at the conclusion of the 25 year contract and will also continue to have access to facilities to process refuse derived fuel.

On 1<sup>st</sup> April 2006 the Greater Manchester Waste Limited group of companies was restructured in order to assist with the ultimate smooth transition into the new PFI contract. As part of this restructure, Greater Manchester Collections (2006) Limited (formerly Greater Manchester Waste (Poland) Limited - a dormant subsidiary) was transferred to the ownership of the Authority. The ownership of GMWL group's interest in collections subsidiaries, Greater Manchester Waste (Manchester Collections) Limited and Greater Manchester Waste (Stockport Collections) Limited, was transferred to Greater Manchester Collections (2006) Limited. The consideration for each of these transfers was £1. On the 29<sup>th</sup> February 2008, Greater Manchester Collections (2006) Limited disposed of its interest in Greater Manchester Waste (Manchester Collections) Limited to Manchester City Council for £1.

The Authority also held an investment of £89 in Man-Oil Limited which represented 89% of the share capital. Man-Oil Limited had been dormant for some years and, during the year, the Authority took the decision to allow the company to be dissolved. The investment of £89 has therefore been written off in the year.

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

## 12.2 Short Term Investment

These consist of temporary bank deposits and are listed below.

		31 <sup>st</sup> March	
		2009	2008
		£000	£000
Temporary loans:	Yorkshire Bank	13	10,000
	Abbey	244	3,541
	Solicitors Client Account	2,867	2,713
		<hr/>	<hr/>
		3,124	16,254
		<hr/>	<hr/>

## 13 Long Term Debtors

The Authority has no long-term debtors.

## 14 LATS Allowances Asset Account

As set out in the Accounting Policies, allowances allocated to the Authority by Defra under the Landfill Allowance Trading Scheme (LATS) are recognised in the balance sheet as current assets at their fair value. There was very little trading in LATS Allowances during 2008/09 (a similar position existed for 2005/06 to 2007/08) and it was therefore difficult to determine what the fair value was at the balance sheet date. In order to deal with this, in previous years CIPFA decided that allowances should be valued at the average of all trades that did take place during those years. However, in 2008/09 there has not been any trading at an acknowledged value of allowances for that year. As in the previous year, and despite its best efforts, the Authority has been unable to sell any of its surplus allowances and current market indications are that there is a surfeit of prospective sellers and no apparent buyers for current allowances. In view of this the Authority considers that the current batch of LATS allowances are of no value and allowances held have been written down accordingly.

The value of LATS allowances held at the end of the year is made up as follows:

	No. of Allowances	Value £000
Allowances b/fwd 1 <sup>st</sup> April 2008	1,058,882	-
Surrendered for 2007/08 BMW Landfill	(582,457)	-
	<hr/> 476,425	-
2008/09 Allowances allocated	645,111	-
Allowances held at 31 <sup>st</sup> March 2009	<hr/> 1,121,536	-

The Authority's liability to account to Defra for LATS Allowances to cover its BMW landfill for 2008/09 was reconciled on 27<sup>th</sup> August 2009. The BMW landfill for 2008/09 has been confirmed at 504,570 tonnes and, in accordance with CIPFA guidance, a liability for BMW Landfill of £Nil (504,570 @ £Nil) has been provided for. This provision is included in Current Liabilities.

Once any trading of allowances for 2008/09 has been concluded, any surplus LATS Allowances remaining will be written off. They cannot be carried forward into 2009/10 as that is a target year for LATS purposes and the rules do not permit any adjustment to the allocated allowances for that year other than by trading within that year.

## 15 Debtors

	31 <sup>st</sup> March	
	2009	2008
	£000	£000
Government debtors	803	1,265
Sundry debtors	29,806	2,587
Sundry debtors - due from subsidiary company	4	-
Provision for doubtful debts	(21)	-
	<hr/> 30,592	<hr/> 3,852

Included in Sundry Debtors within Current Assets is an amount of £29,437,024 receivable from Viridor Laing (Greater Manchester) Ltd, the company that was formed by the PFI Preferred Bidder to be the special purpose vehicle (SPV) for the PFI contract.

This represents the amount paid out by the Authority as at 31<sup>st</sup> March 2009 under the provisions of an Advance Works Contract (AWC).

The AWC was intended to hold, so far as possible, the price and timetable of the construction works that are now part of the PFI contract and thereby protect the Authority from the effects of slippage and cost inflation resulting from delays to the financial close date.

The monies paid out were refunded in full to the Authority on 30<sup>th</sup> April 2009 following signature of the PFI contract on 8<sup>th</sup> April 2009.

16 Creditors - Amounts falling due within one year

	2009 £000	2008 £000
Sundry creditors	12,899	8,717
Inter company - due to subsidiary company	1,690	6,095
Obligations under finance leases	4	8
	<u>14,593</u>	<u>14,820</u>

Creditors - Amounts falling due after more than one year

	2009 £000	2008 £000
Obligations under finance leases	-	4
	<u>-</u>	<u>4</u>

17 Short Term Borrowing

Source of loan	Interest rates payable %	Total outstanding balance at 31 <sup>st</sup> March	
		2009 £000	2008 £000
Public Works Loan Board (PWLB)	1.63	15,000	-
Greater Manchester Pension Fund	1.50	7,000	-
Accrued Interest		75	-
		<u>22,075</u>	<u>-</u>

18 Long Term Borrowing

Source of loan	Range of interest rates payable %	Total outstanding balance at 31 <sup>st</sup> March	
		2009 £000	2008 £000
Public Works Loan Board (PWLB)	4.30 - 9.25	14,356	14,356
Accrued Interest		139	140
		<u>14,495</u>	<u>14,496</u>

The maturity profile of the long-term PWLB loans is	2009	2008
	£000	£000
Maturing less than 2 years	-	-
Maturing in 2 - 5 years	1,500	1,500
Maturing in 5 - 10 years	750	750
Maturing in more than 10 years	12,106	12,106
	<u>14,356</u>	<u>14,356</u>

## 19 Deferred Liabilities

	2009	2008
	£000	£000
Transferred Debt Loans	<u>15,640</u>	<u>16,373</u>

This relates to The Local Government Reorganisation (Debt Administration) (Greater Manchester) Order 1986. These loans relate to debt previously held by the Greater Manchester Council in respect of waste disposal assets which was transferred to the GMWDA on the demise of GMC on 31<sup>st</sup> March 1986. The loan is being repaid to Tameside MBC on an annuity basis over a period of 36 years.

## 20 Net Pensions Asset/Liabilities

As part of its terms and conditions of employment of its staff, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Greater Manchester Pension Fund. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, at a level estimated to balance the pensions liabilities with investment assets.

The 2008/09 pensions costs have been charged to the income and expenditure account on the basis of contributions payable for the year to the Greater Manchester Pension Fund (based on a formal actuarial valuation at 31<sup>st</sup> March 2007) and the pensions payable in the year to retired staff. At 31<sup>st</sup> March 2009, the Authority has the following overall assets and liabilities for pension that are included in the balance sheet.

Year ended 31 <sup>st</sup> March:	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Fair value of Employer Assets	11,257	14,164	15,316	14,876	12,705
Present value of Defined Benefit Obligation	(14,731)	(15,301)	(16,419)	(16,966)	(15,284)
Surplus/(Deficit)	(3,474)	(1,137)	(1,103)	(2,090)	(2,579)

Liabilities have been assessed by rolling forward the previous valuation data to 31<sup>st</sup> March 2009 allowing for changes in financial assumptions as prescribed by the relevant accounting standard. Other factors allowed for in the rolling forward process were the effects of contributions paid into, and estimated benefits paid from, the Fund by the Authority and its

employees. The Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are: -

	2008/09	2007/08
	%	%
Rate of inflation	3.1	3.6
Rate of increase in salaries	4.6	5.1
Rate of increase in pensions	3.1	3.6
Proportion of employees opting to take a commuted lump sum (see below)	0.0	0.0
Expected Return on Assets	6.3	6.9
Rate for discounting scheme liabilities	6.9	6.9

#### Changes in Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme (Amendment) Regulations 2006, SI 2006/966, made a number of changes to LGPS benefits with effect from 1 April 2008, including the right of scheme members retiring on or after 6 April 2008 to elect to take an enhanced tax free lump sum in return for a reduced annual pension. An allowance has been included for 50% of future retirements to elect to take additional tax-free cash up to HMRC limits. Prior to this year the Authority took the view that there was insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme and no allowance was included.

Assets in the Pension Scheme are valued, principally at market value for investments, and consist of the following categories, by proportion:

	Market Value 31/03/09 £000	2008/09 Long-term returns %	2008/09 %	Market Value 31/03/08 £000	2007/08 Long-term returns %	2007/08 %
Equity investment	7,542	7.0	67	8,937	7.7	63
Bonds	1,801	5.4	16	2,647	5.7	19
Property	788	4.9	7	1,232	5.7	9
Cash	1,126	4.0	10	1,348	4.8	9
	<u>11,257</u>	<u>6.3</u>	<u>100</u>	<u>14,164</u>	<u>6.9</u>	<u>100</u>

A reconciliation of the Defined Benefit Obligation is as follows:

	2008/09 £000	2007/08 £000
Opening Defined Benefit Obligation	15,301	16,419
Current service cost	205	225
Interest cost	1,038	869
Contributions by members	90	66
Actuarial (Gains) / Losses	(1,082)	(1,334)
Past service costs	76	23
Estimated Benefits Paid	(897)	(967)
Closing Defined Benefit Obligation	<u>14,731</u>	<u>15,301</u>

A reconciliation of the Fair Value of Employer Assets is as follows:

	2008/09 £000	2007/08 £000
Opening Fair Value of Employer Assets	14,164	15,316
Expected Return on Assets	960	1,038
Contributions by members	90	66
Contributions by the employer	280	241
Actuarial Gains / (Losses)	(3,340)	(1,530)
Estimated Benefits Paid	(897)	(967)
<b>Closing Fair Value of Employer Assets</b>	<b>11,257</b>	<b>14,164</b>

The market value of assets disclosed above is an actuarial estimate. As in previous years, this estimate is based on the value of the assets at 31 December and an estimate of the movement in the Pension Fund's investments over the last 3 months of the financial year.

Under the 2008 SORP the Authority has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. This represents a change of accounting policy. The effect of this change is not considered to be material. Current and prior year surplus have been unaffected by this change.

The actuary has estimated Employer's contributions for the year to 31<sup>st</sup> March 2010 at approximately £330,700.

The actuarial gains and losses on assets and liabilities as absolute amounts and as a percentage of assets or liabilities are as follows:

Year ended 31 <sup>st</sup> March:	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Experience Gains/(Losses) on assets	(3,340)	(1,530)	96	1,954	602
Percentage of assets	(29.67%)	(10.80%)	0.63%	13.14%	4.74%
Experience Gains/(Losses) on Liabilities	1	(623)	4	(1)	546
Percentage of liabilities	0.01%	(4.07%)	0.02%	(0.01%)	3.57%

The actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses (STRGL) are as follows:

Year ended 31 <sup>st</sup> March:	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Actuarial Gains/(Losses)	(2,258)	(196)	904	426	(971)
Increase/(Decrease) in Irrecoverable Surplus from Membership	-	-	-	-	-
Actuarial Gains/(Losses) recognised in STRGL	(2,258)	(196)	904	426	(971)
Cumulative Actuarial Gains and Losses	(2,095)	163	359	(545)	(971)

Mortality rates assumed by the actuary are as follows, expressed in terms of life expectancy at age 65:

	Males	Females
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

## 21 Provision for Insurance

	£000
Balance at 31 <sup>st</sup> March 2008	62
Refund received in year	-
Balance at 31 <sup>st</sup> March 2009	<u>62</u>

The Insurance Fund is maintained to cover personal accident risks to employees whilst carrying out their duties (subject to an excess insurance for large claims) and public liability claims.

## 22 Contingent Liabilities

### Scheme of Arrangement - Municipal Mutual Insurance Limited

In 1992/93 The Authority's then insurers, Municipal Mutual Insurance Ltd (MMI), ceased accepting new business. The Company has subsequently entered into a Scheme of Arrangement with its major creditors (of which the Authority is one) whereby, if there is an adverse change in the Company's financial position and the Directors consider that there is no reasonable prospect of a solvent run off, then a levy may be imposed on the major creditors whereby a portion of claims paid since the 30<sup>th</sup> September 1993 (ignoring the first £50,000 of the aggregated payments) will be clawed back. If a levy is ultimately imposed then subsequent payments will be made at a reduced rate (i.e. the payment percentage). The rate of the levy and the payment percentage may be varied at any time upwards or downwards. If it became necessary to use the Scheme of Arrangement the cost to the Authority at the current rate of levy and payment percentage would be £276,000 (£326,000 - £50,000). The amount of £326,000 is the value of claims paid by MMI that relate to the Authority, since 30<sup>th</sup> September 1993. There are currently no claims outstanding.

Because of the complex nature of MMI's financial position it is not possible to state with any degree of certainty whether the Company will ultimately be able to meet any future claims in full.

### Disposal of Greater Manchester Waste Limited

Under the terms of the new Recycling and Waste Management Contract the Authority disposed of its subsidiary company, Greater Manchester Waste Limited (GMWL), by share sale to Viridor Waste Management Limited (VWM) on 8<sup>th</sup> April 2009. Subsequent to the commencement of the contract and the sale of GMWL to it, VWM will pay the Authority a sum to be identified through Completion Accounts to be compiled as at the date of sale. Under the arrangements negotiated between the Authority and Viridor Laing (Greater Manchester) Ltd, VWM will take full financial responsibility for its operations post purchase. The Authority has not therefore identified any need to recognise a contingent liability in respect of the disposal of GMWL.

## SITA UK Ltd v. GMWDA (Claim Number 8C09C03075)

On the 27<sup>th</sup> August 2009, after the Statement of Accounts had been lodged, SITA UK Limited commenced proceedings in the High Court, Chancery Division against the Authority. The proceedings, Claim Number 8C09C03075, allege breaches by the Authority of the procurement regulations in its letting of the long term Recycling and Waste Management Contract signed by the Authority on the 8<sup>th</sup> April 2009 following Contract Notice 2005/S 26025219, published on the 2<sup>nd</sup> February 2005.

Through the proceedings, SITA UK Limited is said to be seeking unlimited damages, though on the date that it commenced proceedings, it did not set out the particulars of its claim.

The Authority's officers are of the opinion that the claim can be fully resisted successfully by the Authority.

No provision for any claim or its defence has been made in the Accounts for 2008/09 or the budgets for 2009/10 and subsequent years.

### 23 Movement on Reserves

#### Capital Reserves

	Revaluation Reserve	Capital Adjustment Account	Usable Capital Receipts	Pension Reserve	Total
	£000	£000	£000	£000	£000
Balance as at 1 <sup>st</sup> April 2008	636	(8,959)	160	(1,137)	(9,300)
Statutory appropriations from the General Fund balance		732		(79)	653
Unrealised gains/(losses) from impairment of fixed assets	(112)				(112)
Grants applied to capital investment					-
Amounts credited to revenue					-
Other charges				(2,258)	(2,258)
Balance as at 31 <sup>st</sup> March 2009	<u>524</u>	<u>(8,227)</u>	<u>160</u>	<u>(3,474)</u>	<u>(11,017)</u>

#### Revaluation Reserve

The balance in the Revaluation Reserve represents the difference between the valuation of assets under the previous system of capital accounting and the carrying value as at 1<sup>st</sup> April 2007. The reserve is written down by the net book value of assets disposed of together with capital expenditure which has not resulted in an increase in asset values. The balance on this reserve cannot be called upon to support spending.

#### Capital Adjustment Account

The capital adjustment account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charges to repay the principal element of external loans. The balance on this reserve cannot be called upon to support spending.

Balance at 1 <sup>st</sup> April 2008	£000	£000
Statutory appropriation from General Fund Balances: -		(8,959)
Repayment of transferred debt	733	
Minimum Revenue Provision	561	
Depreciation of Fixed Assets	(869)	
Amortisation of Government Grants	307	
Impairment of fixed assets	-	
Net Movement in Reserve		<u>732</u>
Balance at 31 <sup>st</sup> March 2009		<u>(8,227)</u>

### Usable Capital Receipts

The Local Government and Housing Act 1989 requires that a percentage of all capital receipts be set aside as a provision for credit liabilities. The balance remaining, known as usable capital receipts, can be applied to finance new capital expenditure.

### Revenue Reserves

	Specific Reserves			Total
	Insurance Reserve	LATS Equalisation Reserve	General Fund Balance	
	£000	£000	£000	£000
Balance as at 1 <sup>st</sup> April 2008	391	447	4,572	5,410
Deficit on revaluation of LATS Allowances		-		-
LATS transfer		-		-
Net surplus for the year			533	533
Balance at 31 <sup>st</sup> March 2009	<u>391</u>	<u>447</u>	<u>5,105</u>	<u>5,943</u>

The Insurance Reserve has been established to meet expenditure relating to various types of claim, which are not covered by the Insurance Fund.

The LATS Equalisation Reserve is described at Accounting Policy 17.

## 24 Related Parties

Greater Manchester Waste Limited was a wholly owned subsidiary of the Authority, with which there were contracts for the treatment and disposal of waste during 2008/09.

Total expenditure by the Authority for the year in respect of these contracts and other services amounted to £71.2m (2007/08 £73.1m).

The contract with Greater Manchester Waste Limited that was in force during 2008/09 ran from 1<sup>st</sup> April 2006 until the commencement of the PFI contract on 8<sup>th</sup> April 2009.

Balances due from/(to) Greater Manchester Waste Limited at 31<sup>st</sup> March 2009 were:

	2009 £000	2008 £000
Debtors - Interest receivable	4	-
Creditors	(1,690)	(6,095)

Levy payments by the constituent Local Authorities and the reductions for tonnage rebates were as follows: -

	2009		2008	
	Levy £000	Rebate £000	Levy £000	Rebate £000
Bolton MBC	10,342	(393)	9,538	(596)
Bury MBC	8,191	(182)	7,174	(371)
Manchester CC	16,549	(243)	15,814	(423)
Oldham MBC	8,720	(500)	8,136	(492)
Rochdale MBC	7,060	(413)	7,352	(479)
Salford CC	9,206	(300)	8,514	(120)
Stockport MBC	11,204	(460)	10,848	(584)
Tameside MBC	8,470	(486)	8,254	(200)
Trafford MBC	9,361	(447)	8,922	(352)
	89,103		(3,424)	
			84,552	
			(3,617)	

Levies and commercial charges receivable in the year all relate to the nine member authorities in the Greater Manchester area to finance expenditure.

Under arrangements for joint services agreed by the Association of Greater Manchester Authorities in 1986 on the demise of the former Greater Manchester County Council, Oldham Council was nominated as the Lead District for the Authority. In that capacity Oldham Council's Chief Executive has acted as this Authority's Clerk. In addition to this strategic leadership Oldham Council provided services to the Authority for which charges are made in respect of:

- Strategic procurement advice
- Property advice
- IT direct service provision
- Legal advice
- Authority meeting servicing and hosting

The charges for this were £208k in 2008/09 (2007/08 £561k). Throughout 2008/09 the Authority continued to reduce its reliance for services on Oldham Council.

In addition, the following transactions involving parties related to the Authority are disclosed elsewhere within the accounts: -

- Receipts from central government - see Cash Flow Statement
- Payments to the Pension Fund - see Note 4 to the accounts

In 2008/09 the Register of Members' Interests was held at the GMWDA offices, Media Chambers, Barn Street, Oldham and is available for public inspection upon application.

None of the senior managers of the GMWDA had any material transactions with the Authority during the year.

## 25 Financial Instruments

### 25.1 Financial Assets and Liabilities

The following table details the categories of financial assets and liabilities held by the Authority as at 31<sup>st</sup> March 2009

	Balance as at 31 March 2009	
	Current £000	Long Term £000
<b>Assets</b>		
Loans and Receivables	33,716	-
Available for Sale	-	13,478
<b>Liabilities</b>		
Financial liabilities held at amortised cost	(36,668)	(14,495)

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

- **Loans and Receivables**  
Loans and receivables are predominantly cash (bank) deposits held by the Authority and debtors of the Authority where there is a contractual obligations to receive future economic benefits. These assets are initially valued at fair value and held on the Balance Sheet at amortised cost. The amortised cost is calculated by reference to the Effective Interest Rate (EIR) which is the rate which exactly discounts the forecasted cashflows over their expected life to their carrying amount. For most short term assets (such as trade receivables) the carrying value is deemed to be the invoiced amount.
- **Available for Sale**  
Available for Sale financial assets are those that are not required by the SORP to be classified by another category and generally include equity investments and other investments traded in an active market. These assets are carried on the Balance Sheet at their fair value. In the case of the equity investment held on the Authority's Balance Sheet, these are measured at cost (in accordance with the SORP guidance notes) as the investment is not traded in any market and therefore it is not possible to make a reliable estimate of fair value.
- **Amortised Cost**  
This categorisation includes all financial liabilities that are not held for trading or are derivatives. The items classified as Amortised Cost financial liabilities include the Authority's PWLB debt and all trade creditors. These liabilities are carried at amortised cost using the EIR method. In accordance with the EIR method, any premiums, discounts or material transaction costs are included within the calculation to determine the charge to be made to the Income and Expenditure Account in respect of interest payable.

## 25.2 Gains and Losses Recognised in the Income and Expenditure Account and STRGL

The table below outlines the gains and losses that have been charged to the Income and Expenditure Account and the STRGL in relation to financial instruments.

	Financial Liabilities £000	Financial Assets £000	Available For Sale £000	Total £000
Interest expense	2,273			2,273
Losses on de-recognition				
Impairment losses	0	0	0	0
Interest payable and similar charges	2,273	0	0	2,273
Interest income		(409)		(409)
Gains on de-recognition				
Interest and investment income		(409)		(409)
Net loss for the year	2,273	(409)	0	1,864

## 25.3 Fair Value of Assets and Liabilities Carried at Amortised Cost

The 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. In calculating the fair value of the Authority's financial assets and liabilities, the following assumptions have been used:-

- the fair value of trade receivables and payables are assumed to be the invoiced or billed amount;
- for all PWLB loans, the interest rate used for the purpose of calculating the fair value is taken to be the rate available for new loans within the relevant banding as at 31 March 2009;
- No early repayment or impairment is recognised.

The table below outlines the fair value of assets and liabilities as at 31<sup>st</sup> March 2009.

	Carrying Amount £000	Fair Value £000	Variance £000
Financial Liabilities - PWLB Loans	29,356	32,768	3,412
Financial Liabilities - Market Loans	7,000	7,000	-
Total Financial Liabilities	36,356	39,768	3,412
Available for Sale Assets	13,478	13,478	-

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

The PWLB have provided calculations for the fair value of loans outstanding as at 31 March 2009 based on the new rates introduced for the early repayment of loans. Based on these rates, the fair value of loans outstanding as at 31 March 2008 is £32,768k.

## 25.4 Nature and Extent of Risks Arising from Financial Instruments

The Authority's financial instruments include financial assets (cash and cash equivalents and loans and receivables) and financial liabilities (trade payables arising from day to day operations and borrowings). The main purposes of the Authority's financial instruments are to raise finance to support the Authority's day-to-day operations (by investing surplus cash balances where appropriate) and to finance investment undertaken through the capital programme.

As part of the ongoing activities, the Authority is exposed to credit risk, liquidity risk and market risk. The Authority's overall risk management programme recognises the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services. Risk Management of financial instruments is the responsibility of the Clerk and the Treasurer with day-to-day responsibility delegated to the Executive Director and the remainder of the Authority's Senior Management Team under the policies approved by the Authority in the annual Treasury Management Strategy. The Strategy provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk and the investment of surplus cash.

- **Credit Risk**  
Credit risk is the risk that a third party will default on its obligations with the Authority. The Authority's exposure is limited as its only assets are held in the form of freehold property and untraded equity investments. Any surplus cash balances are invested directly by the Authority finance staff subject to the Authority's policies as detailed in the Treasury Management Strategy.
  
- **Liquidity Risk**  
Liquidity risk is the risk arising from maturities of financial instruments being unmatched to cashflows. At the present time the Authority has ready access to borrowing from the money market via the brokers for the short term and from the Public Works Loan Board (PWLB) for the medium and long term. So there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There is a low risk that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To this extent rates will be monitored to ensure that new loans and where applicable, restructuring can be used to negate against having a significant proportion of the debt portfolio repayable at any one time.

The maturity analysis of financial liabilities is at note 17. All trade and other payables are due to be paid in less than one year.

- **Market Risk**  
The Authority like others is exposed to significant risk in terms of its exposure to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Authority. For example a rise in interest rates would have the following effects:
  - Borrowings at variable rates - the interest charged to the Income and Expenditure Account will rise;
  - Borrowing at fixed rates - the fair value of the borrowing liabilities will fall;
  - Investments at variable rates - the interest credited to the Income and Expenditure Account will rise; and
  - Investments at fixed rates - the fair value of the assets will fall.

However borrowings and investments are not carried at fair value so nominal gains and losses on fixed rate borrowings and loans would not impact on the Income and Expenditure Account or the STRGL.

The Authority is risk averse and seeks to minimize exposure arising from its treasury activities and does not undertake any unnecessary borrowing or investment activity. When it lends it spreads the investments amongst several borrowers in accordance with the Authority's Treasury Management Strategy so as to hedge its position should a financial institution default. When lending, the Authority will tend to hedge its position rather than to attempt to maximize interest receivable.

At the Balance Sheet date all of the Authority's borrowings were at fixed rates of interest and were therefore not sensitive to fluctuations in interest rates.

- **Price Risk**  
Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. However the Authority's equity shareholding is not traded in an active market nor does the Authority seek to trade it prior to the commencement of the PFI contract. As a consequence the Authority is not currently exposed to price risk arising from movements in the price of shares.
- **Foreign Exchange Risk**  
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Authority does not have financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 26 Post Balance Sheet Events

### 25 Year Private Finance Initiative (PFI) Recycling and Waste Management Contract

On 8<sup>th</sup> April 2009 the Authority signed a Waste Management PFI contract with Viridor Laing (Greater Manchester) Limited (Company Number 06411311).

As the contract was signed on the 8<sup>th</sup> April 2009, and delivery of services began the following day, there is no obligation under the current accounting framework to refer to this contract in the Statement of Accounts for the Financial Year 2008/2009. However, given the magnitude and significance of the proposed contract, it is felt appropriate that a voluntary disclosure of substance is made within this Statement.

The contract is for a period of 25 years and received £124.5 million of PFI credits from HM Government. The contract involves the delivery over that 25 year period of all of the waste management services for which the Authority is responsible, other than the maintenance of closed landfill sites.

As part of the negotiations about funding the project, the Authority has become a lender to the project. This was undertaken after close consultation with DEFRA and HM Treasury.

As mentioned above this is a voluntary disclosure of substance in the Statement of Accounts for the year to 31<sup>st</sup> March 2009, the formal accounting treatment of all aspects of the transaction will be made in the Statement of Accounts for the year to the 31<sup>st</sup> March 2010.

## 27 Approval of Accounts for Publication

The accounts were approved for publication by the Authority's s.151 Officer (the Treasurer) on 25<sup>th</sup> September 2009.

# GROUP ACCOUNTS

At 31<sup>st</sup> March 2009 the Authority had a 100% interest in each of its subsidiary companies: Greater Manchester Waste Limited, the Company established in 1995 to operate waste disposal contracts on behalf of the Authority, and Greater Manchester Collections (2006) Limited. The summarised group financial statements presented show the consolidated financial position of the Authority and its interest in the Subsidiary Companies. The effect of the consolidation is to increase revenue reserves by £14.911m in representing the Authority's share of the accumulated profits of the subsidiary Companies. These reserves are not available to the Authority.

## Basis of Consolidation

The features of the group income and expenditure account and balance sheet are as follows:

- Assets and liabilities of the Authority and its subsidiaries have been added together;
- Balances, including loans, between the Authority and the subsidiaries have been eliminated;
- The Authority's investment against the capital of the subsidiaries has been eliminated;
- The Authority's share of the subsidiaries' income and expenditure has been included after eliminating inter-company transactions;
- Dividends received by the Authority from the subsidiaries have been eliminated.

## GROUP INCOME AND EXPENDITURE ACCOUNT

	2008/09 Gross Expend £000	2008/09 Income £000	2008/09 Net Expend £000	2007/08 Net Expend £000
CONTINUING SERVICES				
Waste Disposal	95,230	(12,921)	82,309	73,994
Other Operations	-		-	654
			<hr/>	
NET COST OF SERVICES			82,309	74,648
Interest payable and similar charges			2,290	2,096
Interest and investment income			(696)	(1,467)
Landfill Allowance Trading Scheme			-	(118)
Pension Interest Cost and Expected Return (FRS17)			(245)	(986)
Tax Payable by Group Entities			253	283
			<hr/>	
NET OPERATING EXPENDITURE			83,911	74,456
			<hr/>	
Levies on Districts			(89,103)	(84,552)
Tonnage rebates to Districts			3,424	3,617
			<hr/>	
NET LEVY INCOME FROM DISTRICTS			(85,679)	(80,935)
			<hr/>	
(SURPLUS) FOR YEAR			(1,768)	(6,479)
			<hr/>	

***RECONCILIATION OF THE SINGLE ENTITY INCOME AND EXPENDITURE ACCOUNT SURPLUS OR DEFICIT TO THE GROUP INCOME AND EXPENDITURE SURPLUS OR DEFICIT***

	2008/09 £000	2007/08 £000
(Surplus) Deficit for the year on the Authority's Single Entity Income and Expenditure Account	(1,186)	(2,680)
Less: subsidiary dividend income included in the single entity surplus or deficit on the Income and Expenditure Account	-	-
Add: surplus arising from subsidiaries included in the group accounts	(582)	(3,799)
	_____	_____
Group Account (surplus) or deficit for the year	(1,768)	(6,479)
	_____	_____

## *GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES*

	2008/09 £000	2007/08 £000
(Surplus)/Deficit for the year on the Income and Expenditure Account	(1,768)	(6,479)
Deficit arising on revaluation of landfill allowances	-	6,124
(Surplus)/Deficit arising on Revaluation of Fixed Assets	112	(636)
Actuarial (gains)/losses on pension fund assets and liabilities	10,925	(2,997)
Movement on deferred tax relating to pension asset	(2,427)	894
	<hr/>	<hr/>
Total recognised (gains) / losses for the year	6,842	(3,094)
	<hr/>	<hr/>

**GROUP BALANCE SHEET AS AT 31ST MARCH 2009**

	Notes to Group Accounts	2009 £000	2008 £000
INTANGIBLE ASSETS	1	1,177	1,350
TANGIBLE FIXED ASSETS	2	44,738	37,881
<b>LONG TERM DEBTORS</b>			
Loan Notes and other debtors		-	-
<b>CURRENT ASSETS</b>			
Stock		426	452
LATS Allowance Asset Account		-	-
Debtors		38,243	9,157
Cash and Bank		5,857	5,512
Short Term Investments (repayable within 12 months)		3,124	16,254
<b>CURRENT LIABILITIES</b>			
Creditors (less than one year)	3	(24,596)	(18,807)
Short term borrowing		(22,075)	-
Liability for BMW Landfill		-	-
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>46,894</b>	<b>51,799</b>
<b>LONG TERM LIABILITIES</b>			
Creditors (more than one year)	4	(1,386)	(1,441)
Pensions liability	5	(5,011)	(1,137)
Provision for liabilities and charges	6	(249)	(1,090)
Long Term Borrowing		(14,495)	(14,496)
Deferred Liabilities		(15,640)	(16,373)
Government Grants Deferred		(102)	(409)
Provision for Insurance		(62)	(62)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>9,949</b>	<b>16,791</b>
<b>RESERVES AND OTHER BALANCES</b>			
Revaluation Reserve		524	636
Capital Adjustment Account		(8,227)	(8,959)
Pensions Reserve		(3,474)	(1,137)
Usable Capital Receipts		160	160
Insurance Reserve		391	391
LATS Equalisation Reserve		447	447
Revenue Account Surplus		20,128	25,253
<b>TOTAL EQUITY</b>		<b>9,949</b>	<b>16,791</b>

John Bland  
Treasurer and Deputy Clerk  
25<sup>th</sup> September 2009

## GROUP CASH FLOW STATEMENT

	2008/09 £000	2007/08 £000
NET CASH FLOW ON REVENUE ACTIVITIES	5,447	8,467
Returns on Investments and Servicing of Finance		
<i>Cash Outflows</i>		
Interest paid	(2,215)	(2,095)
Dividends paid to minority interests	-	-
<i>Cash Inflows</i>		
Interest received	692	1,467
Taxation		
UK Corporation Tax paid	(375)	(2,408)
UK Corporation Tax repaid	124	-
Capital Activities		
<i>Cash Outflows</i>		
Purchase of fixed assets	(17,296)	(3,451)
Payment to Escrow account re pensions	(50)	-
Advance Works Contract payments	(22,835)	-
Purchase of subsidiary undertakings	-	-
Cash adjustment on purchase and sale of subsidiaries	-	(326)
<i>Cash Inflows</i>		
Sale of fixed assets	2,456	159
Capital grants received	-	-
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING	(34,052)	1,813
Financing		
<i>Cash outflows</i>		
Repayment of amounts borrowed	(733)	(671)
Purchase of short term loans	(176,899)	(223,869)
Repayment of principal under finance leases	-	-
<i>Cash Inflows</i>		
New loans raised	22,000	-
Maturity of short term loans	190,029	220,715
NET INCREASE/(DECREASE) IN CASH	345	(2,012)

## NOTES TO THE GROUP ACCOUNTS

### 1. *Intangible Assets*

	Computer Software	Goodwill	Total
<u>Cost</u>			
As at 1 <sup>st</sup> April 2008	40	1,647	1,687
Additions	-	-	-
As at 31 <sup>st</sup> March 2009	<u>40</u>	<u>1,647</u>	<u>1,687</u>
<u>Amortisation</u>			
As at 1 <sup>st</sup> April 2008	7	330	337
Charge for year	8	165	173
As at 31 <sup>st</sup> March 2009	<u>15</u>	<u>495</u>	<u>510</u>
<u>Net Book Value</u>			
At 31 <sup>st</sup> March 2008	<u>33</u>	<u>1,317</u>	<u>1,350</u>
At 31 <sup>st</sup> March 2009	<u>25</u>	<u>1,152</u>	<u>1,177</u>

2. *Fixed Assets*

	Operational Assets				Non-Operational Assets	Total
	Land and Buildings	Vehicles, Plant and Equipment	Infra-structure	Assets under construction	Land and Buildings	
	£000	£000	£000	£000	£000	£000
<b>Cost or Revaluation</b>						
At 1 <sup>st</sup> April 2008	24,962	44,143	4,659	102	898	74,764
Transfers	-	102	-	(102)	-	-
Additions	3,691	3,589	6,263	21	-	13,564
Disposals	-	(2,674)	-	-	-	(2,674)
Impairment	-	-	(130)	-	-	(130)
At 31 <sup>st</sup> March 2009	28,653	45,160	10,792	21	898	85,524
<b>Depreciation</b>						
At 1 <sup>st</sup> April 2008	8,313	27,045	1,525	-	-	36,883
Transfers	(3)	3	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	(325)	-	-	-	(325)
Impairment	-	-	(18)	-	-	(18)
For year	1,082	2,804	360	-	-	4,246
At 31 <sup>st</sup> March 2009	9,392	29,527	1,867	-	-	40,786
<b>Net Book Value</b>						
At 1 <sup>st</sup> April 2008	16,649	17,098	3,134	102	898	37,881
At 31 <sup>st</sup> March 2009	19,261	15,633	8,925	21	898	44,738

The net book value of Vehicles, Plant and Equipment at 31<sup>st</sup> March 2009 includes an amount of £Nil (2008: £8k) in respect of assets held under finance leases.

3. *Creditors (less than one year)*

	2009	2008
	£000	£000
Sundry Creditors	24,592	18,799
Obligations under Finance Leases	4	8
	<u>24,596</u>	<u>18,807</u>

4. *Creditors (more than one year)*

	2009 £000	2008 £000
Obligations under Finance Leases	-	4
Accruals and deferred income	1,386	1,437
	<u>1,386</u>	<u>1,441</u>

5. *Pensions liability*

The movement in the net pension liability is as follows:-

	2008/09 £000	2007/08 £000
Surplus/ (Deficit) beginning of year	(1,137)	(6,732)
Current service cost	(2,293)	(3,019)
Employer contributions	9,035	5,201
Other income	0	53
Other expenses	0	(135)
Past service costs	(534)	(489)
Impact of settlements and curtailments	-	-
Net return on assets	245	986
Actuarial gains/ (losses)	(9,035)	7,983
Provision against surplus and deferred tax asset	(1,292)	(4,985)
Net pension liability at 31 <sup>st</sup> March	<u>(5,011)</u>	<u>(1,137)</u>

6. *Provision for Liabilities and Charges*

	2009 £000	2008 £000
Deferred Tax provision		(249)(1,090)
	<u>          </u>	<u>          </u>

# GLOSSARY

Please see our website which has a glossary containing all acronyms relating specifically to the waste industry which have been used in this document at [http://www.gmwda.gov.uk/gmwda\\_glossary\\_of\\_terms.doc](http://www.gmwda.gov.uk/gmwda_glossary_of_terms.doc)

## ACCOUNTING POLICIES

These principles, bases, conventions, rules and practices applies by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) recognising;
- (ii) selecting measurement bases for; and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

## ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## ACTUARIAL GAINS AND LOSSES

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

- (i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- (ii) the actuarial assumptions have changed.

## BALANCES AND RESERVES

These represent the accumulated 'free' monies of the Authority. Reserves are often earmarked for specific purposes, but generally may be raised to finance future capital expenditure, replacements or renewals, or a major event to be sponsored by the Authority.

## CAPITAL EXPENDITURE

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

## CAPITAL ADJUSTMENT ACCOUNT

The account will record the consumption of historic cost over the life of the asset and deferred charges over the period that the Authority benefits from the expenditure. It will also record the resources set aside to finance capital expenditure.

## CAPITAL FINANCING ACCOUNT

The introduction of a new system of capital accounting from 1 April 1994 required the establishment of this new reserve account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

The account disappears at 1 April 2007.

## CAPITAL RECEIPTS

The proceeds from the sale of capital assets which, subject to various limitations can be used to finance Capital Expenditure or to repay leasing charges or outstanding debt on assets originally financed through loan.

### CONTINGENT LIABILITY

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

### CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which Authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### CURRENT SERVICE COST (PENSIONS)

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

### CURTAILMENT

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

- (i) termination of employees services earlier than expected, for example as a result of closing or discontinuing a business unit; or
- (ii) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### DEFERRED CHARGES

These represent capitalisable items of expenditure where no tangible asset exists but where the cost is to be amortised to revenue over an appropriate period.

### DEFINED BENEFIT SCHEME

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

### DEFINED CONTRIBUTION SCHEME

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

### DEPRECIATION

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

#### DERECOGNITION

The discharge of verified Biodegradable Municipal Waste landfill usage liability at the end of the reconciliation period (i.e. the following year).

#### DISCONTINUED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classifications of Income and Expenditure. An operation should be classified as discontinued when the activities related to the operation have ceased permanently and the termination has a material effect on the nature and focus of the Authority's operations and represents a material reduction in its provision of services.

#### DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers.

#### EMOLUMENTS

All sums paid to or receivable by an employee and sums due by way of expenses/allowances (as far as those sums are chargeable to UK income tax) and the money value of any benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

#### ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and charges to reserves.

#### 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.

#### EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

#### FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

#### FIXED ASSETS

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

## FIXED ASSET RESTATEMENT ACCOUNT

A reserve required following the introduction of a new capital accounting regime from 1 April 1994, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

This account disappears at 1 April 2007.

## GOVERNMENT GRANTS

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

## IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

## INFRASTRUCTURE

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

## INTEREST COST (PENSIONS)

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

## INVESTMENTS (PENSIONS FUND)

The investments of the Pension Fund will be accounted for in the statements of that Fund. However, Authorities (other than Town, Parish and Community Councils and District Councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

## NET BOOK VALUE

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

## NET CURRENT REPLACEMENT COST

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

## NET REALISABLE VALUE

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

## NON-DISTRIBUTED COSTS

Overheads for which no user now benefits and that are not apportioned to services.

## NON-OPERATIONAL ASSETS

Fixed assets held by an Authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

## OPERATING LEASES

A lease other than a finance lease. This is a method of financing assets which allows the Authority to use, but not own the asset. A third party purchases the asset on behalf of the Authority, who then pay the lessor an annual rental over the life of the asset. Expenditure financed by operating leasing does not count against capital allocations.

## OPERATIONAL ASSETS

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

## PAST SERVICE COST

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

## PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## PROJECTED UNIT METHOD

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

- (i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- (ii) the accrued benefit for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

## PROVISIONS

These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.

## RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:-

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or

- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Authority include:-

- (i) central government;
- (ii) local authorities and other bodies precepting or levying demands on the Council Tax;
- (iii) its subsidiary and associated companies;
- (iv) its joint ventures and joint venture parties;
- (v) its members;
- (vi) its chief officers; and
- (vii) its pension fund.

Examples of related parties of a pension fund include its:-

- (i) administering authority and its related parties;
- (ii) scheduled bodies and their related parties; and
- (iii) trustees and advisors.

For individuals identified as related parties, the following are also presumed to be related parties:-

- (i) members of the close family, or the same household; and
- (ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

#### RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:-

- (i) the purchase, sale, lease, rental or hire of assets between related parties;
- (ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (iv) the provision of services to a related party, including the provision of pension fund administration services; and
- (v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

#### RETIREMENT BENEFITS

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

- (i) an employer's decision to terminate an employee's employment before the normal retirement date; or
- (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### REVALUATION RESERVE

This Reserve accounts for amounts where the current value net book value of an asset is above its historic cost net book value. It also represents the accumulated amount of valuation gains less amounts written off owing to depreciation and impairment.

### REVENUE EXPENDITURE

This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

### SCHEME LIABILITIES

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

### USEFUL LIFE

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