

Greater Manchester

WASTE
DISPOSAL

Authority

STATEMENT
OF
ACCOUNTS
2007 / 2008

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EXPLANATORY FOREWORD

1. The accounts of the Authority for the financial year 2007/08 are set out on pages 17 to 56.

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 in its net worth;
 - d) The Balance Sheet – which sets out the financial position of the Authority on 31st March 2008, 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 £1.137m (£1.103m in 2006/07).

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 2007/08

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 2007 the Authority approved the revenue budget for 2007/08 amounting to £90.970m. The budget did not assume any contribution from balances and was based on a projected balances figure as of 31st March 2007 of £2.358m. Following finalisation of the 2006/07 accounts the actual level of balances was £2.756m.

In February 2008 the Authority approved a revised budget for 2007/08 of £84.131m. This represented a reduction of £6.839m on the original budget. As a result of this large reduction in the budget estimate, the Authority approved a rebate to Districts against the original Levy of £6.418m.

The table below summarises the revenue costs of the Authority in 2007/08 compared to the Original and Revised Budgets:

	Original Budget £000	Revised Budget £000	Actual £000
<u>WASTE DISPOSAL</u>			
Net Expenditure	90,970	84,131	82,736
Levy on districts	<u>90,970</u>	<u>84,552</u>	<u>84,552</u>
Net contributions to/(from) balances for year	0	421	1,816

The net cost of services in 2007/08, after interest and similar charges, was £82.736m. This is a reduction of £0.085m (0.1%) on the equivalent figure for 2006/07. This reduction in service cost was achieved despite inflationary pressures and partly explained by the Authority and its districts succeeding in reducing the total municipal solid waste collected for disposal and increasing total recycling and composting.

Balances

6. The Authority's revenue balances at 31st March 2008 stood at £4.572m. For 2008/09 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 £3.007m.

Capital

7. Capital expenditure relates essentially to spending on assets that last for more than one year. The Authority spent £1.473m on capital schemes in 2007/08.
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 to the Authority, Media Chambers, 5 Barn Street, Oldham OL1 1LP.

Telephone Number: 0161 770 1700

Website: www.gmwda.gov.uk

JR BLAND, CPFA

Treasurer to the Authority

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 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 31st March 2008. 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, issued by CIPFA/LASAAC, and also with guidance notes issued by CIPFA on the application of accounting standards (SSAPs) 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.

In addition, Oldham MBC's internal audit staff provide an independent opinion on the adequacy and effectiveness of the system of financial control.

3. Certification of Accounts

I certify that the Statement of Accounts present fairly the position of the Greater Manchester Waste Disposal Authority at 31st March 2008 and its income and expenditure for the year ended 31st March 2008.

Signed John Bland
Treasurer to the Authority

Date 26th September 2008

4. **Approval of accounts**

In accordance with the Accounts and Regulations 2003 I certify that the Audited Statement of Accounts was approved at a Meeting of the Authority on 26th September 2008.

Signed Cllr. Michael Young
Vice-Chair of the Authority

Date: 26th September 2008

ANNUAL GOVERNANCE STATEMENT 2007/08

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 and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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 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 31st March 2008 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 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 target for 2005/06 of recycling and composting of 20% of household waste was met and the target is 33% for 2010;
- to arrest the increases in 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 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 **Best Value Performance Plan (BVPP)**. The BVPP 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. In 2008/09 a **Corporate Plan** will fulfil a similar purpose to the BVPP in converting the Authority's vision and objectives as expressed through the MWMS, into operational plans.

- (c) The key action to secure delivery of the MWMS is the letting by the Authority of a long-term 25-year PFI Waste Management contract. The procurement, commenced in February 2005, has as its main objective the replacement of the conurbation's waste disposal infrastructure so as to ensure the achievement of the MWMS. The Preferred Bidder's bid meets these requirements and is within the affordability parameters of the Outline Business Case approved by Government in consenting to release £100m of PFI credits. The project is 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; Treasurer and Solicitor; advisors; and nominees of DEFRA's Waste Implementation Development Programme. The Steering Group met monthly in 2007/08.

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 meets 6-weekly throughout the year, 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. 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. In 2007/08 this Committee was not appointed to, and therefore not used.

On occasion during the year, 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 will cause the Scheme of Delegation under the Constitution 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 (November in 2007) 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 is the Chair of the Audit Committee in his host council, and other Authority Members have extensive relevant experience in these matters. In 2007/08, 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 has performed a body of work to enable her to issue a formal view on the proposed accounting treatment of the transaction. To permit this, the External Auditor was briefed throughout 2007/08 and 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 and its high financial value have combined throughout 2007/08 to require the Authority's Clerk (who is also the Authority's Monitoring Officer), Treasurer and Solicitor to involve themselves 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.

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. 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 and the contract structure and expected financial value of the PFI contract on signature. In 2007, the Authority, with DEFRA financial assistance under the WRAP regime, took a party of Members and Officers from this Authority and from its nine constituent councils to Germany to view in operation the technology underpinning the Preferred Bidder's bid. The visit gave reassurance to those viewing that the technology matched the Authority's expectations about operational and environmental performance.

Communications

- (j) The Authority is proactive in its communications. It chooses to be proactive because it is vital 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 convey its messages. As planning applications for new facilities are made, the communities in which the facilities will be located are 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 maintains 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.

As facilities are constructed under the PFI contract, community liaison groups including ward councillors will be 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 agreed 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.

Once the PFI contract is in operation, the Authority has agreed with the Preferred Bidder that a partnership approach will be taken to it. In September 2007, the Authority adopted a partnership structure for the contract of a Strategic Partnering Board with member involvement, underpinned by a 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.

Since September 2007, preparations to mobilise the PFI contract have been worked on by shadow operation of the partnership structure, as described above. The PFI contract encompasses the periodic performance reporting obligations of the contractor, and these have been augmented.

Governance of the Authority’s Companies

- (l) Throughout 2007/08, the Authority has owned and controlled its service provider, Greater Manchester Waste Limited, and a transitional holding company, Greater Manchester Collections (2006) Ltd. These companies are controlled through formal minuted shareholders’ meetings with the companies’ executive directors, where the Authority’s performance requirements are conveyed, and by day-to-day liaison with them by the Authority’s Deputy Treasurer.

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 31st 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 following matters, mainly concerned with the implementation of the PFI contract, are regarded as significant governance issues because of their potential to prevent the MWMS from full and timely achievement:-

- (a) **Conclusion of the PFI Contract** - At the time of drafting this statement, financial close of the PFI contract is very near. A clear plan is in place to reach close and, to that end, close dialogue with the Preferred Bidder has been and is continuous;
- (b) **Planning Approval of the Ineos Chlor Refuse Derived Fuel Combined Heat and Power Plant** - At the time of drafting this statement, the Authority's Preferred Bidder has not obtained Planning Approval for this site. The Project Agreement fixes and protects the Authority's position and, amongst other things, retains a right partially to terminate the PFI contract if a Planning Refusal occurs.
- (c) **Site Acquisition** - At the time of drafting this statement, the Authority and its Preferred Bidder still require one site on which to locate an In-Vessel Composter. The lack of a site represents a potential risk to the achievement of the diversion targets under the PFI contract, and to the achievement of the Authority's LATS targets. If a site cannot be obtained, then a change to the contract, or a variation of the MWMS, or both will be required.
- (d) **Resilience of the Inter-Authority Agreement** - The early years of the PFI contract, before the "steady state" is reached, may see volatility in charging which, in turn, may lead some of the districts to seek to step outside the IAA.
- (e) **Control of Costs and of Construction Performance under the PFI Contract** - The Authority has resourced itself to client the contract pro-actively. The Project Agreement sets out the performance and control framework for the contract, but the concern remains that cost increases and construction progress falling away can jeopardise the contract's successful execution with related effects for the achievement of the Authority's LATS targets.

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.

Neil Swannick Chair of the Authority

Andrew Kilburn Clerk

John Bland Treasurer

Paul Dunn Executive Director 27th June 2008

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

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 2008 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 the 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and auditor

The Treasurer to the Authority's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 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 Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- 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 Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 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 Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. 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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, 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 2008

Best value performance plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 in December 2007. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

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
District Auditor
Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

Date: 30th September 2008

STATEMENT OF ACCOUNTING POLICIES

1. General

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

2. Fixed Assets

A fundamental change in the recording of the value of fixed assets in the Balance Sheet and the costs charged to services of using these assets in the Revenue Account took place with effect from 1st April 1994.

From this date fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the following grouping required by the Code of Practice on Local Authority Accounting:

- 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 13th July 2005. Amounts incurred which have not added value to the asset are written down on acquisition.

The deficit arising on the initial valuation of fixed assets was credited to the fixed asset restatement account (see Accounting Policy 11). Subsequently where expenditure during the year results in a change to asset values the appropriate amounts are brought into the accounts, otherwise expenditure is transferred to the fixed asset restatement reserve. Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to individual asset valuations will be adjusted in the interim period, as they occur.

The Authority had a de minimis limit for capital expenditure during 2007/08 of £5,000.

Intangible fixed assets such as computer software are capitalised at cost and amortised over their estimated useful lives.

3. Capital Charges to Revenue Accounts

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations in the Statement of Movement on the General Fund Balance.

4. Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- For fixed assets other than non-operational assets, the only ground for not charging depreciation is that the depreciation is immaterial. HWRC and former landfill sites are depreciated over a life of fifty years;
- 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 in to use. Vehicles are depreciated from the year of purchase, no depreciation being made in year of sale;
- Depreciation is calculated using the straight-line method at the following rates:

Operational buildings	- 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
Intangible assets – computer software	- over 5 years

5. Finance and Operating Leases

Assets acquired under finance leases are capitalised at an amount equal to the fair value of the asset. The finance cost element of the lease rental is charged to revenue on a straight-line basis over the term of the lease. Costs in respect of operating leases are charged to revenue on a straight-line basis over the term of the lease.

6. Investments

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

7. Debtors and Creditors

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 31st March 2008. 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 31st March 2008.

8. 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.

9. 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 2007/08, 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 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.

10. 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.

11. Reserves

From 1st April 2007, the SORP required the establishment of two new reserve accounts in the balance sheet:

- the balance on the fixed asset restatement account, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets was transferred to the Capital Adjustment Account (see below) and a new Revaluation Reserve was set up with a starting balance of £nil;

- the capital financing account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets and for the repayment of external loans and certain other capital financing transactions, was renamed the Capital Adjustment Account.

In addition the Authority maintains certain other reserves to meet general, rather than specific expenditure. The purpose of these reserves is set out in Note 22.

12. Capital Receipts

Income from the disposal of fixed assets is accounted for on an accruals basis and is a capital receipt. The portion of capital receipts specified by statute is set aside for the repayment of external loan debt or to meet liabilities on credit arrangements. The remaining capital receipts are held in the usable capital receipts account until such time as they are used either to finance capital expenditure or to voluntarily repay external loan debt or meet liabilities on credit arrangements.

13. Interest

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.

14. Costs of Support Services

The costs of management and administration of the Authority carried out by Oldham MBC are recharged at appropriate rates.

15. Pensions

The Authority operates a defined benefit scheme for its employees. In 2007/08 the Authority paid an employers' contribution of £158,821 based on 15.0% (12.8% in 2006/07) of employees' pensionable pay into the Greater Manchester Pension Fund, which provides members with defined benefits related to pay and service. In addition, deficit recovery and discretionary "ex-gratia" and "added years" payments totalling £236,747 were made.

The employers' contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being in 2007. Under Pensions Funds Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. The report on the last triennial actuarial valuation indicates that the value of the Fund at 31st March 2007 will be insufficient to meet with its statutory liabilities. In order to meet the shortfall the rate of employer's contribution continue to increase substantially.

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.

16. Redemption of Debt

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.

17. 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.

18. Changes in Accounting Policy/Treatment

A number of changes in accounting treatment have arisen in recent years to reflect the Authority's obligations to keep accounts in accordance with 'proper practices'. This is defined, for the purposes of Local Government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom, prepared by the CIPFA/LASAAC Joint Committee, and recognised by the Accounting Standards Board (ASB) as a Statement of Recommended Practice.

The continuous review and annual update of the Code of Practice have introduced a number of revised or additional requirements for the Authority's Financial Statements in those years. The changes introduced into the 2007 Code of Practice have had significant implications on the preparation of these Financial Statements, and those main changes are identified as:-

- The introduction of:-
 - FRS25 Financial Instruments: Presentation and Disclosures
 - FRS26 Financial Instruments: Recognition and Measurement
 - FRS29 Financial Instruments: Disclosures

In making the transition to these new requirements changes in accounting policy would normally be implemented with full prior period adjustments, such that comparative figures for the previous year and opening balances are restated as if the policy had always applied. However, CIPFA have recognised that such a treatment is unrealistic for financial instruments where the complexity of unravelling the consequences of some transactions could make recalculation impossible. The new policies are therefore applied in full to new transactions in 2007/08.

- The replacement of the Fixed Asset Restatement Account (FARA) and the Capital Financing Account (CFA) by a Revaluation Reserve and Capital Adjustment Account. This change of policy would normally require prior year adjustment which would comprise determining and disclosing the opening balances on the two reserves and full restatement of 2006/07 comparatives. However, CIPFA have prescribed that the Revaluation Reserve is to be applied from 1 April 2007, with a nil opening balance, and therefore restatement and comparatives are not needed.

19. Group Accounts

The Code of Practice introduced a requirement in 1998 for the Authority to produce group accounts where it has a controlling interest in a Company and that interest is material. The Authority has an investment of £13.478m in Greater Manchester Waste Limited (GMWL) (the Local Authority Waste Disposal Company) representing 100% of the issued capital.

In 2006/07 the Authority engaged in a body of actions in preparation for its intended disposal of GMWL by sale of its shares to the successful bidder to be the operator of a long term PFI waste management contract. Through these actions GMWL was converted from a company providing waste disposal and waste collection services to one providing waste disposal services only.

On 1st April 2006 the Authority acquired the whole of the share capital of Greater Manchester Collections (2006) Limited for a consideration of £1 (see Note 12). The company has operated since as a holding company for GMWL's former waste collection services. The company, and its sole subsidiary, have no employees and do not trade.

Following sale of GMWL, Greater Manchester Collections (2006) Limited will be wound up

On 29th March 2007 the Authority acquired freehold (£637,000) and leasehold (£2,415,000) property and assets from GMWL and on 31st March 2008 it acquired further freehold (£680,000) property and assets. These acquisitions were undertaken as part of the process of converting GMWL in readiness for its disposal.

The Authority has produced Group Accounts that comply with the Code of Practice.

20. Going Concern

The Authority has major contracts of approximately £74m with its waste disposal company, Greater Manchester Waste Limited, for the provision of waste disposal services.

The previous contract expired in March 2006 and the Authority, taking advantage of the legislative framework, awarded a short-term interim contract to GMWL. A major Public Finance Initiative (PFI) procurement process is at the Preferred Bidder stage with the expectation that the main contract will be let in 2008. At that point the short-term contract will cease. The intention is for the holding in GMWL to be disposed of by share sale to the successful bidder.

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.

		2007/08	2007/08	2007/08	2006/07
		Gross	Income	Net	Net
		Expend		Expend	Expend
		£000	£000	£000	£000
CONTINUING SERVICES					
Waste Disposal		84,826	(3,713)	81,113	80,958
Current additional service pension costs (FRS 17)	Note 4			7	50
NET COST OF SERVICES				<hr/> 81,120	<hr/> 81,008
Interest payable and similar charges	Note 1			2,096	2,369
Interest and investment income	Note 2			(1,057)	(1,157)
Landfill Allowance Trading Scheme	Note 3			(118)	(3,716)
Pension Interest Cost and Expected Return (FRS 17)	Note 4			(169)	(133)
NET OPERATING EXPENDITURE				<hr/> 81,872	<hr/> 78,371
Levies on Districts				<hr/> (84,552)	<hr/> (84,737)
(SURPLUS) FOR YEAR				<hr/> (2,680)	<hr/> (6,366)

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.

	2007/08	2006/07
	£000	£000
(Surplus) for the year on the Income and Expenditure Account	(2,680)	(6,366)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	864	4,450
	<hr/>	
(Increase)/Decrease in General Fund Balance for the year	(1,816)	(1,916)
General Fund Balance brought forward	(2,756)	(840)
	<hr/>	
General Fund Balance carried forward	(4,572)	(2,756)
	<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.

	2007/08	2006/07
	£000	£000
(Surplus)/Deficit for the year on the Income and Expenditure Account	(2,680)	(6,366)
Deficit arising on revaluation of landfill allowances	6,124	393
Surplus arising on Revaluation of Fixed Assets	(636)	-
Actuarial losses/(gains) on pension fund assets and liabilities	196	(904)
	<hr/>	<hr/>
Total recognised losses/(gains) for the year	3,004	(6,877)
	<hr/>	<hr/>

BALANCE SHEET AS AT 31ST MARCH 2008

		2008	2008	2007	2007
		£000	£000	£000	£000
INTANGIBLE ASSETS	Note 9		33		13
FIXED ASSETS	Note 10,11				
Operational Assets					
Land and buildings		2,792		2,237	
Long Leasehold Property		2,367		2,415	
Vehicles, plant and equipment		594		1,104	
Infrastructure assets		3,134		2,265	
Non Operational Assets – Land and buildings		898		898	
Assets held under finance leases		8		16	
			9,793		8,935
LONG TERM INVESTMENTS	Note 12		13,478		13,478
LONG TERM DEBTORS	Note 13		-		-
TOTAL LONG TERM ASSETS			23,304		22,426
CURRENT ASSETS					
LATS Allowances Asset Account	Note 14	-		17,153	
Debtors	Note 15	3,852		3,496	
Short term investments	Note 12	16,254		13,100	
Cash		1		20	
		20,107		33,769	
CURRENT LIABILITIES					
Creditors	Note 16	(14,821)		(12,188)	
Liability for BMW Landfill	Note 14	(-)		(11,148)	
		(14,821)		(23,336)	
NET CURRENT ASSETS			5,286		10,433
TOTAL ASSETS LESS CURRENT LIABILITIES			28,590		32,859
LONG TERM LIABILITIES					
Creditors due after more than 1 year	Note 16	(4)		(12)	
Long term borrowing	Note 17	(14,496)		(14,495)	
Deferred liabilities	Note 18	(16,373)		(17,044)	
Government Grants deferred		(409)		(1,030)	
Pensions liability	Note 19	(1,137)		(1,103)	
Provision for insurance	Note 20	(62)	(32,481)	(62)	(33,746)
TOTAL ASSETS LESS LIABILITIES			(3,891)		(887)
RESERVES AND OTHER BALANCES					
Revaluation reserve	Note 22		636		-
Capital adjustment account	Note 22		(8,959)		(9,543)
Usable capital receipts	Note 22		160		160
Pensions Reserve	Note 22		(1,137)		(1,103)
Insurance reserve	Note 22		391		391
LATS Equalisation Reserve	Note 22		446		6,452
Revenue account surplus	Note 22		4,572		2,756
TOTAL EQUITY			(3,891)		(887)

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.

	2007/08	2006/07
	£000	£000
Revenue Activities		
<i>Cash Outflows</i>		
Cash paid to and on behalf of employees	(2,151)	(1,595)
Other operating cash payments	(80,464)	(83,483)
<i>Cash Inflows</i>		
Cash received for goods and services	3,449	3,863
District Levy	84,552	84,737
Government grants	251	104
Dividends Received	-	4,900
NET CASH FLOW ON REVENUE ACTIVITIES	5,637	8,526
Returns on Investments and Servicing of Finance		
<i>Cash Outflows</i>		
Interest paid	(2,095)	(2,253)
<i>Cash Inflows</i>		
Interest received	1,057	557
Capital Activities		
<i>Cash Outflows</i>		
Purchase of fixed assets	(793)	(71)
<i>Cash Inflows</i>		
Sale of fixed assets	-	-
Sale of LATS Allowances	-	-
Capital grants received	-	-
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING	3,806	6,759
Financing		
<i>Cash Outflows</i>		
Repayment of amounts borrowed	(671)	(1,621)
Purchase of short term investments	(223,869)	(246,270)
<i>Cash Inflows</i>		
New loans raised	-	-
Maturity of short term investments	220,715	236,073
Maturity of Inter-Company Debenture loan	-	5,000
NET INCREASE/(DECREASE) IN CASH	(19)	(59)

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

	2007/08	2006/07
	£000	£000
Increase/(Decrease) in General Fund for the year	1,816	1,916
Non-cash transactions		
Minimum Revenue Provision (MRP)	522	415
Provision for repayment of loans	671	620
Items on an accrual basis (revenue only):		
(Increase)/decrease in debtors	(356)	2,609
Increase/(decrease) in creditors	1,945	(2,335)
Government Grants accrued	-	(695)
Prior year dividends received	-	4,300
Items classified elsewhere on the cash flow statement:		
Add: Interest paid	2,096	2,253
Less: Interest received	(1,057)	(557)
Cash (outflow)/inflow on Revenue Activities	<u>5,637</u>	<u>8,526</u>

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

	2007/08	2006/07
	£000	£000
Increase/(Decrease) in cash in the period	(19)	(59)
Cash inflow from new debt raised	-	-
Cash outflow from debt repaid	671	1,621
Changes in net debt resulting from cash flows	<u>652</u>	<u>1,562</u>
Net debt at 1 st April	(31,380)	(32,942)
Net debt at 31 st March	<u>(30,728)</u>	<u>(31,380)</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. Interest payable is accounted for on an accruals basis.

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. Income is accounted for on an accruals basis.

	2007/08	2006/07
	£000	£000
Interest receivable on short term deposits	(1,057)	(306)
Interest receivable on loan	-	(251)
Dividends received from subsidiary	-	(600)
	<u>(1,057)</u>	<u>(1,157)</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:

	2007/08	2006/07
	£000	£000
Income from Government Grant – allocation of allowances	(0)	(13,968)
Loss on sale of allowances	-	-
Adjust Liability for BMW Landfill 2006/07	(118)	(896)
Provision for Liability for BMW Landfill 2007/08	0	11,148
	<u>(118)</u>	<u>(3,716)</u>

4 Pensions

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. 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.

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			
	2007/08	2007/08	2006/07	2006/07
	£000	£000	£000	£000
Net Cost of Service:				
Current Service Cost		225		218
Curtailments and settlements		-		33
Past Service Cost		23		-
Net Operating Expenditure:				
Interest Cost	869		817	
Expected return on assets in the Fund	<u>(1,038)</u>		<u>(950)</u>	
Amounts to be financed from Levy	(169)		(133)	
Movement on Pension Reserve	<u>162</u>		<u>83</u>	
		<u>(7)</u>		<u>(50)</u>
Actual amount charged against Levy for pensions in the year:				
Employers' contributions payable to the scheme		<u>241</u>		<u>201</u>

Note 19 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 £241,855 (£41,826 in 2006/07).

6 Officers' Emoluments

The number of direct employees whose remuneration, excluding pension contributions, was at the rate of £50,000 or more in bands of £10,000 were:

	Number of Employees	
	2007/08	2006/07
Band £50,000 - £59,999	-	-
£60,000 - £69,999	3	3
£70,000 - £79,999	-	1
£80,000 - £89,999	1	-

7 Audit Costs

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

	2007/08	2006/07
	£	£
Fees payable in respect of external audit services	63,992	61,561
Fees payable in respect of the certification of grant claims and returns	-	2,457
Fees payable/(overprovision) in respect of other services	1,900	2,015
	<u>65,892</u>	<u>66,033</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

	2007/08	2007/08	2006/07	2006/07
	£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	(1,055)		(978)	
Impairment of fixed asset	(176)			
Government Grants Deferred amortisation	622		594	
Net charges made for retirement benefits in accordance with FRS 17	<u>162</u>		<u>83</u>	
		(447)		(301)
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	522		415	
Provision for repayment of outstanding debt under the Local Government Re-Organisation (Debt Administration) (Greater Manchester) Order 1986	<u>671</u>		<u>620</u>	
		1,193		1,035
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		3,716
Net additional amount required to be debited to the General Fund Balance for the year		<u>864</u>		<u>4,450</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 and was a new treatment for 2006/07.

9 Intangible Assets

	£000
Cost as at 1 st April 2007	15
Computer Software purchased in the year	25
Cost as at 31st March 2008	40
Depreciation as at 1 st April 2007	2
Depreciation for the year	5
Depreciation as at 31st March 2008	7
Net Book Value 1 st April 2007	13
Net Book Value 31st March 2008	33

10 Fixed Assets

10.1 Movement of Fixed Assets 2007/08

	Operational Assets				Non-Operational Assets	Total
	Land and Buildings	Vehicles, Plant and Equipment	Assets held under Finance Leases	Infrastructure	Land and Buildings	
	£000	£000	£000	£000	£000	
Cost or Revaluation						
At 1 st April 2007	4,678	3,016	40	3,405	898	12,037
Transfers	-	-	-	-	-	-
Additions	761	65	-	622	-	1,448
Impairments	(184)	-	-	-	-	(184)
Revaluations	-	-	-	632	-	632
At 31 st March 2008	5,255	3,081	40	4,659	898	13,933
Depreciation						
At 1 st April 2007	26	1,912	24	1,140	-	3,102
Transfers	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Impairments	(7)	-	-	-	-	(7)
Revaluations	-	-	-	(4)	-	(4)
For year	77	575	8	389	-	1,049
At 31 st March 2008	96	2,487	32	1,525	-	4,140
Net Book Value						
At 1 st April 2007	4,652	1,104	16	2,265	898	8,935
At 31 st March 2008	5,159	594	8	3,134	898	9,793

10.2 Main Items of Capital Expenditure 2007/08

The main items of capital expenditure during the year related to the further acquisition of operational land and buildings from Greater Manchester Waste Limited for the sum of £680k. This was done in order to better align ownership of sites in advance of the PFI contract

10.3 Capital Commitments

At 31st March 2008 the Authority had committed to capital expenditure of £2,304,960 in respect of the acquisition of a site for an IVC 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 8th April 2008.

The approved capital programme for 2008/09 totalling £17.9 million includes a sum of £16 million to fund land purchases for sites to be used by the operator of the proposed long term waste management operation.

10.4 Types and Source of Capital Expenditure 2007/08

Capital Expenditure	£000	Financing	£000
Intangible Assets	25	Loan finance	1,473
Fixed Assets	1,448		
	<hr/>		<hr/>
	1,473		1,473
	<hr/>		<hr/>

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 13th July 2005.

12 Investments

12.1 Long Term Investments

At 31st March 2007 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 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 2007/08 show that the company had net assets of £33.9m (£28.9m in 2006/07) and profit before tax and dividends of £4.5m (£13.3m in 2006/07). A copy of the accounts can be obtained from Greater Manchester Waste Limited, Higher Swan Lane, Bolton BL3 3WW.

Note 21 explains the arrangements under which the Authority will dispose of its entire interest in Greater Manchester Waste Limited at the commencement of a proposed long term waste management contract with PFI funding. At that time the Authority's investment in the company will cease. Under the arrangements negotiated with the Preferred Bidder the Authority will have the right to take back ownership of the company at the conclusion of the 25 year contract.

On 1st 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 29th 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 Manoil Limited which represented 89% of the share capital. Man-Oil Limited is now dormant and no amount was received in dividends for the year ended 31st March 2008 (2007 – Nil). A copy of the accounts can be obtained from the Authority.

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.

		31st March	
		2008	2007
		£000	£000
Temporary loans:	Yorkshire Bank	10,000	-
	Abbey	3,541	-
	Solicitors’ Client Account	2,713	-
	Co-operative Bank	-	4,500
	Landsbanki Islands HF	-	3,600
	Portman Building Society	-	3,000
	Heritable Bank	-	2,000
		16,254	13,100

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 2007/08 (a similar position existed for 2005/06 and 2006/07) 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. The average value of trades during 2006/07 was £17.98 per allowance and that

figure was used to calculate the value at 31st March 2007. However, in 2007/08 there has been only one trade at an acknowledged value and that was early in the year and involved only 20,000 allowances at a value of £5 each. Despite its best efforts the Authority has been unable to sell any of its surplus allowances during the year 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 st April 2007	954,027	17,153
Surrendered for 2006/07 BMW Landfill	(613,434)	(11,029)
Loss on revaluation from £17.98 to £Nil		(6,124)
	<hr/> 340,593	-
2007/08 Allowances allocated	718,289	-
Allowances held at 31 st March 2008	<hr/> 1,058,882	<hr/> -

The Authority's liability to account to Defra for LATS Allowances to cover its BMW landfill for 2007/08 was confirmed on 27th August 2008 as 582,457 tonnes and, in accordance with CIPFA guidance, a liability for BMW Landfill of £Nil (582,457 @ £Nil) has been provided for. This provision is included in Current Liabilities.

15 Debtors

	31st March	
	2008	2007
	£000	£000
Government debtors	1,265	1,701
Sundry debtors	2,587	1,684
Sundry debtors – due from subsidiary company	-	111
Provision for doubtful debts	-	-
	<hr/> 3,852	<hr/> 3,496

Included in Sundry Debtors within Current Assets is an amount of £2,492,347 receivable from Viridor Laing (Greater Manchester) Ltd, the company that has been 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 31st March 2008 under the provisions of an Advance Works Contract (AWC).

The AWC is intended to hold, so far as possible, the price and timetable of the construction works that will be 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 are refundable in full to the Authority immediately the PFI contract achieves close.

In the, unlikely, event that the PFI contract does not reach financial close the SPV will have no liability to refund these monies to the Authority and any sums expended would have to be met from the Authority's resources.

Whilst every care has been taken to ensure that, in the event the PFI does not close, the Authority will be able to benefit from assets and works on which the AWC monies are being expended, there is no guarantee that full value will be obtained and there could be a future revenue impact to the extent that these sums cannot be capitalised.

The Authority has considered these transactions and, given the likelihood that the PFI contract will be closed during the year to 31st March 2009, has concluded that it is proper to show the sums expended in current assets as being fully recoverable.

16 Creditors – Amounts falling due within one year

	2008	2007
	£000	£000
Sundry creditors	8,718	6,148
Inter company	6,095	6,032
Obligations under finance leases	8	8
	<hr/> 14,821	<hr/> 12,188
	<hr/>	<hr/>

Creditors – Amounts falling due after more than one year

	2008	2007
	£000	£000
Obligations under finance leases	4	12
	<hr/>	<hr/>

17 Long Term Borrowing

	Range of interest rates payable	Total outstanding balance at 31st March	
		2008	2007
	%	£000	£000
Source of loan			
Public Works Loan Board (PWLB)	4.30 – 9.25	14,356	14,356
Accrued Interest		140	139
		<hr/> 14,496	<hr/> 14,495
		<hr/>	<hr/>

The maturity profile of the PWLB loans is	2008	2007
	£000	£000
Maturing less than 2 years	-	-
Maturing in 2 – 5 years	1,500	1,000
Maturing in 5 – 10 years	750	1,250
Maturing in more than 10 years	12,106	12,106
	<hr/>	<hr/>
	14,356	14,356
	<hr/>	<hr/>

18 Deferred Liabilities

	2008	2007
	£000	£000
Transferred Debt Loans	<hr/>	<hr/>
	16,373	17,044

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 31st March 1986. The loan is being repaid to Tameside MBC on an annuity basis over a period of 36 years.

19 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 2007/08 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 31st March 2007) and the pensions payable in the year to retired staff. At 31st March 2008, the Authority has the following overall assets and liabilities for pension that are included in the balance sheet.

	2007/08	2006/07
	£000	£000
Estimated liabilities in scheme	(15,301)	(16,419)
Estimated assets in scheme	14,164	15,316
	<hr/>	<hr/>
Net Pension Liability	(1,137)	(1,103)
	<hr/>	<hr/>

Liabilities have been assessed by rolling forward the previous valuation data to 31st March 2008 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: -

	2007/08	2006/07
	%	%
Rate of inflation	3.6	3.2
Rate of increase in salaries	5.1	4.7
Rate of increase in pensions	3.6	3.2
Proportion of employees opting to take a commuted lump sum (see below)	0.0	0.0
Rate for discounting scheme liabilities	6.9	5.4

Changes in Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme (Amendment) Regulations 2006, SI 2006/966, makes 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. On the advice of the Authority's actuaries, Hymans Robertson, the Authority has taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently, the valuation of the Authority's retirement benefit liabilities as at 31 March 2008 does not include any allowance for this change in the pension scheme.

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

	Market Value 31/03/08 £000	2007/08 Long-term returns %	2007/08 %	Market Value 31/03/07 £000	2006/07 Long-Term returns %	2006/07 %
Equity investment	8,937	7.7	63	10,232	7.8	67
Bonds	2,647	5.7	19	2,439	4.9	16
Property	1,232	5.7	9	1,509	5.8	10
Cash	1,348	4.8	9	1,136	4.9	7
	<u>14,164</u>	6.9	100	<u>15,316</u>	6.9	100

The movement in the net pension liability is as follows:

	Year to 31st March 2008 £000	Year to 31st March 2007 £000
Surplus/(Deficit) beginning of year	(1,103)	(2,090)
Current service cost	(225)	(218)
Employer contributions	241	201
Other income	-	-
Other expenses	-	-
Past service costs	(23)	-
Impact of settlements and curtailments	-	(33)
Net return on assets	169	133
Actuarial gains/(losses)	(196)	904
Net pension liability at 31 st March	<u>(1,137)</u>	<u>(1,103)</u>

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. In practice, the Pension Fund has benefited from better than expected performance in the last 3 months of the financial year and the actual value of GMWDA's share of the assets at 31 March 2008 is estimated to be £156k greater than the figure stated above. The impact of this better than expected performance is an estimated reduction in the pension fund deficit and this will be reflected in future contribution rates.

The actuarial gains and losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities: -

	Year to 31st March 2008 £000	Year to 31st March 2007 £000
Differences between the expected and actual returns on assets	(1,593)	96
Percentage of assets	(11.2%)	0.6%
Differences between Actuarial assumptions about liabilities and actuarial experience	(560)	4
Percentage of the total present value of liabilities	(3.7%)	0.0%
Changes in financial assumptions underlying the present value of liabilities	1,957	804
Percentage of total present value of liabilities	12.8%	4.9%
Actuarial gains/(losses)	(196)	904
Percentage of total present value of liabilities	(1.3%)	5.5%

20 Provision for Insurance

	£000
Balance at 31 st March 2007	62
Refund received in year	-
Balance at 31 st March 2008	<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.

21 Contingent Liabilities

Advanced Works Contract

At 31st March 2008 the Authority had committed to AWC (Advance Works Contract) expenditure of some £6.8m (including the sums outstanding at the year end) and another larger contract of a similar nature for £11.9m has been entered into since. Two further contracts with a maximum total value of £12.1m are under consideration.

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 30th 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 30th September 1993. There are currently claims outstanding estimated at £19,000.

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

Throughout 2007/08, the Authority has been in negotiations with a Preferred Bidder which will be the operator of a long term waste management contract. The contract, which expects to benefit from credits awarded under the PFI regime, was tendered publicly under the EU Procurement regime. Under the contract, the Authority proposes to dispose of Greater Manchester Waste Limited (GMWL) to the Preferred Bidder by sale of its shares. One month after the commencement of the PFI contract and the sale of GMWL to it, the Preferred Bidder will pay the Authority a sum to be identified through Completion Accounts to be compiled at the date of sale. Under the arrangements negotiated between the Authority and the Preferred Bidder, the purchaser of the company 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. Similar comments apply about the disposal by Greater Manchester Collections (2006) Limited of Greater Manchester Waste (Manchester Collections) Limited.

22 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 st April 2007	0	(9,543)	160	(1,103)	(10,486)
Statutory appropriations from the General Fund balance		584			584
Unrealised (gains)/losses from revaluation of fixed assets	636				636
Grants applied to capital investment					-
Amounts credited to revenue					-
Other charges				(34)	(34)
Balance as at 31 st March 2008	<u>636</u>	<u>(8,959)</u>	<u>160</u>	<u>(1,137)</u>	<u>(9,300)</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 1st 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.

	£000	£000
Balance at 1 st April 2007		23,338
Transfer balance from Fixed Asset Restatement Account		(32,881)
Restated balance at 1 st April 2007		<u>(9,543)</u>
Statutory appropriation from General Fund Balances: -		
Repayment of transferred debt	671	
Minimum Revenue Provision	522	
Depreciation of Fixed Assets	(1,054)	
Amortisation of Government Grants	622	
Impairment of fixed assets	(177)	
Net Movement in Reserve	<u> </u>	<u>584</u>
Balance at 31 st March 2008		<u>(8,959)</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 st April 2007	391	6,452	2,756	9,599
Deficit on revaluation of LATS Allowances		(6,124)		(6,124)
LATS transfer		118		118
Net surplus for the year			1,816	1,816
Balance at 31 st March 2008	<u>391</u>	<u>446</u>	<u>4,572</u>	<u>5,409</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 9.

23 Related Parties

Greater Manchester Waste Limited is a wholly owned subsidiary of the Authority, with which there are contracts for the treatment and disposal of waste.

Total expenditure by the Authority for the year in respect of these contracts and other services amounted to £73.1m (2006/07 £74.4m).

The current short-term interim contract with Greater Manchester Waste Limited is scheduled to run from 1st April 2006 until the commencement of the PFI contract that is currently being procured.

Balances due from/(to) Greater Manchester Waste Limited at 31st March 2008 were:

	2008	2007
	£000	£000
Debtors – Interest receivable	-	111
	<hr/>	<hr/>
Creditors	(6,095)	(6,032)
	<hr/>	<hr/>

Levy payments by the constituent Local Authorities were as follows: -

	2008	2007
	£000	£000
Bolton MBC	9,538	9,929
Bury MBC	7,174	7,178
Manchester CC	15,814	15,508
Oldham MBC	8,136	7,942
Rochdale MBC	7,352	7,609
Salford CC	8,514	8,225
Stockport MBC	10,848	11,052
Tameside MBC	8,254	8,254
Trafford MBC	8,922	9,040
	<hr/>	<hr/>
	84,552	84,737
	<hr/>	<hr/>

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 and its Director of Finance and IT as this Authority's Treasurer. In addition to this strategic leadership Oldham Council provided services to the Authority for which charges are made in respect of:

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

The charges for this were £561k in 2007/08. Throughout 2007/08 the Authority reduced its reliance for services on Oldham Council. This reduction in reliance on Oldham Council support services has continued in 2008/09.

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 2007/08 the register of members' interests was held by the Constitutional Services department within the Civic Centre, Oldham and is available for public inspection upon application.

24 Financial Instruments

24.1 Financial Assets and Liabilities

The following table details the categories of financial assets and liabilities held by the Authority as at 31st March 2008.

	Balance as at 31 March 2008	
	Current	Long Term
	£000	£000
Assets		
Loans and Receivables	20,106	-
Available for Sale	-	13,478
Liabilities		
Financial liabilities held at amortised cost	14,821	14,356

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.

24.2 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	Financial Assets	Available For Sale	Total
	£000	£000	£000	£000
Interest expense	2,096			2,096
Losses on de-recognition				
Impairment losses				
Interest payable and similar charges	2,096			2,096
Interest income	1,057			1,057
Gains on de-recognition				
Interest and investment income	1,057			1,057
Net loss for the year	1,039			1,039

24.3 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 2008;

No early repayment or impairment is recognised.

The table below outlines the fair value of assets and liabilities as at 31st March 2008.

	Carrying Amount £000	Fair Value £000	Variance £000
Financial Liabilities – PWLB Loans	14,356	16,379	2,023
Financial Liabilities – Market Loans	-	-	-
Total Financial Liabilities	14,356	16,379	2,023
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 2008 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 £16,379k.

24.4 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.

- **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.

25 Post Balance Sheet Events

There have been no material Post Balance Sheet Events that require to be disclosed as at the date these accounts were approved for publication. The position will be kept under review to determine whether any such events require disclosure at the time the audited accounts are submitted for approval.

26 Approval of Accounts for Publication

The accounts were approved for publication by the Authority's s.151 Officer (the Treasurer) on 19th June 2008.

GROUP ACCOUNTS

The Authority has 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 £20.681m 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

	2007/08 Gross Expend £000	2007/08 Income £000	2007/08 Net Expend £000	2006/07 Net Expend £000
CONTINUING SERVICES				
Waste Disposal	94,319	(16,708)	77,611	69,809
Other Operations	15,817	(15,163)	654	(93)
NET COST OF SERVICES			78,265	69,716
Interest payable and similar charges			2,096	2,416
Interest and investment income			(1,467)	(669)
Landfill Allowance Trading Scheme			(118)	(3,716)
Pension Interest Cost and Expected Return (FRS17)			(986)	(439)
Tax Payable by Group Entities			283	3,628
NET OPERATING EXPENDITURE			78,073	70,936
Levies on Districts			(84,552)	(84,737)
(SURPLUS) FOR YEAR			(6,479)	(13,801)

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

	2007/08	2006/07
	£000	£000
(Surplus) Deficit for the year on the Authority's Single Entity Income and Expenditure Account	(2,680)	(6,366)
Less: subsidiary dividend income included in the single entity surplus or deficit on the Income and Expenditure Account	-	600
Add: surplus arising from subsidiaries included in the group accounts	(3,799)	(8,035)
	_____	_____
Group Account (surplus) or deficit for the year	(6,479)	(13,801)
	_____	_____

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08	2006/07
	£000	£000
(Surplus)/Deficit for the year on the Income and Expenditure Account	(6,479)	(13,801)
Deficit arising on revaluation of landfill allowances	6,124	393
Surplus arising on Revaluation of Fixed Assets	(636)	-
Actuarial (gains)/losses on pension fund assets and liabilities	(2,997)	(8,198)
Movement on deferred tax relating to pension asset	894	2,188
	<hr/>	<hr/>
Total recognised gains and losses for the year	(3,094)	(19,418)
	<hr/>	<hr/>

GROUP BALANCE SHEET AS AT 31ST MARCH 2008

	Notes to Group Accounts	2008 £000	2007 £000
INTANGIBLE ASSETS	1	1,350	1,495
TANGIBLE FIXED ASSETS	2	37,881	38,909
LONG TERM DEBTORS			
Loan Notes and other debtors		-	-
CURRENT ASSETS			
Stock		452	375
LATS Allowance Asset Account		-	17,153
Debtors		9,157	8,428
Cash and Bank		5,512	7,524
Short Term Investments (repayable within 12 months)		16,254	13,100
CURRENT LIABILITIES			
Creditors (less than one year)	3	(18,808)	(21,454)
Liability for BMW Landfill		-	(11,148)
TOTAL ASSETS LESS CURRENT LIABILITIES		51,798	54,382
LONG TERM LIABILITIES			
Creditors (more than one year)	4	(1,441)	(710)
Pensions liability	5	(1,137)	(5,043)
Provision for liabilities and charges	6	(1,090)	(2,302)
Long Term Borrowing		(14,496)	(14,495)
Deferred Liabilities		(16,373)	(17,044)
Government Grants Deferred		(409)	(1,030)
Provision for Insurance		(62)	(62)
TOTAL ASSETS LESS LIABILITIES		16,790	13,696
RESERVES AND OTHER BALANCES			
Revaluation Reserve		636	-
Capital Adjustment Account		(8,959)	(9,543)
Pensions Reserve		(1,137)	(1,103)
Usable Capital Receipts		160	160
Insurance Reserve		391	391
LATS Equalisation Reserve		446	6,452
Revenue Account Surplus		25,253	17,339
TOTAL EQUITY		16,790	13,696

GROUP CASH FLOW STATEMENT

	2007/08 £000	2006/07 £000
NET CASH FLOW ON REVENUE ACTIVITIES	8,467	18,219
Returns on Investments and Servicing of Finance		
<i>Cash Outflows</i>		
Interest paid	(2,095)	(2,253)
Dividends paid to minority interests	-	-
<i>Cash Inflows</i>		
Interest received	1,467	668
Taxation		
UK Corporation Tax paid	(2,408)	(2,217)
Capital Activities		
<i>Cash Outflows</i>		
Purchase of fixed assets	(3,451)	(3,244)
Purchase of subsidiary undertakings	-	(269)
Cash adjustment on purchase and sale of subsidiaries	(326)	54
<i>Cash Inflows</i>		
Sale of fixed assets	159	3,997
Sale of LATS Allowances	-	-
Capital grants received	-	-
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING	1,813	14,955
Financing		
<i>Cash outflows</i>		
Repayment of amounts borrowed	(671)	(1,621)
Purchase of short term loans	(223,869)	(246,270)
Repayment of principal under finance leases	-	-
<i>Cash Inflows</i>		
New loans raised	-	-
Maturity of short term loans	220,715	236,073
NET INCREASE/(DECREASE) IN CASH	(2,012)	3,137

NOTES TO THE GROUP ACCOUNTS

1. *Intangible Assets*

	Computer Software	Goodwill	Total
<u>Cost</u>			
As at 1 st April 2007	15	1,647	1,662
Additions	25	-	25
As at 31 st March 2008	<u>40</u>	<u>1,647</u>	<u>1,687</u>
<u>Amortisation</u>			
As at 1 st April 2007	2	165	167
Charge for year	5	165	170
As at 31 st March 2008	<u>7</u>	<u>330</u>	<u>337</u>
<u>Net Book Value</u>			
At 31 st March 2007	<u>13</u>	<u>1,482</u>	<u>1,495</u>
At 31 st March 2008	<u>33</u>	<u>1,317</u>	<u>1,350</u>

2. *Fixed Assets*

	Operational Assets				Non-Operational Assets	Total £000
	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure £000	Assets under construction £000	Land and Buildings £000	
Cost or Revaluation						
At 1 st April 2007	23,876	43,388	3,405	66	898	71,633
Transfers	-	-	-	-	-	-
Additions	1,299	2,083	622	102	-	4,106
Disposals	(213)	(1,328)	-	(66)	-	(1,607)
Revaluations	-	-	632	-	-	632
At 31 st March 2008	24,962	44,143	4,659	102	898	74,764
Depreciation						
At 1 st April 2007	7,138	24,446	1,140	-	-	32,724
Transfers	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	(7)	(727)	-	-	-	(734)
Revaluations	-	-	(4)	-	-	(4)
For year	1,182	3,326	389	-	-	4,897
At 31 st March 2008	8,313	27,045	1,525	-	-	36,883
Net Book Value						
At 1 st April 2007	16,738	18,942	2,265	66	898	38,909
At 31 st March 2008	16,649	17,098	3,134	102	898	37,881

The net book value of Vehicles, Plant and Equipment at 31st March 2008 includes an amount of £8k (2007: £16k) in respect of assets held under finance leases.

3. *Creditors (less than one year)*

	2008 £000	2007 £000
Sundry Creditors	18,800	21,446
Obligations under Finance Leases	8	8
	18,808	21,454

4. *Creditors (more than one year)*

	2008	2007
	£000	£000
Obligations under Finance Leases	4	12
Accruals and deferred income	1,437	698
	<hr/> 1,441	<hr/> 710

5. *Pensions liability*

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

	Year to 31st March 2008	Year to 31st March 2007
	£000	£000
Surplus/(Deficit) beginning of year	(6,732)	(16,107)
Current service cost	(3,019)	(3,404)
Employer contributions	5,201	4,683
Other income	53	-
Other expenses	(135)	-
Past service costs	(489)	(412)
Impact of settlements and curtailments	-	(129)
Net return on assets	986	439
Actuarial gains/(losses)	7,983	8,198
Provision against surplus and deferred tax asset	(4,985)	-
Net pension liability at 31 st March	<hr/> (1,137)	<hr/> (6,732)
Pension deferred tax asset	-	1,689
	<hr/> (1,137)	<hr/> (5,043)

6. *Provision for Liabilities and Charges*

	2008	2007
	£000	£000
Deferred Tax provision:		
Accelerated capital allowances	(1,090)	(2,302)
	<hr/>	<hr/>

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

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 of loans, irrespective of any direct economic benefit to the pension fund;
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (iv) the provision of services to a related party, including the provision of pension fund administration services; 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.