Statement of Accounts

Greater Manchester Waste Disposal Authority Statement of Accounts

2017/18

CONTENTS

Introduction

Welcome to the Greater Manchester Waste Disposal Authority's (GMWDA) Statement of Accounts for 2017/18. This year will be the final Statement of Accounts produced by GMWDA as from 1 April 2018, the functions, property, rights and liabilities of GMWDA have transferred to the Greater Manchester Combined Authority (GMCA).

The Statement of Accounts have been prepared on the going concern basis, and show the presence of sound systems for good governance. Overall they record an ongoing prudent financial position.

Thank you for showing an interest in GMWDA's finances.

Richard Paver
GMCA Treasurer

Gwyn Griffiths
Chair of GMCA Audit Committee

Narrative Report

Organisational Overview

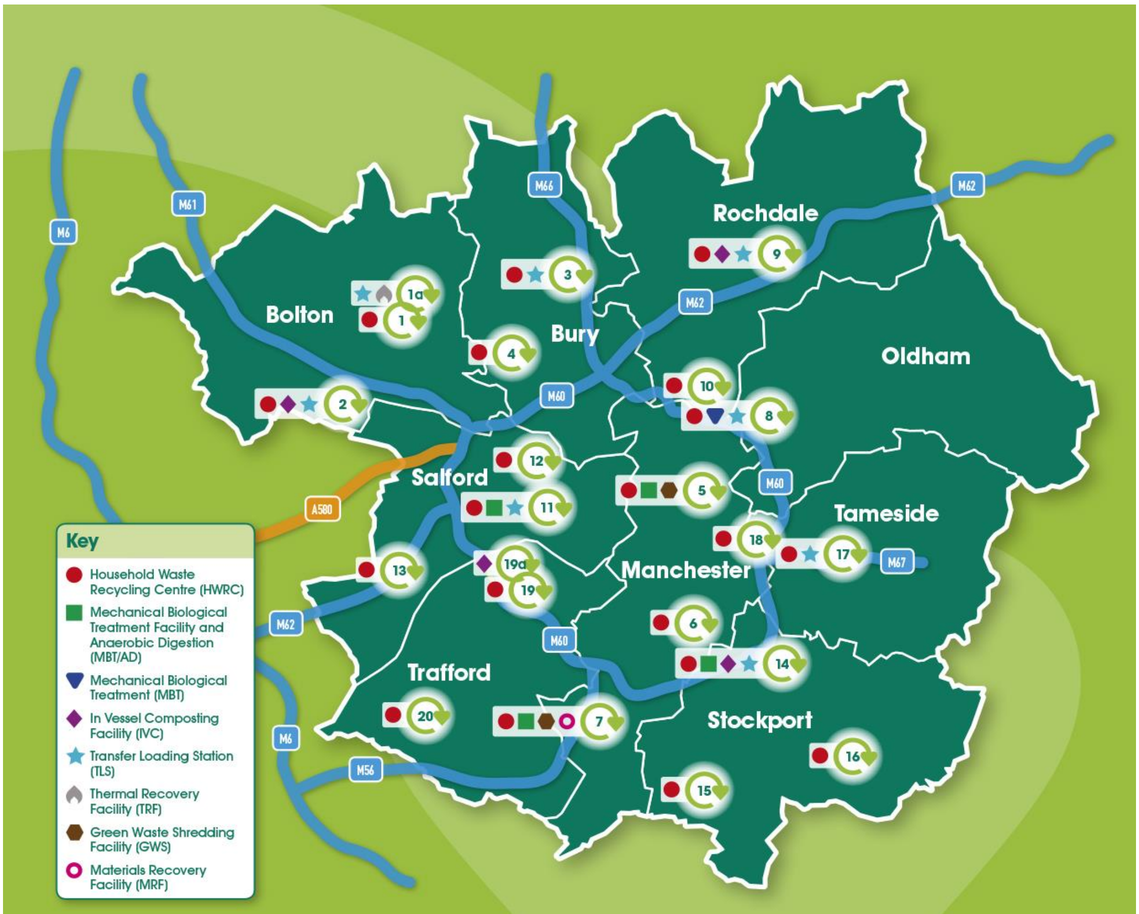
GMWDA was the largest of the six statutory joint waste disposal authorities created under the Local Government Act (1985). GMWDA was formed in 1986 on the demise of Greater Manchester Metropolitan County Council, and from 1 April 2018 became part of an extended GMCA. Further detail in respect of the transfer is contained within the Narrative Report.

The GMWDA comprised 21 Members, with two Members appointed annually from each of the constituent Councils, except Manchester who appointed three Members. These Members were Councillors within their respective Boroughs. Wigan Metropolitan Borough Council (MBC) is a Unitary Authority and was entitled to maintain a presence on the GMWDA for administrative purposes only. Following the Annual General Meeting on 12 June 2017 the political make-up of the GMWDA was:

Labour	16	Councillors
Conservative	2	Councillors
Liberal Democrat	1	Councillor
	19 *	*With none appointed from Wigan MBC.

GMWDA was England's biggest waste disposal authority and dealt with over 1 million tonnes of waste each year (that is the equivalent of over 4% of England's local authority collected waste (LACW)). GMWDA provided waste disposal services to 9 of the Greater Manchester Waste Collection Authorities (Districts), which equated to serving over one million households and a population of above 2.4 million.

The illustration below shows the GMWDA's Greater Manchester facilities and locations:



Recycling and Waste Management

Bolton	SAT NAV
1. Hurstwood Court	BL3 2NH
1a. Raikes Lane	BL3 2NP
2. Salford Road	BL5 1DG

Bury	SAT NAV
3. Every Street	BL9 5BE
4. Cemetery Road	M26 4FT

Manchester	SAT NAV
5. Reliance Street	M40 3EZ
6. Sandfold Lane	M19 3BJ
7. Longley Lane	M22 4RQ

Oldham	SAT NAV
8. Arkwright Street	OL9 9LZ

Rochdale	SAT NAV
9. Chichester Street	OL16 2AU
10. Springvale	M24 2HR

Salford	SAT NAV
11. Cobden Street	M6 6NA
12. Lumns Lane	M27 8LN
13. Boysnope Wharf	M30 7RH

Stockport	SAT NAV
14. Bredbury Parkway	SK6 2SN
15. Adswood	SK8 5QY
16. Rosehill	SK6 6HU

Tameside	SAT NAV
17. Bayley Street	SK15 1PZ
18. Ash Road	M43 6QU

Trafford	SAT NAV
19. Chester Road	M32 9AU
19a. Nash Road	M17 1SX
20. Woodhouse Lane	WA14 5HQ

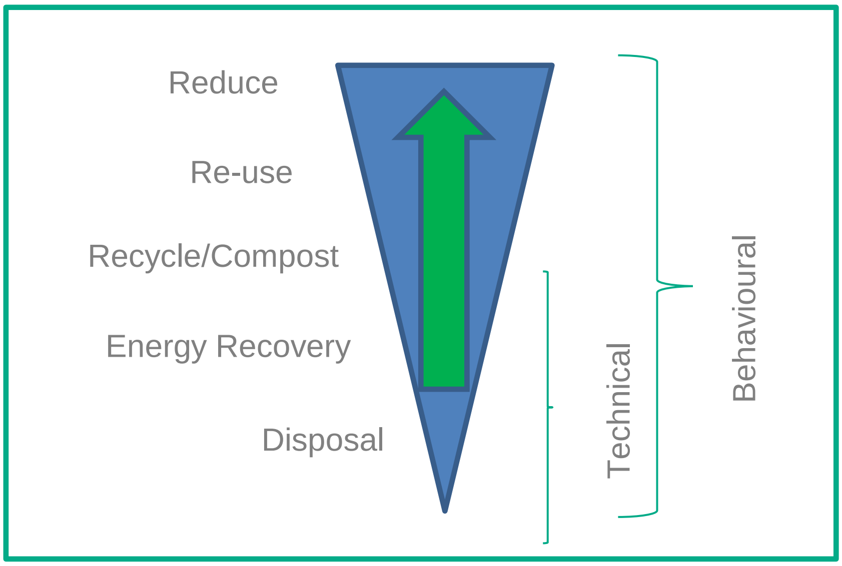
recycle for Greater Manchester

The GMWDA terminated its PFI Contract on 8 March 2018 due to economic and technical considerations and is undertaking a process to procure replacement waste and recycling operating contracts, as management services. This process is scheduled to conclude by March 2019 and will see the letting of two contracts to cover:

- Waste And Resource Management Services; and
- Household Waste and Recycling Centre Management Services.

Achieving Zero Waste

To GMWDA 'Zero Waste' meant maximising the sustainable use of resources by encouraging the prevention, re-use and closed loop recycling (producing new products from waste materials), composting of waste, and recovering energy from the remainder that cannot be economically or technically separated, sending as little waste as possible to landfill. The diagram below sets out the waste hierarchy:



The current Waste Management Strategy, approved in 2012, is based on four themed policies which will help us achieve 'our aim is zero waste':

1. **Saving resources**
   To halve residual waste by asking Greater Manchester residents to think about their behaviour and to recycle more. During 2017/18 Districts collectively reached over 50% recycling through their kerbside waste collection arrangements (four stream collection system – see below). That is a significant milestone on the way to 60% overall recycling by 2025. In addition, it is planned to achieve 90% diversion from landfill by 2020.

2. **Connecting with the community**
   Encourage the involvement of the wider community sector through supporting waste reduction and recycling, and increasing the understanding of the actions that residents can take to prevent, re-use, recycle and recover waste.

3. **Protecting the environment**
   Use the waste hierarchy (above) to look at how to use the best environmental option to save material and energy resources. We aim to save around 286,000 tonnes per annum equivalent of CO_2, thus helping address a major driver of climate change.

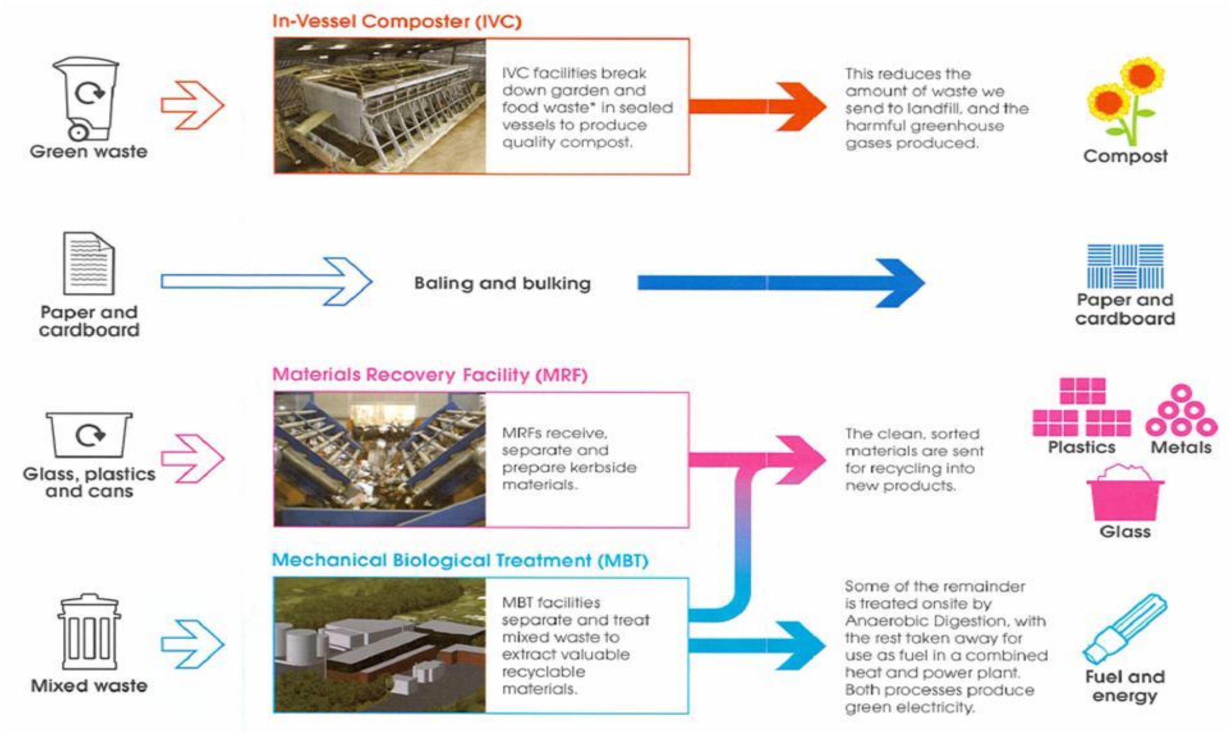
4. **Supporting businesses**
   Working through our Districts to help local businesses to reduce, re-use, recycle and recover their own waste, and to take more responsibility for waste which arises from the products they produce.

Waste Collection Authority (Districts) Kerbside Collections

The collection of waste across Greater Manchester has been standardised through partnership working with the Districts, with the development of the four waste streams system. Residents' kerbside collections have therefore been aligned across all nine Waste Collection Authorities into the following four waste streams:

- Pulpables; Paper, card and cardboard cartons;
- 'Commingled'; plastic bottles, glass containers and cans;
- Organics; Garden and food waste; and
- Residual waste.

The diagram below shows how each of the waste streams is treated through our facilities and how we set out to ensure that we don't waste anything:



Through this standardisation we are delivering long-term financial and environmental benefits in Greater Manchester.

Landfill Aftercare

Landfill Aftercare was a core part of the GMWDA. The Engineering & Asset Management Team maintained four remaining sites which are:

- Cringle Road, Manchester (see image)
- Barlow Hall, Manchester
- Waithlands, Rochdale
- Bredbury, Stockport

Two of these sites are held for future strategic development (located at Bredbury, Stockport and Waithlands, Rochdale) and a further two sites owned by Manchester City Council will no longer be managed by the GMWDA by 2023 at the latest (sites located at Cringle Road, Levenshulme and Barlow Hall, Wythenshawe). The Team oversees the GMWDA's assets, and manages, supports and monitors the infrastructure of the former landfill sites (including boreholes for landfill gas). The Team also oversees that the maintenance of 18 former landfill sites, now under the ownership of Landcare (Manchester) Limited, are carried out in accordance with the agreed plans.

Communications

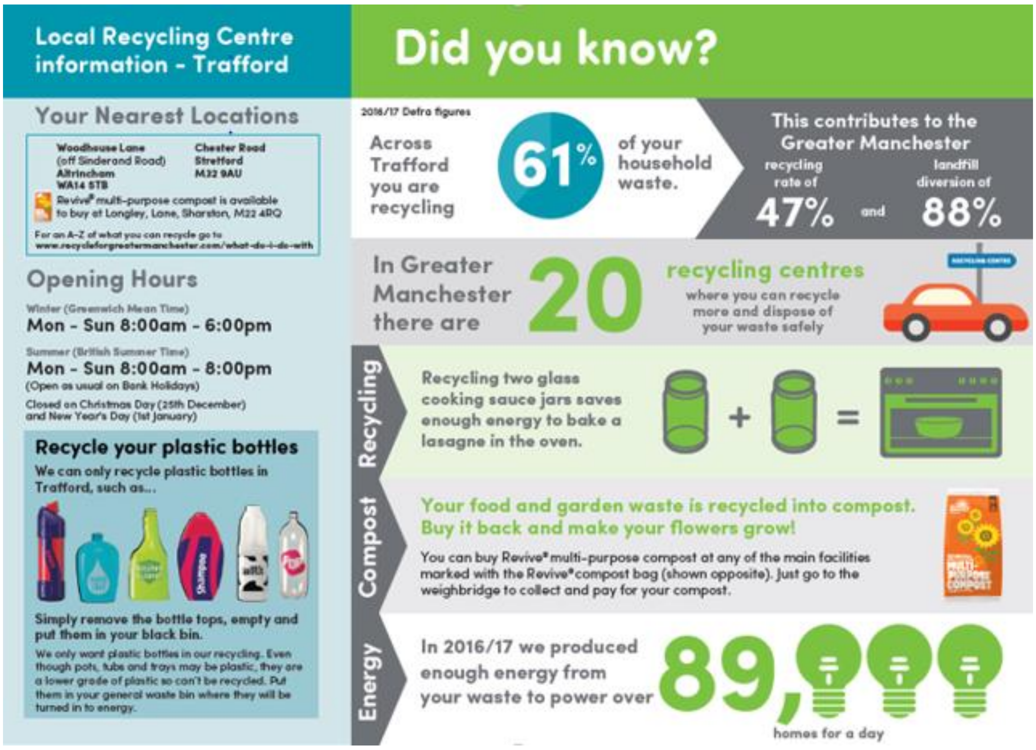
The GMWDA (which operates under the brand Recycle for Greater Manchester (R4GM)) and ReSource Greater Manchester (RGM) (a partnership with the Waste Resources Action Programme (WRAP)) has a 5 year strategy to achieve behavioural change through waste prevention, promoting re-use and maximising recycling across Greater Manchester.

R4GM and RGM have Action Plans which set out comprehensive communication, engagement and education programmes, to drive forward the 'zero waste' agenda in Greater Manchester, by ensuring the continual and fresh delivery of the reduce, re-use and recycle message to the residents of Greater Manchester. They aim to change the way our residents view the waste they create. This we believe is the single biggest risk to 'our aim is zero waste', and as such, behaviour change is the most important theme that drives all our communications work. Our key challenges through the delivery of these plans are changing the way our residents:-

- minimise waste;
- actively seek to re-use, rather than throw away; and
- become good and accurate recyclers all of the time.

Levy 2017/18

The GMWDA sets out its plans for spending as part of a levy leaflet. As well as providing the statutory financial information, we also provide useful data on progress at a District level. As an example, the Trafford information is set out below, but information for each District can be found at http://www.zerowastegm.co.uk/publications/finance



If you would like any further information please visit our websites:

www.recycleforgreatermanchester.com

www.zerowastegm.co.uk

www.greatermanchester-ca.gov.uk

Governance

The Annual Governance Statement can be found at https://www.zerowastegm.co.uk/wp-content/uploads/2017/01/Draft-Annual-Governance-Statement.pdf and sets out how sound financial systems and processes have been maintained in 2017/18 and hence gives assurances about the robustness of these Accounts by providing the public assurance that the GMWDA had proper arrangements in place to manage all of its affairs. It summarises the GMWDA's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems.

During the year 2017/18 the GMWDA met monthly to exercise full oversight of the negotiations to terminate the PFI and make appropriate progress with the reprocurement exercise. This allowed Members to make informed decisions using the most up to date information.

Operational Model

The GMWDA has set out its aspirations to reduce waste and increase recycling in its Waste Management Strategy (WMS). This uses a systematic reduction strategy under the banner of ‘our aim is zero waste’ to ensure that the burden of the Levy on our Districts is reduced. In effect, this Strategy requires action on three fronts:

- increasing recycling and reducing waste being processed; through an ambitious three phase partnership approach with our constituent Districts to:

    1. myth bust – ensure our citizens know what to recycle and how to do that efficiently – via outreach communication and engagement campaigns;
    2. stop and think – reducing residual bin capacity so that our citizens consider recycling as a first step; and
    3. if all else fails using targeted and proportionate enforcement, to ensure recycling becomes a social norm.

  In 2017/18 the second phase (stop and think) has been completed by all Districts, and saw District recycling rates rise above 50% for the first time. That is a notable milestone, but is only a stepping stone to our ambition of reaching 60% recycling by 2025;

- maximising the processing of waste streams through the right facilities – a combination of increasing value for money and also allowing waste to be moved within the system to enable landfill (a pass through cost under the Contract) to be minimised (eventually ensuring 90% + of waste arisings are diverted from landfill); and
- reducing processing costs within the waste disposal facilities by putting in place a savings programme to reduce Contract spend.

At a District level, recycling performance still showed some variability, but at a lower level than in previous years. Set out in the table below are the recycling rates for Household Waste, by District for 2016/17 and 2017/18.

	2016/17 Waste Data Flow (verified by Defra)	Household Waste only	2017/18 Waste Data Flow (verified by Defra)	Household Waste only
Bolton	44.4%	44.8%	47.1%	47.5%
Bury	52.7%	53.4%	51.7%	52.8%
Manchester	36.0%	42.7%	38.6%	47.2%
Oldham	39.7%	42.7%	42.1%	45.0%
Rochdale	47.2%	47.4%	47.9%	48.2%
Salford	44.9%	40.7%	45.6%	43.3%
Stockport	59.0%	59.0%	57.5%	58.5%
Tameside	52.8%	52.9%	52.4%	52.7%
Trafford	61.3%	61.4%	58.5%	58.5%
WCA Total	**46.7%**	**49.2%**	**46.7%**	**50.4%**

The landfill diversion rate for 2017/18 is 88.5% with current performance being adversely affected by the fire at Raikes Lane Thermal Recovery Facility (TRF), Bolton on 17 September 2017.

Savings Programme (Termination of PFI)

Progress has been made with the savings programme relating to the PFI Recycling and Waste Management Contract (the PFI Contract). At headline level the status of these savings can be summarised as:

- Termination of the PFI Contract. This was achieved via a Negotiated Settlement with the Shareholders, Pennon Group and John Laing Investments, being the route that provided best value for money for the public sector. This was a protracted process, reflecting the complexity of the PFI contract and involved:
  - Acquisition of the PFI Contract Special Purpose Vehicle (SPV) VLGM, on the 26 September 2017. VLGM was immediately renamed Greater Manchester Combined Waste & Recycling Limited (GMCWR). Further information is provided in Note 21 Related Parties;
  - The repayment by GMCWR on the 29 September 2017 of commercial bank debt, using GMWDA provided loans, which in turn were secured by way of a debenture. That was akin to a refinancing, at cheaper interest rates, from which savings of around £21m per annum were realised. This resulted in:
    - An increase in borrowings of £404.2m (see Note 12 Borrowing); and
    - The repayment of the GMWDA’s long term investment of £65.6m (see Note 7 Investments).

- Formal termination of the PFI Contract on the 8 March 2018, at which point all GM facilities reverted to the GMWDA. PFI Assets were already on the GMWDA's Balance Sheet together with a PFI Liability. In view of the significant change, a full revaluation of Property, Plant and Equipment was carried out as explained in Note 6.3;
- GMCWR was handed over on 22 March 2018 to KPMG to administer a solvent liquidation; and
- The GMWDA's Balance Sheet as at 31 March 2018 therefore looks quite different to the Balance Sheet as at 31 March 2017. The main areas that have changed are:
  - a reduction in the long term investments (Note 7 Investments) following repayment of senior lending;
  - an increase in long and short term borrowings (Note 12 Borrowing) as the GMWDA is now providing the financing in place of the PFI banking group;
  - a reduction in Other Long Term Liabilities (Note 13 Other Long Term Liabilities) as the PFI liabilities have now been replaced; and
  - an increase in Unusable Reserves as the reserved capacity at Runcorn TPS has been treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS).

▲ From 1 October 2017 opting to modify (as envisaged in the VLGM contractual arrangements) the Runcorn Thermal Power Station SPV (TPSCo) DBFO contract into one that was a direct one with the GMWDA (which is known as the Residual Value Contract (RVC)), and repaying commercial bank debt. That signalled annual savings which will initially be around £5m per annum, but will rise to around £9m per annum by 2034 (the initial contract expiry date) as the REFCUS expenditure is written down. Thus generating an average annual saving of around £7m; and

▲ Agreed to adjust the existing GMCWR Operating Contract, with Viridor Waste (Greater Manchester) Limited (VWGM), so as to allow it to be a direct GMWDA/VWGM arrangement which will expire on 31 May 2019 (with a GMWDA only option to extend to 30 September 2019). This Contract also will allow various operational changes to be made during the period, all of which are designed, to deliver on-going revenue savings. Those changes relate mainly to the residual waste (Mechanical and Biological Treatment – MBT) facilities.

Risks and opportunities

The key risks / opportunities and mitigations that have influenced the GMWDA in 2017/18 have been analysed below using the PESTLE technique (Political, Economic, Social, Technological, Legal and Environmental).

Political

- **Devolution and the Extension of the Greater Manchester Combined Authority (Cities and Local Government Devolution Act 2016)** – The Greater Manchester Devolution Agreement was signed with the Government in 2014. This aims to bring both decision-making powers and improved control of resources closer to the residents of Greater Manchester, giving them and local leaders control over decisions which have until now been taken at a national level. In 2016/17 it was confirmed that the GMWDA would become part of the Combined Authority with effect from 1 April 2018. 2017/18 is therefore the final year that these accounts will be produced.
- **Spending Review including future Central Government outlook for support to Constituent Districts** – The General Election in June 2017 returned a minority Conservative Government. As expected a priority of this Government remained to reduce the national deficit continued with confirmation that further public sector reductions would be required until 2020. As such the 2016/17 Local Government Settlement, which was confirmed in March 2016 remains in place. This gave the constituent Districts a three year settlement linked into their agreed Efficiency Plan confirming continued reductions in government grant for 2017/18 to 2019/20. As such the Districts face a challenging financial settlement, which has seen all have at least a 40% reduction in support since 2011, and the GMWDA approach remains one to support them in delivering efficiency savings. After 2019/20 a further review of local government funding is expected which is likely to influence the future level of support available to constituent Districts. GMWDA plans for future savings assume that funding levels are in line with the Efficiency Plans of constituent Districts.
- **Future Developments in Europe –** Following the referendum on the future membership of the European Union (EU) it has been confirmed the country would finally exit (after transition) the EU on 31 December 2020. The impact on national Waste Policy is unknown and impacts on the future operation of the GMWDA, who has invested strategically, based upon past European led policy, in a long term environmentally sustainable solution to dispose of its waste (rather than relying on landfill). It is known, however, that the EU 'Circular Economy' legislation will need to be translated into English Law during the transition period.
- **Waste Strategy for England** – The absence of a national waste strategy for England (the Principalities all have their own Strategies) means that the GMWDA had developed a local solution under its PFI Contract and the use of a Combined Heat and Power Plant at Runcorn (Runcorn Combined Heat and Power Plant (CHP)) to reduce its reliance on landfill. The GMWDA is reviewing its options to deliver efficiencies which will need to also consider a future national strategy, which is currently being consulted upon.
- **Contractual –** Contract Monitoring identified underperformance in the Contract which has led to challenge. There is also a parallel exercise to review arrangements under the GMWDA's duty to demonstrate value for money in relation to the public purse. That led to a formal decision to terminate the 25 year PFI Contract, which concluded

with formal termination on 8 March 2018. For part of 2017/18 and all of 2018/19 the GMWDA has put in place interim arrangements with the former PFI Operating Contractor whilst a new procurement exercise is undertaken. The existing end disposal for residual waste, where it is converted to green energy at Runcorn TPS, remains in place until at least 2034.

Economic

- **Government austerity to realign the Public Finances** – This aims at getting the public sector deficit under control and has continued to influence the amount the GMWDA can levy on the Districts. In 2017/18 just over a 5% (average) increase in Levy was approved, with a 0% (average) increase in 2018/19 mainly due to PFI savings and a contribution from the GMWDA's earmarked reserves to finance revenue expenditure.
- **Inflation** – this is predicted going forward at a higher level than in recent years linked into the result on the referendum and the GMWDA has suffered doubly due to increased contract payments, not yet matched by a recovery in electricity prices.
- **Interest Rates** – These have remained at a low level and as a result of the Treasury Management Strategy of the GMWDA (which places safety over economic return on spare cash), the returns from our Treasury Management operations have been low, but in line with expectations. The costs of the GMWDA have been minimised by utilising spare cash and GMCA resources to under borrow in the year. The future picture for interest rates indicates they will rise slowly, but remain at a low level for 2018/19.
- **Economic prospects** – 2017/18 saw some considerable volatility in many economic measures, although once the impact of the referendum is removed the trend is generally positive. In addition there appears to be recognition by central government that austerity measures need longer to fully bite, and bring the economy back into surplus.
- **Price of paper/card -** Import restrictions brought into force in China on waste materials from 1 January 2018 are having a significant effect on market capacity and income levels generated from handling recyclable materials. This is particularly acute for mixed paper and card where reported export income per tonne has fallen from a median price of £112.50 in July 2017 to £5 in March 2018. This has led to an increase in costs for the GMWDA during 2017/18, which will continue for the foreseeable future.

Social

- **Contamination of recyclates** – Contamination remains an issue and consumers are still confused about what can and can't be recycled through local services. Only 12% of the Greater Manchester population did not contaminate at all in their mixed recycling bin with key contaminants being plastic tubs, plastic pots, clear trays, plastic wrapping, plastic bags and wrapping. A number of serious contaminants are also an issue including dirty pizza boxes, drinking glasses, pots pans and cutlery. Targeted contamination campaigns designed to influence behaviour scoped for both mixed recycling and paper and card have been worked up and will run for the period of January 2018 to end March 2019.

- **Increase in households** – There was an increase in the number of household in all the Districts which led to an increase in the waste generated and which needed to be disposed of.

Technological

- **Mechanical Biological Treatment (MBT) and Anaerobic Digestion (AD) Facilities** – The MBT process was capturing significantly less organic material than originally envisaged, and there has also been unexpected corrosion in the AD facilities resulting in the reduced generation of green energy. This has led to an increase in the Refuse Derived Fuel (RDF) produced by these processes than originally envisaged when the 2017/18 budget was agreed. The revenue impact of this has been partially offset by increased shredding of bulky waste, and then use of that material through flexibility in agreements made to dispose of RDF, in Phase 2 of the Runcorn CHP facility. That has allowed for this to be disposed at a rate below the cost of landfill tax. The impact of corrosion in the AD facilities upon the GMWDA's Balance Sheet (impairment) has been considered in the production of these Accounts. Towards the end of 2017/18 the GMWDA issued a change notice to cease biological processing (AD) and a process is being worked through to make modifications to the facilities.
- **Runcorn Combined Heat and Power Plant (CHP)** – This was the third full year of the operation of the CHP and the plant has performed to expected capacity throughout the year and disposed of extra RDF to that envisaged in the 2017/18 budget, which is cheaper than the cost of landfill, and also brings significant environmental benefits.
- **Loss of facilities** – During the year, two of the GMWDA's facilities suffered major fire damage. A major fire occurred on the 7/8 April 2017 at Chichester Street In-Vessel Composting facility (IVC), Rochdale and this facility has since been demolished. A second fire occurred on 17 September 2017 at Raikes Lane TRF, Bolton which destroyed the turbine building. Work has been undertaken to allow the undamaged incinerator to process waste whilst not generating any electricity. Discussions are ongoing with insurers to determine the cause of the fires, but it is not expected either facility will be fully reinstated in 2018/19.

Legal

- **Accounts and Audit Regulations 2015 and Local Audit and Accountability Act 2014** – The timeline for the production and approval of the GMWDA's Accounts has changed and transition arrangements cease. For 2017/18 the Accounts should have been approved by 31 July. Also in 2017/18, the role of overseeing the external auditors was fully undertaken by Public Sector Audit Appointments Limited (PSAA).
- **Repayment of Debt** – This is set out in the framework produced by the Department for Communities and Local Government. The GMWDA had adopted a prudent and sustainable approach to this linking it into the lifecycle of the facilities. That strategy was also continued in funding the PFI termination.

- **Greater Manchester Pension Fund (GMPF) Valuation** – Tameside MBC, the administering authority, have provided an actuarial valuation comparing the assets and liabilities on the GMPF in accordance with agreed accounting standards. The overall position has again improved during the financial year 2017/18.
- **Additional Levy Requirement of £77.701m** - The 2017/18 Levy included an additional Levy sum of £77.701m, which could have been required to provide 'invest to save' resources and hence allow the savings programme to be delivered. That sum had to be raised from Districts, but its effect was neutralised at an individual District level by a corresponding reduction in the GMCA (transport) Levy. That sum will subsequently be fully returned to Districts, and then to GMCA, in 2018/19.

Environmental

- **Solar Farm** – 2017/18 was the second full year of operation of a Solar Farm at Over Hulton, Bolton, which was constructed in 2015/16. This produces green electricity used to both support the adjacent waste facility and contribute to the National Grid when the weather is favourable. Performance of the facility in 2017/18 was in line with design expectations.

Further detail regarding key influences on the GMWDA can be found in the Draft Annual Governance Statement (AGS) which is separate from the Statement of Accounts, but can be found at https://www.zerowastegm.co.uk/wp-content/uploads/2017/01/Draft-Annual-Governance-Statement.pdf

Strategy and Resource Allocation

The GMWDA adopted a current year plus 3 year planning cycle in its 2018/19 budget, which largely mirrors the planning timeline of many of our Districts. Production of the forward forecast, against a background of a not yet finalised savings programme, has again for 2018/19 been a significant challenge. A number of planning assumptions have been made which take a balanced view upon the delivery/ risk of achieving emerging savings.

The Medium Term Financial Plan (MTFP) projections have also assumed that:

- Landfill Tax increases will continue to rise annually by Retail Price Indexation (RPI); and
- Districts will be able to deliver on their expected waste declarations, including increased recycling levels from kerbside collection schemes. In the event that those forecasts are not achieved, the risk associated with that are fully borne by the Districts as any waste above their declaration is charged after year end, as part of a reconciliation process, for the variable cost element.

Taking account of the above, the estimated budget and Levy requirements for the MTFP period are:

	Inflation Assumption %	Levy £m	Levy Increase/ (Decrease) %	Use of MTFP Reserve £m
2018/19	4.2	169.594	0	27.753
2019/20	2.9	174.635	3.0	-
2020/21	2.8	177.686	1.7	-
2021/22	2.9	180.543	1.6	-

The table excludes the return of £77.701m of supplementary levy to Districts.

Performance

This section provides readers and all interested parties with a summary of our financial performance and also includes key non-financial information. It is aimed at improving the readability of our statements, so as to aid openness and transparency.

An Explanation of the Financial Position for 2017/18

Revenue Expenditure

Revenue expenditure and income refers to the day-to-day transactions such as salaries and wages, running expenses (including Contract payments), fees and charges, and other miscellaneous income and expenditure.

In accordance with usual practice, the GMWDA actively sought the engagement of the Waste Chief Officers and Treasurers of constituent Districts. As far as possible, the budget was set taking account of their comments and suggestions.

Association of Greater Manchester Authorities (AGMA) once again asked the Leaders of Bolton and Stockport (supported by their Treasurers) to undertake a detailed challenge of our 2017/18 budget proposals. Several meetings took place with the process being reported to the Greater Manchester Combined Authority (GMCA)/AGMA Executive Board in January 2017, where the GMWDA's approach was endorsed.

In February 2017 the GMWDA approved the revenue budget for 2017/18 amounting to £247.295m. The budget assumed a contribution from the MTFP Reserve of £7.310m. The 2017/18 Levy also included an additional Levy sum of £77.701m which was required to provide 'invest-to-save' resources to allow the savings programme to be delivered. In the end that sum was not needed, and is being returned to Districts in 2018/19 as part of the Levy.

The table below summarises the revenue costs of the GMWDA in 2017/18 compared to the Original and Revised Budgets. The Revised Budget anticipated a balanced budget position on the bottom line, but with increases for additional final disposal costs following the closure of Raikes Lane TRF, Bolton. The outturn is lower due to delays in some areas of planned expenditure which have been carried forward to 2018/19, lower payments for landfill and

RDF due to the active pursuit of insurance claims by the operating contractor and higher than anticipated income following the solvent liquidation of GMCWR.

Set out in the table below is a summary comparison of spend, by spend category, showing the outturn to the revised budget (approved February 2018), with significant variances (i.e. over £0.5m) explained for the £28.9m net underspend (before transfer to Reserves):

SPEND CATEGORY	OVER/(UNDER)SPEND £M	EXPLANATION
GMWDA OWN SPEND	0.2	Increased spend on advisory fees, due to additional works on reprocurement of operating contracts and legal fees.
CONTRACT COSTS	(29.0)	This comprises: • delay in the residual waste biological process (Anaerobic digestion – AD) drain down and modifications process (£4.4m); • Major fires at facilities – insurance claims for business interruption to be submitted by VWGM (£4.8m); • Waste levels lower (by around 20k tonnes) and Landfill Diversion performance greater than budgeted – due to VWGM being able to take waste from the fire damaged Bolton Thermal Recovery Facility (TRF) to other thermal facilities, rather than having to landfill (£4.7m); • The purchased PFI company (GMCWR) payment over of sums for lifecycle fund and optimisation and an asset sale (£8.1m); • Underspend on cost of financing PFI, as the GMWDA continued to use a GMCA short-term loan facility (as opposed to taking longer term borrowing as originally envisaged) (£2.0m); and • Termination of the PFI Contract only took place on

SPEND CATEGORY	OVER/(UNDER)SPEND £M	EXPLANATION
		8th March 2018 after the initial refinancing, and following legal advice full PFI Credit grant is still deemed to be receivable (£5.0m).
OTHER CHANGES	(0.1)	
TOTAL	(28.9)	

The Expenditure and Funding Analysis at Note 5 provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The following table reinforces the sound management and governance of the GMWDA enabling it to make a contribution to its Reserves to improve its financial resilience.

	Original Estimate 2017/18 £m	Revised Estimate 2017/18 £m	Outturn 2017/18 £m
EXPENDITURE			
Employees	4.339	2.000	2.157
Premises	1.182	1.105	1.189
Advisory Costs	2.751	4.950	5.548
Community Waste Fund	0.020	0.020	-
Supplies and Services	0.222	0.222	0.469
Transport	0.065	0.065	0.079
Central Support Costs	0.149	0.149	0.134
Transfer of Behavioural Change Team	0.427	0.527	-
Controllable spend	9.155	9.038	9.576
Debt Charges / Cap Financing	3.045	3.045	3.045
	12.200	12.083	12.621
INCOME			
Other income	(0.282)	(0.282)	(0.448)
Interest	(0.020)	(0.075)	(0.055)
	(0.302)	(0.357)	(0.503)
To / (From) Provisions	(0.551)	(0.551)	(0.551)
GMWDA Net Costs	**11.347**	**11.175**	**11.567**
Contract Costs (net of PFI Credit Grant)	**165.557**	**165.370**	**136.546**
Net Expenditure	**176.904**	**176.545**	**148.113**
To / (From) reserves	(7.310)	(6.951)	21.597
To / (From) General Fund	-	-	-
Refunded / (Charged) to Districts in year	-	-	(0.116)
Supplemental Levy (GMCA offset)	77.701	77.701	77.701
Levy	247.295	247.295	247.295

Budget Monitoring

Revenue and capital budget monitoring information was initially reported to the GMWDA Resources Committee until revised Governance Arrangements were agreed. Any areas of concern were referred to the full GMWDA meeting. Under the revised arrangements there were updates provided to the GMWDA on projected outturn. During the year the GMWDA received monthly Contract Update reports highlighting the challenges on performance.

In addition, treasury management performance was reported to the GMWDA Audit & Standards Committee. The reports have once again highlighted the level of cash balances held by the GMWDA and that there has been no need to borrow to support capital expenditure within the capital programme, and only partially take long term borrowing for the PFI Contract restructuring/termination from the GMCA on a short term basis.

Movement in Earmarked Reserves

TRANSFER TO/(FROM) RESERVES:	AMOUNT £M	REASON/PURPOSE
LIFE+ RESERVE	(0.318)	Following conclusion and audit of the EU LIFE+ grant work this reserve can now be released.
ENGAGEMENT ACTIVITIES RESERVE	0.316	Reserve has been increased to allow the completion of the Communications Action Plan that runs over a 2 year period.
INSURANCE RESERVE	4.847	Specific provision to increase reserve to provide for potential unforeseen insurance costs on the Contract due to the GMWDA being largely 'self-insured' for 2018/19.
AUTHORITY LOAN RESERVE	(11.963)	This was a specific reserve to mitigate future risk for the GMWDA acting as Senior Lender to the PFI. Now the PFI has terminated this reserve has been released.
MEDIUM TERM FINANCIAL PLAN (MTFP) RESERVE	102.505	Reserve to support the Medium Term Financial Plan. This has been increased to allow the repayment of the 'invest-to-save' monies that were not required in 2017/18 (£77.701m) and has also been increased by underspends from expected in year expenditure that has now been delayed to 2018/19.
WASTE COMPOSITION ANALYSIS RESERVE	0.200	Contribution to Reserve to enable an analysis of the changes to Waste Composition from changes to collection routines by Districts in 2018/19.
CONTRACT SUPPORT AND REORGANISATION RESERVE	(0.200)	This reserves has now been released following the organisation's transition to Churchgate House, Manchester.
LIFECYCLE RESERVE	3.911	Reserve created to allow funding of lifecycle at the operational sites now under GMWDA control.
TOTAL	99.298	

General Fund Balance

The GMWDA's General Fund Balances represent its buffer against future unforeseen expenditure and as such should ideally be maintained at minimum risk assessed levels. The GMWDA assessed the maximum risk level at which balances should be maintained at £12.1m when setting its 2017/18 levy.

Pensions

As part of the terms and conditions of employment of its employees, the GMWDA makes contributions towards the cost of post-employment benefits.

The GMWDA participates in the Local Government Pension Scheme (LGPS), administered locally by Tameside MBC. This is a funded defined benefit salary scheme, meaning that the GMWDA and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Overall the net pensions liability as assessed by the GMPF actuaries decreased by £1.1m. The detail of this liability is set out in Note 18.

In addition the potential future risks of pension liabilities are considered in Note 20.

Performance Indicators

The GMWDA employs a full suite of performance indicators (PI), that support its Business Plan 2017/18, and which are monitored through a comprehensive performance management system on a monthly, or quarterly, basis. The high level PI are reported quarterly to the appropriate committee using a traffic light (red, amber, green) and direction of travel (improving (↑), decreasing (↓) or unchanged (←)) system.

Business Plan Objective:	To Optimise the PFI and Operational Contract and Assets to drive efficiency savings
Statements of Intent:	To strengthen the operational arrangements within the PFI and Operational Contract and the GMWDA Asset portfolio to deliver environmentally sustainable facilities and services to the residents of Greater Manchester.

			Rag Status	Direction of Travel	Comments
Key Performance Indicators:	A1	50% for 2017/18 and 60% Recycling by 2025 For 2016/17: District (ex. Trade waste): 48.99%	Amber	↓	The Contract Combined Recycling Rate is 46.7% for 2017/18 year end. The down turn in the recycle market has had a negative effect on the recycling rate. Districts household only waste is continuing to improve and was 50.4% by the end of 2017/18. 60% minimum from HWRC expected in 2020, (from current c.40% level).
	A2	90% Landfill Diversion by 2020	Amber	↑	GMWDA (District and HWRC) diversion rate is 88.5% for 2017/18 year end. In year performance was adversely affected by the fire in the Turbine building at Bolton TRF (17 September 2017).
	A3	223,606 MWh gross of electricity generated (Reviewed annually)	Amber	↓	Bolton TRF MWh export was 15,382 MWh with no electricity generated following the fire on 17 September 2017. Net AD exported is 2.285Mwh. Electricity production from Anaerobic Digestion plants (ADs) ramping down.
	A4	Electricity and steam from the Runcorn CHP site	Green	→	Electricity 199,279MWh Steam 513,379 tonnes

	A5	Contract Budget Savings achieved from 2017/18	Amber	↓	Savings were delayed on the PFI contract by three months. Other in year variations means that an overspend position originally projected to exist at year end has been mitigated.
	A6	Revised Inter Authority Agreement (LAMA) implemented from 2017/18 (Reviewed annually)	Green	→	Levy Allocation Methodology Agreement (LAMA) developed and replaced IAA from Dec 17 waste submissions. Formally approved January 2018.
	A7	Delivery of the Landfill After-care Plan	Green	↑	The Landfill After-care plan was fully delivered, with no non-compliance issues raised in 2017/18.
	A8	Delivery of the Capital Programme within Budget	Amber	↓	Capital Programme was significantly delayed in year due to need to reprioritise limited resources to deal with former PFI facility modifications.
	A9	Delivery of the Asset Management Plan	Amber	↑	Some elements of the plan are currently delayed, for example Dunkirk Farm is currently a red risk. Sale of site was delayed, and is now expected to be later in 2018/19 period. This has given the overall Asset Management Plan an amber status.

Business Plan Objective 2:	Deliver sound Corporate Governance and budget savings				
Statement of Intent:	To deliver services that demonstrate value for money and optimise savings in all service areas				
			RAG Status	Direction of Travel	Comments
Key Performance Indicators:	B1	Levy set by February	Green	↑	Budget and Levy approved at the GMWDA meeting on 8 February 2018.
	B2	Delivery of the Statement of Accounts requirements	Green	→	The Statement of Accounts requirements have been met.
	B3	Delivery of the Corporate Governance framework	Green	→	Corporate governance framework has been delivered. All requirements in year have been met.

Business Plan Objective 3:	Invest in our people and develop new ways of working				
Statement of Intent:	To embrace new ways of working to enable an efficient and motivated workforce to meet the needs of residents and partners.				
			RAG Status	Direction of Travel	Comments
Key Performance Indicators:	C1	Number of visitors to the new Website	Green	→	New website live on 1st April 2017. Quarter 1: 60,192 users, 81,175 sessions Quarter 2: 58,442 users, 78,320 sessions Quarter 3 58,158 users, 78,124 sessions Quarter 4: 58,717 users, 77,630 sessions
	C2	Delivery of the People Plan	Green	→	Appraisal/Personal Performance Review Process reviewed/updated and implemented. Introduction of regular staff briefings/forums and monthly newsletter.
	C3	Delivery of the Value for Money (VfM) Framework	Amber	→	VfM has been central to the re-procurement exercise. Other areas of business will however need to be revisited as additional resources become available.

	C4	Delivery of the Health & Safety Action Plan	Green	→	H&S Policy and Plans have been reviewed, externally validated and confirmed as legally compliant and organisationally effective.

Business Plan Objective 4:	Work with residents and partners to change behaviour and reduce waste				
Statement of Intent:	To work with residents and partners to change behaviour, reduce waste and reduce contamination				
			RAG Status	Direction of Travel	Comments
Key Performance Indicators:	D1	Contamination to remain under 15% within facilities	Green	→	Targeted contamination campaigns designed to influence behaviour scoped for both mixed recycling and paper and card for the period of Jan 2018 to end March 2019. Key message delivery through a series of advertising campaigns have commenced using a variety of touchpoints including: Manchester Evening News (MEN) adverts (1 per month); bus and tram advertising; and ongoing digital advertising.
	D2	To deliver the long-term Behavioural Change & Communication Strategy	Green	→	Review period complete. Delivery action plan from Jan 2018 – end March 2019 developed and approved.

					Waste prevention campaigns utilising best practice models including community sector are scoped for the period of Jan 2018 to end March 2019.

Outlook

Transfer of functions to Greater Manchester Combined Authority

The Greater Manchester Combined Authority (Functions and Amendment) Order 2017 has been made which has seen the functions, property, rights and liabilities of the GMWDA transfer to the GMCA from 1 April 2018. There have not been any significant financial liabilities that have arisen as a result of any transfer of its functions, assets and liabilities to the successor body.

In local government reorganisation (where assets and liabilities are proposed to be transferred), the predecessor authority still accounts on the basis of going concern because the provision of services would continue. The Statement of Accounts have been prepared on the going concern assumption because now reorganisation has completed the functions of the GMWDA are still continuing in operational existence for the foreseeable future. Under the Code, transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

Basis of Preparation and Presentation

The GMWDA is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations (England & Wales) 2015 which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) and the Service Reporting Code of Practice for Local Authorities 2017/18 (SeRCOP), supported by International Financial Reporting Standards (IFRS). There are no material changes to the accounting policies adopted by the GMWDA in 2017/18 to those reported to the GMWDA Audit & Standards Committee meeting on 28 February 2018, and GMCA Audit Committee on 12 April 2018.

After presenting key information about the GMWDA to enable the reader to understand the key issues that have influenced the financial performance of the GMWDA in 2017/18 and in future years, it is important to move on to the presentation of the 2017/18 Accounts. These summarise the transactions for the financial year and the position of the GMWDA at the year-end of 31 March 2018.

The table below summarises the purpose of the various statements included in the 2017/18 Statement of Accounts.

STATEMENT	PURPOSE AND CONTENT
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	This Statement sets out the respective responsibilities of the Authority and the Chief Financial Officer (GMCA Treasurer) for the Accounts.
AUDITOR'S STATEMENT	This is the Independent Auditor's Report to Members of the GMCA including their Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources. This Statement is not available until the conclusion of the audit.
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the levy. The GMWDA raised a levy to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The levy position is shown in the Movement in Reserves Statement.
MOVEMENT IN RESERVES STATEMENT	This Statement shows the movement in the year on the different reserves held by the GMWDA, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce levy) and Unusable Reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the GMWDA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for levy-setting purposes. The 'Net increase or (decrease) before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the GMWDA.
BALANCE SHEET	The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the GMWDA. The net assets of the GMWDA (assets less liabilities) are matched by the reserves held by the GMWDA. Reserves are reported in two categories. • Usable Reserves: Those reserves that the GMWDA may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

	• Unusable Reserves: Those reserves that the GMWDA is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
CASH FLOW STATEMENT	The Cash Flow Statement shows the changes in cash and cash equivalents of the GMWDA during the reporting period. The Statement shows how the GMWDA generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amounts of net cash flows arising from operating activities are a key indicator of the extent to which the operations of the GMWDA are funded by way of levy. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the GMWDA's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (such as borrowing) to the GMCA.
EXPENDITURE AND FUNDING ANALYSIS (NOTE 5)	The Expenditure and Funding Analysis shows how the funding available to the GMWDA has been used in providing services in comparison with those resources consumed or earned by the GMWDA in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the GMWDA's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Going Concern Principle

The Statement of Accounts have been prepared on the assumption that the statutory functions of the GMWDA will continue for the foreseeable future and, in any case, at least 12 months from the date of signing of these Accounts. The Greater Manchester Combined Authority (Functions and Amendment) Order 2017 has been made which saw the functions, property, rights and liabilities of the GMWDA transfer to the GMCA as from 1 April 2018. In the case of this recently effected local government reorganisation, where assets and liabilities are due to be transferred, the GMWDA would still account on the basis of going concern as the provision of services would continue. This is in accordance with the Code where an authority shall prepare their Statement of Accounts on a going concern basis unless there is an intention by government that services shall no longer be provided. A transfer of these services from one authority to another does not negate the presumption of going concern.

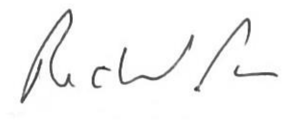
Consolidated Statement of Accounts

The GMWDA, after expert technical support from KPMG, has taken the key decision not to prepare Group Accounts as the GMWDA did not have any material subsidiaries as at 31 March 2018. During the financial year 2017/18, the GMWDA purchased the PFI Contract SPV, VLGM and renamed it GMCWR. The subsidiary was handed over to KPMG to administer a solvent liquidation on 22 March 2018 and the GMWDA could no longer exercise control and therefore the group no longer existed. Further detail can be found in Note 21 Related Parties.

Receipt of Further Information

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, Greater Manchester Combined Authority, 1st Floor Churchgate House, 56 Oxford Street, Manchester M1 6EU Telephone Number: 0161 778 7110

Websites: www.zerowastegm.co.uk
www.greatermanchester-ca.gov.uk



R Paver, CPFA
Treasurer to the GMCA

21 March 2019

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required 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. For 2017/18 that responsibility was carried out by the GMWDA Treasurer & Deputy Clerk, and from 1 April 2018 was assumed by the GMCA Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the audited Statement of Accounts, through its delegation to the GMCA Audit Committee.

The Treasurer to the Authority's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Treasurer has also:

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

Certification of Accounts

I certify that the Statement of Accounts present a true and fair view of the position of the Greater Manchester Waste Disposal Authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Richard Paver

Treasurer to the GMCA

21 March 2019

Approval by the Audit Committee

I confirm that these accounts were approved by the Audit Committee on 21 March 2019.

Gwyn Griffiths

Chair of GMCA Audit Committee

21 March 2019

Independent Auditor's Report to the Members of Greater Manchester Combined Authority (GMCA) in respect of Greater Manchester Waste Disposal Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Greater Manchester Waste Disposal Authority (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

Adverse opinion on financial statements – non-preparation of group accounts

In our opinion, because of the significance of the matter described in the basis for adverse opinion paragraph of our report, solely in relation to the non-preparation of group accounts, the financial statements:

- do not give a true and fair view of the financial position of the group as at 31 March 2018 and of the group's expenditure and income for the year then ended;
- have not been properly prepared in accordance with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have not been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for adverse opinion on financial statements – non-preparation of group accounts

As explained more fully in the Narrative Report in the financial statements, GMCA has prepared individual statement of accounts for the Authority in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and the requirements of the Local Audit and Accountability Act 2014 and has not consolidated the financial information of its subsidiary undertakings, Greater Manchester Combined Waste and Recycling Limited (Holdings) Limited and Greater Manchester Combined Waste and Recycling Limited. In our opinion, the GMCA is required to prepare group accounts for the Authority in accordance with Section 9.1 of the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and to consolidate the financial information of its subsidiary undertakings in accordance with the public sector adaptation of International Reporting Standard (IFRS) 10 Consolidated Financial Statements. Had group accounts been prepared, several elements in the financial statements would be materially affected. The effects on the financial statements of the failure to consolidate the subsidiaries in accordance with IFRS 10 have not been determined.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Opinion on parent Authority financial statements

In our opinion the parent Authority financial statements:

- give a true and fair view of the financial position of the parent Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer to the GMCA's use of the going concern basis of accounting in the preparation of the financial statements of the Authority is not appropriate; or
- the Treasurer to the GMCA has not disclosed in the financial statements of the Authority any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter – transfer of functions, assets and liabilities to Greater Manchester Combined Authority (GMCA)

We draw attention to the disclosures made in Note 1.i to the financial statements concerning the transfer of the Authority's functions, assets and liabilities. As stated in note

1.i, the Authority's functions, assets and liabilities transferred to the Greater Manchester Combined Authority (GMCA) as from 1 April 2018 under the Greater Manchester Combined Authority (Functions and Amendment) Order 2017. Our opinion is not modified in respect of this matter.

Other information

The Treasurer to the GMCA is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 on the Authority in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor of the Authority under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 32, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Authority, for 2017/18 that officer was the Treasurer and Deputy Clerk for the Authority, and from 1 April 2018 it is the Treasurer to the GMCA (the Treasurer). The Treasurer is responsible for the preparation of the Statement of Accounts of the Authority, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

GMCA's Audit Committee is Those Charged with Governance of the Authority.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Authority as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources we identified the following matter:

Our audit identified significant weaknesses in the Authority's arrangements for preparing the 2017/18 financial statements. GMCA published unaudited Authority financial statements on 31 May 2018 which contained material errors in respect of accounting for the refinancing of the arrangements for disposal of residual waste and for the termination of the Authority's recycling and waste management private finance initiative contract. The underlying causes of these weaknesses were the Authority's failure to secure sufficient technical accounting knowledge to inform the preparation of the 2017/18 financial statements, and insufficient strategic oversight and leadership of the financial statements preparation process.

This matter is evidence of weaknesses in proper arrangements for informed decision making specifically in relation to reliable and timely year-end statutory financial reporting that supports the delivery of strategic priorities.

Responsibilities of the Authority

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit of the Authority and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements of the Authority or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Use of our report

This report is made solely to the members of the GMCA, as a body, in respect of the Authority in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the GMCA's members, in respect of the Authority, those matters we are required to state to them in an auditor's report in respect of the Authority and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the GMCA's members, in respect of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

John Farrar

John Farrar

for and on behalf of Grant Thornton UK LLP
Appointed Auditor
4 Hardman Square
Spinningfields
Manchester
M3 3EB

10 April 2019

Comprehensive Income and Expenditure Statement

	Note	2017/18 Expense £m	2017/18 Income £m	2017/18 Net £m	2016/17 Expense £m	2016/17 Income £m	2016/17 Net £m
Cost of Services	4.1	507.225	(13.977)	493.248	137.333	(13.427)	123.906
Other operating expenditure	a			1.738			-
Financing and investment	4.2			0.310			54.122
Taxation and non-specific grant income	4.3			(247.673)			(164.439)
(Surplus) or Deficit on the Provision of Services				**247.623**			**13.589**
(Surplus) or deficit on revaluation of property, plant and equipment assets	6			(2.495)			(4.721)
Remeasurement of the net defined liability benefit	18.1			(0.932)			(0.787)
Other Comprehensive Income and Expenditure				**(3.427)**			**(5.508)**
Total Comprehensive Income and Expenditure				**244.196**			**8.081**

a (Gain) / Loss on Disposal of Non-Current Asset

Material items of Income and Expenditure can be found in Note 4.1

Movement in Reserves Statement

	Note	Unearmarked General Fund Reserves	Earmarked General Fund Reserves	Total General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£m	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 31 March 2016		**9.434**	**54.186**	**63.620**	**63.620**	**(178.601)**	**(114.981)**
Transfers to or (from) Earmarked Reserves	14	16.007	(16.007)	-	-	-	-
Surplus (or deficit) on the provision of services		(13.589)	-	(13.589)	(13.589)	5.508	(8.081)
Adjustments between accounting basis and funding basis under regulations	3	0.279	-	0.279	0.279	(0.279)	-
Increase or (decrease) in 2016/17		2.697	(16.007)	(13.310)	(13.310)	5.229	(8.081)
Balance at 31 March 2017		**12.131**	**38.179**	**50.310**	**50.310**	**(173.372)**	**(123.062)**
Transfers to or (from) Earmarked Reserves	14	(99.298)	99.298	-	-	-	-
Surplus (or deficit) on the provision of services		(247.623)	-	(247.623)	(247.623)	3.427	(244.196)
Adjustments between accounting basis and funding basis under regulations	3	346.922	-	346.922	346.922	(346.922)	-
Increase or (decrease) in 2017/18		0.001	99.298	99.299	99.299	(343.495)	(244.196)
Balance at 31 March 2018		**12.132**	**137.477**	**149.609**	**149.609**	**(516.867)**	**(367.258)**

Balance Sheet

	Note	31 March 2018	31 March 2017
		£m	**£m**
Property, Plant and equipment	6	154.793	214.250
Intangible Assets		0.002	0.005
Long term investments	7.1	-	61.762
Long term debtors	8.1	2.505	-
Long Term Assets		**157.300**	**276.017**
Short term investments	7.2	-	3.825
Assets held for sale		0.100	0.104
Short term debtors	8	10.418	11.877
Cash and cash equivalents	9	6.884	9.769
Current Assets		**17.402**	**25.575**
Short term borrowing	12.1	(340.845)	(38.006)
Short term creditors	10	(18.352)	(30.099)
Transferred Debt due within 12 months	13	(1.392)	(1.334)
Provisions	11	(0.523)	(0.551)
Current Liabilities		**(361.112)**	**(69.990)**
Provisions	11	(1.743)	(2.265)
Long term borrowing	12.2	(167.688)	(66.308)
Other long term liabilities	13	(11.416)	(286.091)
Long Term Liabilities		**(180.847)**	**(354.664)**
Net Assets / (Liabilities)		**(367.257)**	**(123.062)**
Usable Reserves	14	149.609	50.310
Unusable Reserves	15	(516.866)	(173.372)
Total Reserves		**(367.257)**	**(123.062)**

Richard Paver

Treasurer to the GMCA

21 March 2019

Cash Flow Statement

	Note	2017/18 £m	2017/18 £m	2016/17 £m	2016/17 £m
Cash and cash equivalents at the beginning of the reporting period	**9**		9.769		18.932
Operating Activities	**16**	125.267		(1.796)	
Investing Activities	**16**	(529.973)		(28.698)	
Financing Activities	**16**	401.821		21.331	
Net increase or decrease in cash and cash equivalents			(2.885)		(9.163)
Cash and cash equivalents at the end of the reporting period	**9**		**6.884**		**9.769**

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Notes to the Accounts

Note 1 Accounting Policies

i General Principles

The Statement of Accounts summarises the GMWDA's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The GMWDA is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS).

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

Unless otherwise stated the convention used in this document is to round amounts to the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (1,234).

The Statement of Accounts have been prepared on the assumption that the statutory functions of the GMWDA will continue for the foreseeable future and, in any case, at least 12 months from the date of signing of these Accounts. The Greater Manchester Combined Authority (Functions and Amendment) Order 2017 has been made which saw the functions, property, rights and liabilities of the GMWDA transfer to the GMCA as from 1 April 2018. In the case of this recently effected local government reorganisation, where assets and liabilities are due to be transferred, the GMWDA would still account on the basis of going concern as the provision of services would continue. This is in accordance with the Code where an authority shall prepare their Statement of Accounts on a going concern basis unless there is an intention by government that services shall no longer be provided. A transfer of these services from one authority to another does not negate the presumption of going concern.

ii Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the GMWDA transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the GMWDA;

- Revenue from Government Grants is recognised when it can be reasonably certain that payment is due;
- Revenue from the provision of services is recognised when the GMWDA can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the GMWDA;
- Supplies are recorded as expenditure when they are consumed. Where there is a lag between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies, or to correct a material error. Changes in accounting estimates are accounted for prospectively, in other words, in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

v Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The GMWDA is not required to raise a levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the GMWDA in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced in the General Fund Balance by the Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset that has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the GMWDA has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged.

vii Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, contractual car allowances) for current employees and are recognised as an expense for services in the year in which employees render service to the GMWDA. No accrual is made for the cost of holiday entitlements as this is not considered material given the number of direct employees within the GMWDA.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the GMWDA to terminate an Officer’s employment before the normal retirement date or an Officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the GMWDA is demonstrably committed to the termination of the employment of an Officer or group of Officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the GMWDA to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the GMWDA are members of the Local Government Pensions Scheme, administered locally by Tameside MBC.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the GMWDA.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Greater Manchester Pension Fund attributable to the GMWDA are included in the Balance Sheet on an actuarial basis using the projected unit method – in other words, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and so on, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).
- The assets of the Greater Manchester Pension Fund attributable to the GMWDA are included in the Balance Sheet at their fair value, as follows:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into seven components, as follows:

COMPONENT	DESCRIPTION	ACCOUNTING TREATMENT
CURRENT SERVICE COST	The increase in liabilities as a result of years of service earned this year.	Allocated in the CIES to the services for which the employees worked.
PAST SERVICE COST/GAIN	The change in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years.	Debited or credited to the Surplus or Deficit on the Provision of Services in the CIES.
NET INTEREST ON THE NET DEFINED BENEFIT LIABILITY	The change during the period in the net defined benefit liability (asset) that arises from the passage of time.	Debited in the CIES to Financing and Investment Income and Expenditure.
RETURN ON PLAN ASSETS	This excludes amounts included in net interest on the net defined benefit liability (asset).	Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
ACTUARIAL GAINS AND LOSSES	Changes in the net pension liability that arise because events did not coincide with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.	Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
CONTRIBUTIONS PAID TO THE FUND	Cash paid as employer's contributions to the pension fund in settlement of liabilities.	Not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the GMWDA to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of accounting for retirement benefits on the basis of cash flows rather than as employees earn benefits.

Discretionary Benefits

The GMWDA also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. The GMWDA's current policy is not to award discretionary benefits. If applied, however, any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii Events After the Reporting Period

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

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

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

ix Financial Instruments

Financial Liabilities

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

For most of the borrowings that the GMWDA has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure, regulations allow the impact on the General Fund Balance to be spread over future years. The GMWDA has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in the year that the grant is received. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the GMWDA becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the GMWDA has made, the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the GMWDA becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the GMWDA.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the GMWDA can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and
- Level 3 inputs – unobservable inputs for the assets.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the GMWDA when there is reasonable assurance that:

- the GMWDA will comply with the conditions attached to the payments, and
- the grants or contributions are due and payable.

Amounts recognised as due to the GMWDA are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

The GMWDA has accounted for the full PFI Credit Grant in the year as it believes that the receipt is due and payable. That situation is disputed by DEFRA. The GMWDA has successfully petitioned for a Judicial Review of DEFRA's decision to withdraw PFI Credits.

xi Interests in Companies and Other Entities

The GMWDA did not have any material interests in companies as at 31 March 2018 and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

On the 26 September 2017 the GMWDA acquired the Special Purpose Vehicles (Viridor Laing (Greater Manchester) Limited and its holding company for £1 and then renamed them Greater Manchester Combined Waste and Recycling Limited (GMCWR) and Greater Manchester Combined Waste and Recycling (Holdings) Limited (GMCWRH). Those companies effectively ceased to trade following termination of the Project Agreement on 8 March 2018 and were entered in to a Voluntary Winding Up on 22 March 2018. KPMG have been appointed to conclude that winding up process which negated the need to prepare consolidated accounts. That judgement is considered further in Note 21.

xii Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the GMWDA and the cost of the item can be measured reliably and is above the de minimis limit of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (in other words, repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (in other words, it will not lead to a variation in the cash flows of the GMWDA). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the GMWDA.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and assets under construction – depreciated historical cost
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. For 2017/18 a full revaluation of all assets has been undertaken. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (in other words, freehold land) and assets that are not yet available for use (in other words, assets under construction).

Depreciation is calculated on the following bases:

- Operational buildings – straight line allocation over 50 years
- Former PFI assets and GMWDA purchased assets to be used in the Contract (Buildings and Vehicles, Plant and Equipment) – straight line allocation over 30 years (i.e. PFI Contract duration + 5 year life post hand back)

- Bolton Thermal Recovery Facility (TRF) and Solar Farm – straight line allocation over 25 years
- Runcorn Thermal Facility – capital prepayment applied as an equal sum over remaining 16.5 years of previous contract
- Vehicles, plant and equipment – straight line allocation over the estimated useful life (between 5 and 10 years)
- Infrastructure assets (including roads) – straight line allocation over 50 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item but is not part of a single process, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xiii PFI and Similar Contracts – part year

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the GMWDA is deemed to control the services that are provided under its PFI schemes, located within the GM conurbation (that is, excluding Runcorn TPS) and as ownership of the property, plant and equipment has now passed to the GMWDA at the end of the Contract for no additional charge, the GMWDA carries the assets previously provided under the Contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The liability is written down by an agreed capital contribution of £68.040m which the GMWDA paid and brought into account when the relevant asset milestones are independently certified.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the GMWDA.

The amounts payable to the PFI operator until termination was analysed into five elements:

ELEMENT	DESCRIPTION	ACCOUNTING TREATMENT
SERVICE CHARGE	Fair value of the services received during the year.	Debited in the CIES to the relevant service.
FINANCE COST	An interest charge on the balance sheet liability.	Debited in the CIES to Financing and Investment Income and Expenditure.
CONTINGENT RENT	Increases in the amount to be paid for the property arising during the Contract.	Debited in the CIES to Financing and Investment Income and Expenditure
PAYMENT TOWARDS LIABILITY	Applied to write down the Balance Sheet liability towards the PFI operator	The profile of write-downs is calculated using the same principles as for a finance lease.

ELEMENT	DESCRIPTION	ACCOUNTING TREATMENT
LIFECYCLE REPLACEMENT COSTS	Amounts payable towards replacing PFI assets during the Contract period.	Recognised as PFI Asset additions as the work is programmed to be carried out.

As noted above, the PFI Contract was formally terminated on 8 March 2018, and as such, assets reverted fully to the GMWDA.

xiv Provisions, Contingent Liabilities and Contingent Assets Provisions

Provisions

Provisions are made where an event has taken place that gives the GMWDA a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the GMWDA a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the GMWDA, where it is probable that there will be an inflow of economic benefits or service potential.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts

xv Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets and employee retirement benefits and do not represent usable resources for the GMWDA – these reserves are explained in Note 15.

xvi VAT

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

xvii Accounting Standards Issued, Not yet Adopted

The Code has introduced a number of changes in accounting policies, which will be required from 1 April 2018. These changes are not considered to have a significant impact on the Statement of Accounts as outlined below, and do not impact on the 2017/18 Statement of Accounts.

Amendments to:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IAS 12 Income Taxes, Recognition of Deferred Tax Assets for Unrealised Losses; and
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

It is not expected that these will have a material impact on the Statement of Accounts.

Note 2 Critical Judgements in Applying Accounting Policies and Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

- In applying the accounting policies set out in Note 1, the GMWDA has had to make certain judgements about complex transactions or those involving uncertainty about future events given the transfer to the Combined Authority from 1 April 2018. The Statement of Accounts also contained estimated figures that are based on assumptions made by the GMWDA about the future or that are otherwise uncertain.

- Application of Revenue Expenditure Funded from Capital under Statute to finance a capital payment to secure long term access to the Thermal Power Station at Runcorn for 16.5 financial years - During the financial year, the GMWDA made a payment of £290.447m to TPSCo so it could secure long term access for a guaranteed 325,000 tonnes of refuse derived fuel to be processed at the facility. This enabled the GMWDA to enter into a Residual Value Contract (RVC) (i.e. one that excludes previously charged capital financing). In order to finance the capital advance under the current Code of Practice regulations, the Authority has classed this expenditure as Revenue Expenditure Funded from Capital under Statute (REFCUS) as per Reg 25(1)(b) of Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

  The treatment of the expenditure will be recognised by crediting the General Fund balance with a transfer from the Capital Adjustment Account via the Movement in Reserves Statement neutralising the in year impact of the expenditure to the General Fund. The expenditure will be written off over the remaining years of the contract.

  In order to protect the original capital investment the GMWDA has inserted appropriate protections in the contractual arrangement to ensure it is guaranteed 16 years access to dispose of 325,000 tonnes as at the end of March 2018.

- Group Accounts – The GMWDA has been provided with technical support on whether it should prepare a Consolidated Income and Expenditure Statement to reflect its ownership between 26 September 2017 and 22 March 2018 of Greater Manchester Combined Waste & Recycling Limited. IFRS 10.B88 states in part, ‘An entity includes the income and expenses of a subsidiary in the consolidated financial statements for the date it gains control until the date when the entity ceases to control the subsidiary…’. The key reference is to the ‘consolidated financial statements’. IFRS 10.4 states that ‘An entity that is a parent shall present consolidated financial statements’. It does not state that an entity that has been a parent at any point during the financial year shall present consolidated financial statements. In preparing these Accounts the GMWDA has decided not to prepare Group Accounts as per the technical support received.

Key risks are identified in the Annual Governance Statement. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about the future structures and levels of funding for local government. However, the GMWDA has determined that this uncertainty will not be sufficient to impair assets as a result of the need to make economies such as from the need to close facilities and review the contracted levels of service provision.
- The GMWDA is the owner of the assets within the Combined Authority Area and also to control the residual value of the facilities (excluding the Thermal Facility built at Runcorn – see below) as identified by the termination of the Contract. The accounting policies for PFI Schemes and Similar Contracts have been applied to the Contract in

2017/18 until its termination and the facilities are recognised as Property, Plant and Equipment on the GMWDA's Balance Sheet.

- Treatment of Former Landfill Sites – The GMWDA sold 18 sites to the private sector (Landcare (Manchester) Limited) in December 2012 in return for agreeing a fixed ten year contribution less potential income from part of any enhanced value (overage) from future development of the sites. For these former landfill sites the GMWDA can determine, in financial terms, its maximum liability. As such a specific provision was created in 2013/14 to reflect this maximum liability and is being released on an annual basis. For the remaining four sites linked to the GMWDA, management has considered IAS37 and has concluded that no provision within the 2017/18 accounts is required.
- The GMWDA has undertaken a further revaluation of its Mechanical Biological Treatment (MBT) Plants as required by the Code of Practice and following the acquisition of GMCWR / termination of the PFI Contract. This is based on the requirement to revalue a full class of assets when there is a material event impacting on the notional book values of assets on the PFI Balance Sheet. Two facilities, Chichester Street, Rochdale and Raikes Lane, Bolton suffered major fires. Whilst the facilities are able to receive waste, they can't operate to full capacity as at 31 March 2018. Chichester Street, Rochdale will be repurposed as a TLS and not reinstated as an IVC. Raikes Lane, Bolton has had the turbine building reinstated and a procurement process for a new turbine has been completed. Issues at the MBT plants remain which meant that MBT plants remain impaired, along with a general downward revaluation on plant and machinery. To comply with the Code of Accounting Practice for 2017/18 additional cost has been incurred to update this valuation which is charged to the 2017/18 financial year. No further costs will be incurred in rectification of the MBT facilities as they are to be reconfigured and the Anaerobic Digestion process abandoned in 2018/19. A further revaluation of asset values will be needed in 2018/19 to reflect the completion of modifications at most facilities, although it should be noted that the Reliance Street, Newton Heath facility modifications are not currently scheduled to commence until 2019/20.
- Landfill Tax - The GMWDA has instructed Price Waterhouse Coopers Legal LLP (PWC) to act on its behalf in a claim in relation to landfill tax paid over HM Revenue and Customs. That claim has been lodged with the Courts, and if successful would see significant recovery of landfill tax being returned to the GMWDA. The claim is one of a series of cases which are taking place in relation to this area of interpretation of the law, and the GMWDA action remains 'stayed', whilst a test case progresses through the Courts system.

  Given that clarification of this complex area of law is awaited by way of a legally binding decision, which may be some distance in the future, it is considered that at this stage in the legal proceedings and given the uncertainty of the outcome of the claim, it is not considered prudent to anticipate the financial implications of a successful action.
- These estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with

certainty, actual results could be materially different from the assumptions and estimates. Items which could be adjusted in the forthcoming financial year are as follows:

ITEM	UNCERTAINTIES	EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS
PROPERTY, PLANT AND EQUIPMENT (PPE)	Estimated useful economic lives of PPE are based on management's judgement and experience, supported by advice of an independent valuer. When management identifies that the actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Asset lives and residual values are reviewed annually and, historically, changes to remaining estimates of useful economic lives have not been material.	Variations between actual and estimated useful lives could impact on depreciation charges and asset values either negatively or positively. If the useful life of assets reduces depreciation will increase and the carrying value of the assets will fall. An increase in the useful life would have the opposite effect.

ITEM	UNCERTAINTIES	EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS
PENSIONS LIABILITY	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected returns on pension fund assets. A firm of consulting actuaries (Hymans Robertson LLP) is engaged (via the Greater Manchester Pension Fund) to provide the GMWDA with expert advice about the assumptions to be applied. The GMWDA's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the GMWDA and its employees. As such this estimate may differ from the actual assets held by the Pension Fund at 31 March.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the discount rate assumptions would result in an increase in the pension liability of £3.602m. However, the assumptions interact in complex ways. During 2017/18, the GMWDA's actuaries advised that the scheme liabilities had decreased by £1.164m and asset values had decreased by £0.079m.

Note 3 Adjustments Between Accounting Basis and Funding Basis under Regulations

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

	2017/18 General Fund Balance £m	2017/18 Capital Receipts Reserve £m	2017/18 Unusable Reserves £m	Restated 2016/17 General Fund Balance £m	Restated 2016/17 Capital Receipts Reserve £m	Restated 2016/17 Unusable Reserves £m
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Depreciation of non-current assets	6.567	-	(6.567)	8.449	-	(8.449)
Impairment of non-current assets	55.381	-	(55.381)	7.437	-	(7.437)
Loss on disposal of non-current assets	1.738	-	(1.738)	-	-	-
Amortisation of intangible assets	0.003	-	(0.003)	0.005	-	(0.005)
Amortisation of deferred income	(0.262)	-	0.262	(0.524)	-	0.524
Revenue Expenditure funded from capital under statute	290.447	-	(290.447)	-	-	-
Amounts on investments written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(65.587)	-	65.587	(3.702)	-	3.702
Financing due to timing differences between actual and modelled	28.974	-	(28.974)	(0.046)	-	0.046
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory Provision for the financing of capital investment	(15.163)	-	15.163	(12.821)	-	12.821
Voluntary Provision for the financing of capital investment	(20.610)		20.610	(1.405)		1.405
Revenue Financing of Capital Outlay	-	-	-	(0.720)	-	0.720
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	65.587	(65.587)	-	3.702	(3.702)	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	65.587	(65.587)	-	3.702	(3.702)
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits included in the CIES	0.607	-	(0.607)	0.585	-	(0.585)
Employer's pension contributions and direct payments to pensioners payable in the year	(0.760)	-	0.760	(0.681)	-	0.681
Total adjustments	**346.922**	**-**	**(346.922)**	**0.279**	**-**	**(0.279)**

Note 4 Material Items of Income and Expenditure

Note 4.1 Cost of Services

	2017/18	2016/17
	£m	£m
Corporate and Democratic Core	0.189	0.212
PFI Service Charge	42.463	45.569
Impairment of non-current assets	55.381	7.437
Revenue Expenditure Funded by Capital Under Statute	290.447	-
Premium on Settlement of PFI Liabilities	29.019	-
Other expenditure	89.726	84.115
Total service expenditure	**507.225**	**137.333**
PFI Credits	(10.019)	(10.019)
Other income	(3.958)	(3.408)
Total service income	**(13.977)**	**(13.427)**

Included in the above service expenditure figures are items as follows:

- **Revenue Expenditure Funded by Capital Under Statute (REFCUS) of £290.447m.** Legislation allows some items to be funded from capital resources that under IFRS and normal accounting practice would be charged to Surplus or Deficit on the Provision of Services. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund. Such expenditure shall be charged to Surplus or Deficit on the Provision of Services in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure shall be accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Movement in Reserves Statement.
- **Premium on Settlement of PFI Liabilities £29.019m** This has been treated as a statutory adjustment as above and comprises:

	£m
Financing provided to subsidiary to refinance the PFI:	
Bank payout in full	233.960
SWAP break costs	55.495
	289.455
Premium to acquire subsidiary	13.956
'On Balance Sheet' modelled PFI liabilities	(274.392)
	29.019

Note 4.2 Financing and Investment Income and Expenditure

	2017/18 £m	2016/17 £m
Interest payable on debt	5.562	3.638
Interest payable on PFI unitary payments	27.414	53.930
Net interest on the net defined benefit liability	0.192	0.291
Investment income interest	(32.858)	(3.737)
Total financing and investment income and expenditure	**0.310**	**54.122**

Note 4.3 Taxation and Non-specific Grant Income

	2017/18		2016/17	
	£m	£m	£m	£m
Agreed levy income for the year	247.295		161.103	
Tonnage adjustments for the year	0.116		2.812	
		247.411		163.915
Release of deferred income (PFI)		0.262		0.524
Total taxation and non-specific grant income		**247.673**		**164.439**

Agreed levy income for 2017/18 comprises £169.594m and £77.701m additional levy to allow PFI Contract restructuring.

Note 5 Expenditure and Funding Analysis

Note 5.1 Funding Analysis

	2017/18		
	Net Expenditure Chargeable to the General Fund £m	**Adjustments between the Funding and Accounting Basis £m**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £m**
GMWDA own income and expenditure			
Employees	2.157	0.192	2.349
Premises	1.189	-	1.189
Advisory Costs	5.548	-	5.548
Supplies and Services	0.469	-	0.469
Transport	0.079	-	0.079
Central Support Costs	0.134	-	0.134
Debt Charges / Cap Financing	(5.393)	37.153	31.760
Other Income	(0.898)	-	(0.898)
Interest	(35.208)	1.271	(33.937)
Contract income and expenditure			
Contract Costs (Net of PFI Credit Grant	180.037	308.305	488.342
Levy	(247.411)		(247.411)
(Surplus) or Deficit on the Provision of Services	(99.297)	346.921	247.624

Movement in General Fund Balance	**£m**
Opening General Fund Balance at 31 March 2017	(50.311)
(Surplus)/Deficit on General Fund in year	(99.297)
Closing General Fund Balance at 31 March 2018	(149.608)

	2016/17		
	Net Expenditure Chargeable to the General Fund £m	Adjustments between the Funding and Accounting Basis £m	Net Expenditure in the Comprehensive Income and Expenditure Statement £m
GMWDA own income and expenditure			
Employees	1.274	0.148	1.422
Premises	1.015	-	1.015
Advisory Costs	2.999	-	2.999
Supplies and Services	0.391	-	0.391
Transport	0.042	-	0.042
Central Support Costs	0.112	-	0.112
Debt Charges / Cap Financing	2.994	0.596	3.590
Other Income	(0.332)	-	(0.332)
Interest	(6.488)	1.521	(4.967)
Contract income and expenditure			
Contract Costs (Net of PFI Credit Grant)	175.217	(1.987)	173.230
Levy	(163.915)		(163.915)
(Surplus) or Deficit on the Provision of Services	13.309	0.278	13.587

Movement in General Fund Balance	**£m**
Opening General Fund Balance at 1 April 2016	(63.620)
(Surplus)/Deficit on General Fund in year	13.309
Closing General Fund Balance at 31 March 2017	(50.311)

Note 5.2 Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. As a single purpose authority, all items relating to expenditure for capital purposes and pension adjustments are detailed in Note 3 and do not have to be split across services.

2017/18			
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement	**Adjustment for Capital Purposes £m**	**Net change for the Pensions Adjustment £m**	**Total adjustment between Accounting and Funding Basis £m**
GMWDA own income and expenditure			
Employees	-	0.192	**0.192**
Debt Charges / Cap Financing	38.232	(1.079)	**37.153**
Interest	-	1.271	**1.271**
Contract income and expenditure			
Contract Costs (net of PFI Credit Grant)	308.842	(0.537)	**308.305**
Total	**347.074**	**(0.153)**	**346.921**

2016/17			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	**Adjustment for Capital Purposes £m**	**Net change for the Pensions Adjustment £m**	**Total adjustment between Accounting and Funding Basis £m**
GMWDA own income and expenditure			
Employees	-	0.148	**0.148**
Debt Charges / Cap Financing	1.826	(1.230)	**0.596**
Interest	-	1.521	**1.521**
Contract income and expenditure			
Contract Costs (Net of PFI Credit Grant)	(1.452)	(0.535)	**(1.987)**
Total	**0.374**	**(0.096)**	**0.278**

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- **Financing and investment income and expenditure** – the statutory charges for capital financing (Minimum Revenue Provision) and other revenue contributions are

deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted from income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the Pension Adjustments

Net change for the removal of pension contributions and the additions of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the GMWDA as allowed by statute and the replacement with current service costs and past service costs; and
- **For Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Note 6 Property, Plant and Equipment

Note 6.1 Movements on Property, Plant and Equipment Balances

	Operational Assets					
	Land £m	**Buildings £m**	**Vehicles, Plant and Equipment £m**	**Infrastructure £m**	**Total £m**	**PFI Assets included within Operational Assets £m**
Cost or Valuation						
At 1 April 2016	**31.005**	**127.335**	**100.336**	**3.085**	**261.761**	**256.304**
Additions	0.007	1.469	1.090	-	**2.566**	1.469
Revaluation Increases / (decreases) recognised in the Revaluation Reserve	3.900	1.976	0.122	-	**5.998**	5.876
Disposals	-	-	-	-	**-**	-
At 31 March 2017	**34.912**	**130.780**	**101.548**	**3.085**	**270.325**	**263.649**
Reclassification	1.310	-	(1.310)	-	**-**	
Additions	-	1.731	0.002	-	**1.733**	
Revaluation Increases / (decreases) recognised in the Revaluation Reserve	2.663	0.614	(0.313)	0.888	**3.852**	
Disposals	(0.307)	(1.745)	-	-	**(2.052)**	
At 31 March 2018	**38.578**	**131.380**	**99.927**	**3.973**	**273.858**	
Accumulated Depreciation and Impairment						
At 1 April 2016	**-**	**27.844**	**12.160**	**0.186**	**40.190**	**39.778**
Depreciation charge	-	3.548	3.610	0.014	**7.172**	7.028
Impairment losses / (reversals) recognised in the Surplus / (Deficit) on the Provision of Services	0.070	0.437	6.930	-	**7.437**	7.409
Depreciation written out to the Revaluation Reserve	-	1.023	0.207	0.047	**1.277**	1.077
At 31 March 2017	**0.070**	**32.852**	**22.907**	**0.247**	**56.076**	**55.292**
Depreciation Charge	-	5.359	1.193	0.014	**6.566**	
Depreciation written out to the Revaluation Reserve	-	1.025	0.272	0.060	**1.357**	
Impairment losses / (reversals) recognised in the Surplus / (Deficit) on the Provision of Services	(0.093)	3.047	52.321	0.106	**55.381**	
Derecognition - Disposal	-	(0.314)	-	-	**(0.314)**	
At 31 March 2018	**(0.023)**	**41.969**	**76.693**	**0.427**	**119.066**	
Net Book Value						
At 31 March 2016	31.005	99.491	88.176	2.899	**221.571**	216.526
At 31 March 2017	34.842	97.928	78.641	2.838	**214.249**	208.357
At 31 March 2018	38.601	89.411	23.234	3.546	**154.792**	-

Note 6.2 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of qualifying assets acquired under the Contract), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the GMWDA, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the GMWDA that has yet to be financed. Note 4.1 contains further details of material items of income and expenditure.

	2017/18 £m	Restated 2016/17 £m
Opening CFR	**445.448**	**430.823**
Capital Investment:		
Property, Plant and Equipment	1.733	2.566
Senior Lending	-	30.000
Premium on settlement of PFI liabilities	29.019	
Revenue Expenditure Funded from Capital Under Statute	290.447	-
Sources of Finance:		
Sums set aside from revenue	(36.084)	(14.239)
Capital Receipts	(65.587)	(3.702)
Closing CFR	**664.976**	**445.448**
Explanation for Movements in the Year:		
Increase/(Decrease) in the need to borrow	219.528	14.625

Note 6.3 Revaluations of Property, Plant and Equipment Held at Fair Value

The GMWDA carries out periodic revaluations that ensure the current value of all Land, Property, Plant and Equipment is measured at least every five years. GVA Grimley Limited, an independent valuer, carries out all land, buildings and infrastructure revaluations, on the GMWDA's behalf, in accordance with the provisions of the professional standards of the Royal Institute of Chartered Surveyors. Hilco Appraisals Limited carry out the plant and machinery valuations.

The GMWDA has undertaken a further revaluation at 31 March 2018 of its Mechanical Biological Treatment (MBT) Plants as required by the Code of Practice and following the acquisition of GMCWR / termination of the PFI Contract. This is based on the requirement to revalue a full class of assets when there is a material event impacting on the notional book values of assets on the PFI Balance Sheet. Valuations of high-value vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, adjusted for the condition of the asset. Where non-property assets have short useful lives and/or low values, they are not revalued; instead their depreciated historical cost is taken as a proxy for fair value.

Two facilities, Chichester Street, Rochdale and Raikes Lane, Bolton suffered major fires which are in the process of being rectified and have been revalued to reflect the fire damage. Whilst the facilities are able to receive waste, they can't operate to full capacity as at 31 March 2018, and indeed the latest Rectification Plan envisages completion of these works in 2019.

Issues at the MBT plants remain which meant that MBT plants remain impaired, along with a general downward revaluation on plant and machinery. No further costs will be incurred in rectification of the MBT facilities as they are to be reconfigured and the Anaerobic Digestion process abandoned in 2018/19. A further revaluation of asset values will be needed in 2018/19 to reflect the completion of modifications at most facilities, although it should be noted that the Reliance Street, Newton Heath facility modifications are not currently scheduled to commence until 2019/20.

Below is a summary of the main impairments to non-current assets, the values and the reasons for the occurrence.

Location	**Nature of Asset**	**Amount of Impairment £m**	**Reason for Impairment**	**Value Measurement**
Chichester Street, Rochdale	IVC Buildings	2.883	The IVC Building was damaged by fire on 8 April 2017 and was wholly removed down to base floor level by the 31 March 2018 valuation. The land area for the building footprint and yard area associated with the IVC facility has been retained in the valuation on the premise that the facility will be reinstated in similar use and arrangement.	No active market/specialised - Measured at Depreciated Replacement Cost

Location	Nature of Asset		Amount of Impairment £m	Reason for Impairment	Value Measurement
Nash Road, Trafford Park	IVC	Plant and Machinery	2.195	The nature of the process causes detrimental corrosion to the current plant and machinery installation, which has resulted in excess operational costs. The current proposed solution is to replace and substantially re-engineer the process with current IVC technology, which should greatly reduce corrosion to the plant and hence reduce operational costs. The time scale for the proposed works at each IVC facility is over the next 12 to 18 months. Consequently, this timescale reduces the remaining useful economic life of the plant and machinery in its current form and hence the Fair Value reflects this consideration	No active market/specialised - Measured at Depreciated Replacement Cost

Location	Nature of Asset		Amount of Impairment £m	Reason for Impairment	Value Measurement
Salford Road, Over Hulton	IVC	Plant and Machinery	2.995	The nature of the process causes detrimental corrosion to the current plant and machinery installation, which has resulted in excess operational costs. The current proposed solution is to replace and substantially re-engineer the process with current IVC technology, which should greatly reduce corrosion to the plant and hence reduce operational costs. The time scale for the proposed works at each IVC facility is over the next 12 to 18 months. Consequently, this timescale reduces the remaining useful economic life of the plant and machinery in its current form and hence the Fair Value reflects this consideration	No active market/specialised - Measured at Depreciated Replacement Cost
Arkwright Street, Oldham	MBT	Plant and Machinery	3.813	The GMWDA's plans as at the date of valuation, involve the switching off and removal of the MBT process. The assets have been valued to reflect their market value on a removal basis.	No active market/specialised - Measured at Depreciated Replacement Cost
Bredbury Park Way, Bredbury	MBT-AD	Plant and Machinery	10.304	The decision to close the AD plants has impacted on the current operational need for these plants. Consequently, the	No active market/specialised - Measured at Depreciated Replacement Cost

Location	Nature of Asset		Amount of Impairment £m	Reason for Impairment	Value Measurement
				GMWDA's plans as at the valuation date, involve the re-configuration of the dry section and removal of the majority of the assets of the wet section. From a valuation perspective, the assets that comprise the wet section have been valued to reflect their market value on a removal basis, with the dry section assets valued to reflect the likely costs to reconfigure this section of the process.	
Cobden Street, Salford	MBT-AD	Plant and Machinery	7.350	The decision to close the AD plants has impacted on the current operational need for these plants. Consequently, the GMWDA's plans as at the valuation date, involve the re-configuration of the dry section and removal of the majority of the assets of the wet section. From a valuation perspective, the assets that comprise the wet section have been valued to reflect their market value on a removal basis, with the dry section assets valued to reflect the likely costs to reconfigure this section of the process.	No active market/specialised - Measured at Depreciated Replacement Cost

Location	Nature of Asset		Amount of Impairment £m	Reason for Impairment	Value Measurement
Longley Lane, Sharston	MBT-AD	Plant and Machinery	10.181	The decision to close the AD plants has impacted on the current operational need for these plants. Consequently, the GMWDA's plans as at the valuation date, involve the re-configuration of the dry section and removal of the majority of the assets of the wet section. From a valuation perspective, the assets that comprise the wet section have been valued to reflect their market value on a removal basis, with the dry section assets valued to reflect the likely costs to reconfigure this section of the process.	No active market/specialised - Measured at Depreciated Replacement Cost
Reliance Street, Newton Heath	MBT-AD	Plant and Machinery	8.910	The decision to close the AD plants has impacted on the current operational need for these plants. Consequently, the GMWDA's plans as at the valuation date, involve the re-configuration of the dry section and removal of the majority of the assets of the wet section. From a valuation perspective, the assets that comprise the wet section have been valued to reflect their market value on a removal basis, with the	No active market/specialised - Measured at Depreciated Replacement Cost

Location	Nature of Asset	Amount of Impairment £m	Reason for Impairment	Value Measurement
			dry section assets valued to reflect the likely costs to reconfigure this section of the process.	

Note 7 Investments

VLGM and Ineos Runcorn (TPS) Limited were Special Purpose Vehicle companies set up to deliver the PFI Contract. The PFI Contract was terminated during 2017/18 and all investments were repaid on 29 September 2017.

Note 7.1 Long-term Investments

	31 March 2018 £m	31 March 2017 £m
Loan to VLGM	-	34.993
Loan to Ineos Runcorn (TPS) Ltd	-	26.769
	-	**61.762**

Note 7.2 Short-term Investments

	31 March 2018 £m	31 March 2017 £m
VLGM repayments	-	2.530
Ineos Runcorn (TPS) Ltd repayments	-	1.295
	-	**3.825**

Note 8 Debtors

Note 8.1 Long Term Debtors

The long-term debtor balance of £2.505m is the outstanding amount of PFI Credits unpaid by DEFRA as at 31 March 2018. The GMWDA has successfully petitioned for a Judicial Review of DEFRA's decision to withdraw PFI Credits.

Note 8.2 Short-term Debtors

	31 March 2018 £m	31 March 2017 £m
Central government bodies	0.475	5.512
Other local authorities	3.876	3.715
Other entities and individuals	6.067	2.651
Total debtors	**10.418**	**11.877**

Of the Other Entities and Individuals debtors:

- £0m (31 March 2017: £2.102m) related to the GMWDA's capital contribution to the PFI Contract, which was treated as a prepayment of the Unitary Charge. That fell away as part of the termination in 2017/18.
- £3m (31 March 2017: £0m) related to a sale by GMWDA's subsidiary. The GMWDA has accrued for the income and created a debtor for the amount of £3m that will flow from the subsidiary via the liquidator as a post balance sheet event. Further detail can be found in Note 25 Post balance Sheet Events.

Note 9 Cash and Cash Equivalents

	31 March 2018 £m	31 March 2017 £m
Bank current accounts	0.884	8.769
Local authorities	6.000	-
Short term deposits with money market funds	-	1.000
Total cash and cash equivalents	**6.884**	**9.769**

Note 10 Creditors

	31-Mar-18 £m	31-Mar-17 £m
Central government bodies	-	0.063
Other local authorities	3.244	0.488
Other entities and individuals	15.109	29.548
Total creditors	**18.353**	**30.099**

Of the Other Entities and Individuals creditors, £0m (31 March 2017: £8.084m) relates to short-term element of the GMWDA's deferred lease obligation under the Contract, which fell away under the 2017/18 termination.

Note 11 Provisions

The GMWDA sold 18 sites to the private sector in December 2012 in return for agreeing a fixed ten year contribution less payments of part of any enhanced value (overage) from future development of the sites. As such for these former landfill sites the GMWDA can determine, in financial terms, its maximum liability. There is a specific provision of £2.263m (Short term: £0.523m, Long term: £1.741m) to reflect this maximum liability as at 31 March 2018. A sum of £0.551m was used in 2017/18 to meet the annual charge.

	Short Term Landcare Provision £m
Balance as at 1 April 2017	0.551
Movements made in 2017/18	-
Movement from Long Term	0.523
Amounts used in 2017/18	(0.551)
Balance as at 31 March 2018	**0.523**

	Long Term Landcare Provision £m
Balance as at 1 April 2017	2.264
Movement to Short Term	(0.523)
Balance as at 31 March 2018	**1.741**

Total movement in year is a decrease of £0.551m.

Note 12 Borrowing

Note 12.1 Short-term Borrowing

	Interest rate %	31-Mar-18 £m	31-Mar-17 £m
Public Works Loan Board loan	1.44 - 8.75	13.326	2.504
Other public bodies	0.45 - 1.98	326.000	35.000
Accrued interest		1.519	0.501
		340.845	**38.005**

Note 12.2 Long-term Borrowing

	Interest rate	31-Mar-18	31-Mar-17
	%	£m	£m
Public Works Loan Board loan	1.44 - 8.75	167.688	66.308
		167.688	**66.308**

The increase in total borrowing in year (£404.2m) flowed mainly from the termination of the PFI Contract.

The maturity analysis of long-term borrowings is as follows:

	31-Mar-18	31-Mar-17
	£m	£m
Maturing in 1 - 2 years	13.612	2.608
Maturing in 2 - 5 years	44.554	10.417
Maturing in 5 - 10 years	61.360	21.066
Maturing in more than 10 years	48.162	32.217
Total long-term borrowing	**167.688**	**66.308**

Note 13 Other long-term liabilities

	31-Mar-18	31-Mar-17
	£m	£m
Deferred lease obligaton under PFI Contract	-	263.802
Deferred Income (PFI)	-	8.388
Transferred debt loans	4.631	6.031
Pensions Liability	6.785	7.870
Total creditors	**11.416**	**286.091**

PFI deferred lease obligations of £0m (31 March 2017: £263.802m) were settled under the terms of the termination in 2017/18, as set out in Note 22.

The deferred income (PFI) related to the GMWDA's use of the Bolton Thermal Recovery Facility, which was not included in the Contract, and was treated as a 'free' asset. The Deferred Income balance was released to the Taxation and Non-specific Grant Income line of the CIES over the period of the Contract. This has also been settled following the termination during 2017/18.

The Transferred Debt Loans represent debt previously held by the Greater Manchester County Council (GMC) to finance waste disposal assets. They were transferred to the GMWDA by the Local Government Reorganisation (Debt Administration) (Greater Manchester) Order 1986, on the demise of GMC on 31 March 1986. The loan is being repaid to Tameside MBC on an annuity basis over a period of 36 years (to 31 March 2022). The total amount outstanding at the 31 March 2018 is:

	£m
Long Term	4.631
To be repaid in 2018/19*	1.392
	6.023

*this amount is shown in the Balance Sheet within Current Liabilities

The pension liability represents the difference between the fair value of the pension scheme's net assets and the present value of its obligations. Details are set out in Note 18.

Note 14 Usable Reserves

The GMWDA's usable reserves are as follows:

	Balance as at 31 March 2018 £m	Balance as at 31 March 2017 £m
LIFE+ Reserve	-	0.318
Engagement Activities Reserve	0.466	0.150
Insurance Reserve	8.604	3.757
Authority Loan Reserve	-	11.963
Interest Rate Reserve	2.000	2.000
Pension Deficit Funding Reserve	0.812	0.812
MTFP Funding Reserve	116.184	13.679
Optimisation and Efficiency Reserve	5.000	5.000
Waste Composition Analysis Reserve	0.500	0.300
Contract Support & Reorganisation Reserve	-	0.200
Lifecycle Reserve	3.911	-
	137.477	38.179
General Fund	12.132	12.132
	149.609	50.311

General Fund

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

Earmarked General Fund Reserves

Set aside from the overall General Fund Balance, the GMWDA maintains earmarked reserves to provide financing for future expenditure plans. The purpose of each of the earmarked reserves is as follows:

LIFE+ Reserve – This Reserve was being held as prudent protection in case the EU LIFE+ auditors raised any concerns following conclusion of the project and has now been released following the conclusion of the audit. No such concerns were raised and the balance was fully released in 2017/18.

Engagement Activities Reserve – This is the balance of funding available to support the communication and behavioural change activity that is set over a 2 year cycle. This reserve is planned to be fully utilised during 2018/19.

Insurance Reserve – To mitigate the risk to the GMWDA of any further levy imposed as part of the Scheme of Arrangement for the winding up of Municipal Mutual Insurance Limited - see Note 20. The Reserve is now also enhanced as a buffer to satisfy any future insurance claims that may arise from an unforeseen event during 2018/19 due to failure to secure selected insurance from the market, and any residual claims already being progressed.

Authority Loan Reserve – This Reserve was to mitigate the risk of the GMWDA acting as a Senior Lender to both VLGM and Ineos Runcorn (TPS) Limited – see Note 7. This risk did not materialise and following termination of the PFI, all outstanding investments were repaid in full. This Reserve has now been released.

Interest Rate Reserve – To enable the GMWDA to meet the additional cost of funding future increases in the margin chargeable on borrowings from PWLB, arising from the current policy of not taking longer term debt due to the need to link with the Treasury Management Strategy of the Greater Manchester Combined Authority.

Pension Deficit Funding Reserve – To meet the cost of funding potential future deficit arising on transfer of former Greater Manchester Waste Limited employees into the GMWDA's pension fund on commencement of the Contract, and to take account of possible further efficiencies arising from austerity challenges – see Note 18.

Medium Term Financial Plan (MTFP) Reserve - Reserve created to support Medium Term Financial Strategy of the GMWDA. This includes £77.701m at 31 March 2018 which is being returned via the Levy in 2018/19 (that is, net position is £35.483m, of which £27.753m is being used to support the 2018/19 levy).

Optimisation and Efficiency Reserve - This reserve has been set up to allow a further capital contribution to be made (if required), so that the GMWDA can realise longer term financial and operational benefits from the approach to minimising the amount of waste sent to landfill – a pass through under the Contract (this approach is commonly referred to as 'our aim is zero waste').

Waste Compositional Analysis Reserve – This Reserve provides for the cost of conducting a review of waste arisings to be spread over a number of years. The Review enables us to gauge whether our citizens are recycling, and in so doing, better target limited behavioural change resources. The last waste compositional analysis was carried out in 2011, and the next one is commenced in 2018, at an estimated cost of £0.600m.

Contract Support and Reorganisation Reserve – This Reserve was created to provide for some of the costs expected from work arising from relocation to Churchgate House, Manchester and has now been fully utilised.

Lifecycle Reserve – This reserve has been created from funding held by GMCWR on completion of the contract renegotiation and consequent solvent liquidation. This has now been transferred to the GMWDA. The reserve is to fund any lifecycle / maintenance needs of the former PFI Assets now the responsibility of the GMWDA.

Transfers to/(from) Earmarked Reserves

	Balance at 31 March 2018 £m	Transfers in/(out) in 2017/18 £m	Balance at 31 March 2017 £m	Transfers in/(out) in 2016/17 £m	Balance at 31 March 2016 £m
LIFE+ Reserve	-	(0.318)	0.318	-	0.318
Engagement Activities Reserve	0.466	0.316	0.150	-	0.150
Insurance Reserve	8.604	4.847	3.757	1.000	2.757
Authority Loan Reserve	-	(11.963)	11.963	1.684	10.279
Interest Rate Reserve	2.000	-	2.000	-	2.000
Pension Deficit Funding Reserve	0.812	-	0.812	-	0.812
MTFP Funding Reserve	116.184	102.505	13.679	(17.866)	31.545
Optimisation and Efficiency Reserve	5.000	-	5.000	-	5.000
Shredding Equipment Reserve	-	-	-	(0.800)	0.800
Waste Composition Analysis Reserve	0.500	0.200	0.300	0.050	0.250
Differentiated Collections Reserve	-	-	-	(0.075)	0.075
Contract Support and Reorganisation Reserve	-	(0.200)	0.200	-	0.200
Lifecycle Reserve	3.911	3.911	-	-	-
Total Earmarked General Fund Reserves	**137.477**	**99.298**	**38.179**	**(16.007)**	**54.186**

Movements in other usable reserves are detailed in the Movement in Reserves Statement (page 41).

Note 15 Unusable Reserves

The GMWDA's unusable reserves are as follows:

	31-Mar-18 £m	31-Mar-17 £m
Revaluation Reserve	59.762	57.267
Capital Adjustment Account	(569.843)	(222.769)
Pensions Reserve	(6.785)	(7.870)
Total per Movement in Reserves Statement	**(516.866)**	**(173.372)**

Revaluation Reserve

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

- revalued downwards or impaired, and the gains are lost;
- used in the provision of services, and the gains are consumed through depreciation; or
- disposed of, and the gains are realised.

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

Movements on the Revaluation Reserve are as follows:

	2017/18		2016/17	
	£m	£m	£m	£m
Balance at 1 April		57.267		52.546
Upward revaluation of assets	3.852		5.998	
Surplus or deficit on revaluation of non-current assest not posted to the Surplus or Deficit on the Provision of Services		3.852		5.998
Difference between fair value depreciation and historical cost depreciation	(1.357)		(1.277)	
Amount written off to Capital Adjustment Account		(1.357)		(1.277)
Balance at 31 March		**59.762**		**57.267**

Capital Adjustment Account

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

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

Movements on the Capital Adjustment Account are as follows:

	2017/18		Restated 2016/17	
	£m	£m	£m	£m
Balance at 1 April		(222.769)		(222.394)
Reversal of items relating to capital expenditure debited or credited to the CIES:				
Charges for depreciation and impairment of non-current assets	(61.948)		(15.886)	
Amortisation of intangible assets	(0.003)		(0.005)	
Amortisation of deferred income	0.262		0.524	
Revenue expenditure funded from capital under statute	(290.447)		-	
Amounts of non-current assets written off as part of the gain/loss on disposal to the CIES	(1.738)		-	
Amounts written off on disposal or sale as part of the (gains)/loss on disposal of Investments to the Comprehensive Income and Expenditure Statement	(65.587)		(3.702)	
Financing expense due to timing difference from actual to modelled	(28.974)		0.045	
		(448.435)		(19.024)
Capital financing applied in the year:				
Use of Capital Receipts Reserve to finance new capital expenditure	65.587		3.702	
Revenue Financing of Capital Outlay	-		0.720	
Statutory Provision for the financing of capital	15.163		12.822	
Voluntary Provision for the financing of capital	20.610		1.405	
		101.360		18.649
Balance at 31 March		**(569.844)**		**(222.769)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The GMWDA accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the GMWDA makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the GMWDA has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Movements on the Pensions Reserve are as follows:

	2017/18 £m	2016/17 £m
Balance at 1 April	(7.870)	(8.753)
Actuarial gains/(losses) on pensions assets and liabilities	0.932	0.787
Reversal of items relating to retirement benefits debited /credited to the Surplus or Deficit on the Provision of Services in the CIES	(0.607)	(0.585)
Employer's pensions contributions and direct payments to pensioners payable in the year	0.760	0.681
Balance at 31 March	**(6.785)**	**(7.870)**

Details of assets and liabilities are set out in Note 18.

Note 16 Cash Flow Statement – Detail of Operating, Investing and Financing Activities

	2017/18		2016/17	
	£m	£m	£m	£m
Operating activities				
Taxation	250.226		163.937	
Grants	7.514		10.066	
Sales of Goods and Rendering of Services	3.384		3.309	
Interest Received	29.337		3.747	
Cash inflows generated from operating activities		290.461		181.059
Cash paid to and on behalf of employees	(2.591)		(1.855)	
Cash paid to Suppliers of Goods and Services	(130.643)		(123.411)	
Interest Paid	(31.958)		(57.589)	
Cash outflows from operating activities		(165.192)		(182.855)
Net cash flows from operating activities		**125.269**		**(1.796)**
Investing activities				
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		(1.733)		(2.400)
Purchase of short -term and long-term investments		(593.847)		(30.000)
Proceeds from the sale of Property, Plant and Equipment, Non-Current Assets Held for Sale, Investment Property and Intangible Assets		0.020		-
Proceeds from short term and long term investments		65.587		3.702
Net cash flows from investing activities		**(529.973)**		**(28.698)**
Financing activities				
Cash Receipts of Borrowing		818.958		35.000
Repayments of Borrowing		(417.137)		(13.669)
Net cash flows from financing activities		**401.821**		**21.331**

Note 17 Officers' Remuneration

The remuneration paid to the GMWDA's senior Officers is as follows:

		Salary, fees and allowances £000	Expenses £000	Compensation for loss of office £000	Total remuneration excluding pension contribution £000	Pension contribution £000	Total remuneration £000
Treasurer & Deputy Clerk	2017/18	105	1	105	**211**	206	**417**
	2016/17	104	-	-	**104**	21	**125**
Director of Contract Services	2017/18	102	-	-	**102**	18	**120**
	2016/17	95	1	-	**96**	18	**114**

On 31 March 2018 the GMWDA's Treasurer & Deputy Clerk was made redundant as a result of the GMWDA's transfer into Greater Manchester Combined Authority.

During 2017/18, Oldham Council's Chief Executive also acted as this Authority's Clerk. An allowance of £14,666 (2016/17: £14,796) was paid to Oldham Council for this duty. Details of the Clerk's remuneration is reported in the accounts of their employer, Oldham Council. The GMWDA also contributed £28,802 (2016/17: £0) for senior officer time from Greater Manchester Combined Authority. The remuneration of senior officers is reported in the accounts of their employer, Greater Manchester Combined Authority.

The GMWDA's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	**No of employees 2017/18**	**2016/17**
£50,000 - £54,999	1	2
£55,000 - £59,999	3	-
£60,000 - £64,999	2	-

Details of exit packages agreed in the year are set out in the table below:

Exit package cost band	No. of compulsory redundancies		Total cost of exit packages	
	2017/18	2016/17	2017/18	2016/17
£0 - £19,999	-	-	-	-
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
£80,000 - £100,000	-	-	-	-
£100,000 - £120,000	1	-	£104,654	-
Total	**1**	**-**	**£104,654**	**-**

Note 18 Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its Officers, the GMWDA makes contributions towards the cost of post-employment benefits.

The GMWDA participates in the Local Government Pension Scheme, administered locally by Tameside MBC. This is a funded defined benefit salary scheme, meaning that the GMWDA and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Under the arrangements to sell the former Greater Manchester Waste Limited company to the PFI operating contract provider in April 2009, past service liabilities for former (deferred and pensioner) employees were transferred into the GMWDA's own section of the pension scheme. Arrangements to repay the deficit provision over a number of years are in place (Note 20 provides further information). These liabilities are included in the total deficit figures.

Note 18.1 Transactions in the Year

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

	2017/18		2016/17	
	£m	£m	£m	£m
Cost of services:				
Current service cost	0.415		0.161	
Past service cost (including curtailments)	-		0.133	
Total Service Cost		**0.415**		**0.294**
Financing and investment income and expenditure:				
Interest Income on plan assets	(1.079)		(1.230)	
Interest cost on defined benefit obligation	1.271		1.521	
Total Net Interest		**0.192**		**0.291**
Total defined benefit cost recognised in the Comprehensive Income and Expenditure Statement		**0.607**		**0.585**
Remeasurements:				
Changes in demographic assumptions	-		0.014	
Changes in financial assumptions	(0.699)		7.208	
Other experience	-		(0.771)	
Return on assets excluding amounts included in net interest	(0.233)		(7.238)	
Total remeasurements recognised in Other Comprehensive Income		**(0.932)**		**(0.787)**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Account		**(0.325)**		**(0.202)**

Accounting Standards require the GMWDA to recognise the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, statutory regulations require the GMWDA to make a charge against the levy based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. Note 3 details the relevant adjustment.

Note 18.2 Assets and Liabilities in Relation to Post-employment Benefits

A reconciliation of the present value of the scheme liabilities is as follows:

	2017/18 £m	2016/17 £m
Opening balance 1 April	51.741	45.768
Current service cost	0.415	0.161
Interest cost	1.271	1.521
Contributions by scheme members	0.072	0.047
Actuarial (gains)/losses	(0.699)	6.451
Benefits paid	(2.223)	(2.340)
Losses / (Gains) on Curtailments	-	0.133
Closing balance at 31 March	**50.577**	**51.741**

A reconciliation of the fair value of scheme assets is as follows:

	2017/18 £m	2016/17 £m
Opening balance 1 April	43.871	37.015
Expected rate of return	1.079	1.230
Actuarial (gains)/losses	0.233	7.238
Employer contributions	0.760	0.681
Contributions by scheme participants	0.072	0.047
Benefits paid	(2.223)	(2.340)
Closing balance at 31 March	**43.792**	**43.871**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in respective markets.

Pension Scheme Assets comprised:

Asset Category	Period ended 31 March 2018				Period ended 31 March 2017			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Asset	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Asset
	£m	£m	£m	%	£m	£m	£m	%
Equity Securities								
Consumer	2.499	-	2.499	6%	3.566	-	3.566	8%
Manufacturing	2.998	-	2.998	7%	3.651	-	3.651	8%
Energy and Utilities	2.374	-	2.374	5%	2.920	-	2.920	7%
Financial Institutions	3.607	-	3.607	8%	4.485	-	4.485	10%
Health and Care	1.119	-	1.119	3%	1.574	-	1.574	4%
Information Technology	0.702	-	0.702	2%	1.115	-	1.115	3%
Other	0.428	-	0.428	1%	0.747	-	0.747	2%
Debt Securities								
Corporate Bonds (investment grade)	1.623	-	1.623	4%	2.081	-	2.081	5%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	0.380	-	0.380	1%	0.577	-	0.577	1%
Other	1.219	-	1.219	3%	1.386	-	1.386	3%
Private Equity								
All	-	1.465	1.465	3%	-	1.247	1.247	3%
Real Estate								
UK Property	-	1.499	1.499	3%	-	1.203	1.203	3%
Overseas Property	-	-	-	0%	-	-	-	0%
Investment Funds and Unit Trusts								
Equities	11.850	-	11.850	27%	10.984	-	10.984	25%
Bonds	5.678	-	5.678	13%	3.131	-	3.131	7%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	1.134	1.134	3%	-	1.012	1.012	2%
Other	1.153	2.463	3.616	8%	0.787	2.186	2.973	7%
Derivatives								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Cash and Cash Equivalents								
All	1.602	-	1.602	4%	1.219	-	1.219	3%
Total	**37.231**	**6.561**	**43.792**	**100%**	**38.223**	**5.648**	**43.871**	**100%**

Note 18.3 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed the Local Government Pension Scheme liabilities on behalf of the GMWDA. Estimates are based on the last full valuation of the scheme as at 1 April 2016.

The principal assumptions used by the Actuary have been:

	2017/18	2016/17
Longevity at 65 for current pensioners:		
Males	21.5 years	21.5 years
Females	24.1 years	24.1 years
Longevity at 65 for future pensioners:		
Males	23.7 years	23.7 years
Females	26.2 years	26.2 years
Rate of increase in salaries	3.2%	3.2%
Rate of increase in pensions	2.4%	2.4%
Rate of discounting scheme liabilities	2.6%	2.5%
Take-up of option to convert annual pension into retirement lump sum:		
Pre-April 2008 service	55.0%	55.0%
Post-April 2008 service	80.0%	80.0%

Note 18.4 Scheme History

	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
	£m	£m	£m	£m	£m
Present value of liabilities	(50.577)	(51.741)	(45.768)	(49.114)	(46.474)
Fair value of scheme assets	43.792	43.871	37.015	38.719	36.085
Surplus/(deficit) in the scheme	**(6.785)**	**(7.870)**	**(8.753)**	**(10.395)**	**(10.389)**

The liabilities show the underlying commitments the GMWDA has in the long run to pay post-employment (retirement) benefits. The net liability of £6.785m (2016/17: £7.870m) has a substantial impact on the net worth of the GMWDA, as recorded in the Balance Sheet. However, the statutory arrangements for funding the deficit mean that the financial position of the GMWDA remains sustainable, as the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees (in other words, before payments fall due), as assessed by the scheme actuary.

The employer contributions expected to be made to the LGPS by the Greater Manchester Combined Authority for the former Greater Manchester Waste Disposal Authority in the year to 31 March 2019 is £0.759m.

Note 19 External Audit Costs

The GMWDA incurred the following costs in relation to the audit of its Statement of Accounts. No other services were provided by external auditor, Grant Thornton LLP, during the year 2017/18.

	2017/18	2016/17
	£	£
Fees payable to Grant Thornton as per Audit Plan	31,418	31,418
Rebate from Public Sector Audit Appointments	(4,670)	-
	26,748	31,418

Additional costs of £34,500 are expected for the 2017/18 audit.

Note 20 Contingencies

At 31 March 2018, the GMWDA had no material contingent assets and the following material contingent liabilities:

- **Contingent Liability - Scheme of Arrangement – Municipal Mutual Insurance Limited**

  The Scheme of Arrangement was enacted in 2012/13 and the Scheme Administrator has requested two levies to-date totalling 25% of past claims paid. The liability upon the GMWDA as a scheme creditor cannot be fully estimated at this stage for claims incurred but not yet reported between 1974 and 1992 as recognised in the latest report to Scheme Creditors. Whilst the GMWDA has considered the financial impact in producing its Statement of Accounts there is a risk that the GMWDA's financial liability could increase from this level. The Insurance Reserve has, in part, been established to mitigate against that potential risk.

- **Contingent Liability – Insurance Claims for fire damage at Chichester Street, Rochdale and Raikes Lane, Bolton**

  The GMWDA as a named party under the insurance documents and believes that a full claim can be made. At present the insurers have yet to admit liability and the process to advance claims is progressing. At this stage it is not considered appropriate to provide for any possible partial offset but the size of the claims means that it is likely to lead to protracted negotiations.

- **Contingent Liability - Pension for former GM Waste Limited (GMW) Employees**

  As part of the former 2009 PFI Agreement with VLGM the GMWDA agreed to deal with past pension liabilities of GMW, in accordance with the HM Treasury Guidance in the Standard Form of Contract (SoCP3).

  Those employees were part of either the LGPS, administered for the GMPF by Tameside MBC, or part of the Citrus Pension schemes (formerly LAWDC schemes), administered by Capita Employee Benefits Limited. Due to the differing nature of those schemes the strategy adopted to mitigate risk differs, and also the strategy between active Members (taken on by VWGM) and those in respect of the deferred and pensioners which were retained for responsibility purposes by the GMWDA.

Deferred and Pensioners

Citrus Scheme

A policy of achieving Insurance backed buyout was concluded in 2016, and as such the GMWDA will have no further liabilities in this area.

LGPS

Arrangements have been made with Tameside MBC, on behalf of GMPF, to meet estimated unfunded costs over an extended period by the provision of an annual lump sum payment of £0.535m. The 2017 Actuarial Review confirmed, again, the suitability of that sum which will ensure that liabilities are met during the remaining Contract period. The estimated cost of meeting funding liabilities associated with those employees is included in the FRS17 statement and valuation (set out in detail at Note 18).

Active employees

These were transferred to VWGM on a fully funded basis, and now form part of a separate division within the schemes. Under the run off contract, VWGM currently has full responsibility for on-going funding with the scheme provider and it is anticipated any surplus or deficit will be reviewed in future contractual negotiations.

For the LGPS the GMWDA as at 31 March 2018 remains the guarantor (as required under the Rules), but any potential liability is financially mitigated by VWGM of a tri-annually assessed external bond.

It is not therefore thought that liability will accrue, at any significant levels, and therefore no provision has been included in the Accounts.

Note 21 Related Parties

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

United Kingdom (UK) Government

UK central government has significant influence over the general operations of the GMWDA – it is responsible for providing the statutory framework within which the GMWDA operates, provides (directly or indirectly) a major element of the funding, and prescribes the terms of many of the transactions that the GMWDA has with other parties. Grants received from UK central government departments are included as income in the Comprehensive Income and Expenditure Statement and detailed in Note 5.

Other Public Bodies

The GMWDA was constituted from nine Greater Manchester District councils. The levy each District paid to the GMWDA is agreed at the start of the year and is then only subject to adjustments based on waste tonnage arising from the District during the year.

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

	2017/18		2016/17	
	Original levy	Adjustment	Original levy	Adjustment (including refund)
	£m	£m	£m	£m
Bolton MBC	29.000	0.512	19.601	0.055
Bury MBC	19.712	(0.070)	12.530	0.046
Manchester CC	49.496	(1.827)	32.474	0.328
Oldham Council	24.664	0.755	15.897	1.601
Rochdale MBC	22.524	(0.319)	14.990	0.066
Salford CC	28.521	(0.595)	18.978	0.097
Stockport MBC	29.780	(0.289)	18.694	0.651
Tameside MBC	20.623	1.185	13.581	(0.170)
Trafford MBC	22.975	0.648	14.358	0.138
	247.295	**-**	**161.103**	**2.812**

At 31 March 2018, no levy receipts were due. The tonnage adjustments are paid by/to Districts in the following year.

Oldham Council

Oldham Council was the GMWDA's nominated Lead District under arrangements agreed by the Association of Greater Manchester Authorities on the demise of the former Greater Manchester County Council. Oldham Council's Chief Executive acted as the Clerk to the Authority. During 2017/18, Oldham Council and its partners also provided the GMWDA with services including:

- legal, health and safety, human resources, procurement, deputy treasurer and internal audit; and
- IT and estates service provision (under its contract with the Unity Partnership Limited).

The value of these services was £0.126m (2016/17: £0.249m). Of this amount, £0 remained unpaid as at 31 March 2018 (2016/17: £0.100m).

Greater Manchester Combined Authority (GMCA)

The GMWDA during 2017/18 engaged colleagues from the GMCA, and Transport for Greater Manchester (TfGM) to augment in-house resources initially in relation to the ongoing contractual dispute with VLGM, and latterly to assist in procurement of replacement operating contracts. These additional resources, like external commercial advisors, provide support to the GMWDA, but their role is not one of key decision makers as defined by the Code.

In preparation for the transfer of functions to GMCA, the GMWDA co-located from Churchgate House, Manchester and transferred its IT systems. This transfer was from September 2017.

The value of those services was £0.596m (2016/17: £0.232mm). Of this amount, £0.140m remained unpaid as at 31 March 2018 (2016/17: £0m).

GMCA also provided funding to the GMWDA (£326m as at 31 March 2018) and the amount of accrued interest owing to GMCA as at 31 March 2018 was £1.024m.

Greater Manchester Combined Waste & Recycling (Holdings) Limited (GMCWRH) and Greater Manchester Combined Waste & Recycling Limited (GMCWR)

On 26 September 2017 the GMWDA purchased the former PFI SPV, Viridor Laing (Greater Manchester) Limited and Viridor Laing (Greater Manchester) (Holdings) Limited and renamed them as above.

As the PFI Contract had not been terminated GMCWR continued to provide the services under this agreement until contract termination on 8 March 2018. These services were waste and recycling management including final disposal. The value of those services was £52.002m. Of this amount £0 remained unpaid as at 31 March 2018. The GMWDA has also accounted for £23.458m of income from its investment in the companies. At the date of liquidation, GMCWR had a debtor of £1.389m in its Balance Sheet for VAT receivable from HMRC and had sold an asset for £3m. These sums are almost certain to be paid over to the GMWDA at final liquidation and have been included as a debtor in the Authority's Balance Sheet.

Both of these amounts are included in the Comprehensive Income and Expenditure Statement contributing to the Surplus on the Provision of Services.

Entries not consolidated into the GMWDA's Statement of Accounts for the period of ownership amounted to £0.701m and their nature is summarised below:

- £0.020m audit fees;
- £0.124m consultancy fees;
- £0.112m retention payments for facility reinstatement; and
- £0.445m management recharges.

Members

Members of the GMWDA had direct control over the GMWDA's financial and operating policies.

The GMWDA did not have the legal power to pay Members' allowances. Members were paid allowances for their GMWDA duties by their nominating District Council. Details of these payments are reported in their nominating Councils' accounts.

Members have not disclosed any material transactions with related parties.

The Register of Members’ Interests is open to public inspection during office hours at the GMWDA’s offices (Greater Manchester Combined Authority, 1st Floor Churchgate House, 56 Oxford Street, Manchester M1 6EU).

Officers

Details of Officers’ remuneration, required by the Code to be disclosed, are set out in Note 17.

Officers have not disclosed any material transactions with related parties.

Note 22 Recycling and Waste Management Contract (part year)

2017/18 was the ninth and final year of the 25 year PFI Contract for the construction and maintenance of 43 new facilities and management of the waste disposal operation. The Contract was terminated on 8 March 2018.

The Contract specified the minimum standards for the services to be provided by the contractor, GMCWR (previously VLGM), with deductions from the fee payable being made if facilities are unavailable, or performance is below the minimum standards. The contractor took on the obligation to construct the facilities and maintain them to at least a minimum acceptable condition and to procure and maintain the plant and equipment necessary to operate the service. The facilities, including any plant and equipment installed, within Greater Manchester (42 of) were transferred to the GMWDA on termination on 8 March 2018.

The assets used to provide the recycling and waste management service in Greater Manchester were and still are recognised on the GMWDA’s Balance Sheet. Movements in their value over the year are detailed in the analysis of movements on the Property, Plant and Equipment balance in Note 6.

The GMWDA made agreed payments each year, which increased each year linked to inflation (RPIx) and could be reduced if the Contractor failed to meet availability and performance standards, but which is otherwise fixed.

Although the payments made to the Contractor were described as unitary payments, they had been calculated to compensate the Contractor for the fair value of the services they provided, the capital expenditure they incurred and interest on the liability outstanding. The liability outstanding was settled under the terms of the termination in 2017/18.

The GMWDA was in the unique position of being a senior lender to its own Contract. All senior lending was repaid in full on 29 September 2017. Note 7 sets out further information on this former investment.

Note 23 Financial Instruments

Note 23.1 Categories of Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

The investments and borrowings disclosed in the Balance Sheet are made up of the following categories of financial instruments:

		31 March 2018		31 March 2017	
	Note	Long Term £m	Current £m	Long Term £m	Current £m
Loans and Receivables - Investments	7.1	-	-	61.762	3.825
Loans and Receivables - Cash	9	-	6.884	-	9.768
Loans and Receivables - Accrued Interest	9	-	-	-	0.001
Total Investments		**-**	**6.884**	**61.762**	**13.594**
Loans and Receivables - Debtors		2.505	6.469	-	0.885
Total included in Debtors		**2.505**	**6.469**	**-**	**0.885**
Debtors that are not Financial Instruments		-	*3.949*	-	*10.992*
Total Debtors	8	**2.505**	**10.418**	**-**	**11.877**
Financial Liabilities at amortised cost - Principal		167.688	339.326	66.308	37.504
Financial Liabilities at amortised cost - Accrued Interest		-	1.519	-	0.501
Total Borrowings	12	**167.688**	**340.845**	**66.308**	**38.005**
PFI Liabilities		-	-	263.802	-
Transferred Debt		4.631	-	6.031	-
Total included in Other Long Term Liabilities		**4.631**	**-**	**269.833**	**-**
Other Long Term Liabilities that are not Financial Instruments		*6.785*	-	*16.258*	-
Total Other Long Term Liabilities	13	**11.416**	**-**	**286.091**	**-**
Financial Liabilities at amortised cost		-	16.645	-	30.696
Total included in Creditors		**-**	**16.645**	**-**	**30.696**
Creditors that are not Financial Instruments		-	*3.099*	-	*0.737*
Total Creditors	10,13	**-**	**19.744**	**-**	**31.433**

Note 23.2 Income, Expense, Gains and Losses

The income, expenditure, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments comprise:

	2017/18				2016/17			
	Financial assets: loans and receivables £m	Financial assets: available for sale £m	Financial liabilities: at amortised cost £m	Total £m	Financial assets: loans and receivables £m	Financial assets: available for sale £m	Financial liabilities: at amortised cost £m	Total £m
Interest income	32.858	-	-	**32.858**	3.737	-	-	**3.737**
Interest expense	-	-	(32.976)	**(32.976)**	-	-	(57.568)	**(57.568)**
Net income/(expense) to CIES	**32.858**	**-**	**(32.976)**	**(0.118)**	**3.737**	**-**	**(57.568)**	**(53.831)**

Note 23.3 Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2), using the following assumptions:

- Interest is calculated using the most common market convention, ACT/365;
- no early repayment or impairment is recognised;
- For PWLB loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced amount.

The fair values calculated are as follows:

	31 March 2018		31 March 2017	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Loans and Receivables - Investments	-	-	65.587	116.891
Loans and Receivables - Cash	6.884	6.884	9.769	9.769
Total Investments	**6.884**	**6.884**	**75.356**	**126.660**
Loans and Receivables - Debtors	8.974	8.974	0.885	0.885
Total Debtors	**8.974**	**8.974**	**0.885**	**0.885**
Financial Liabilities at amortised cost	508.533	531.089	104.313	125.531
Total Borrowings	**508.533**	**531.089**	**104.313**	**125.531**
PFI Liabilities	-	-	263.802	625.184
Transferred Debt	4.631	4.631	6.031	6.031
Total Other Long Term Liabilities	**4.631**	**4.631**	**269.833**	**631.215**
Financial Liabilities at amortised cost	16.645	16.645	30.696	30.696
Total Creditors	**16.645**	**16.645**	**30.696**	**30.696**

The fair value of the liabilities is higher than the carrying amount because the GMWDA's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rate at the Balance Sheet date. This shows a future notional loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of assets is higher than the carrying amount because the GMWDA's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2018) attributable to the commitment to receive interest above current market rates.

Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

The fair value of PWLB loans measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value, £22.556m, measures the additional interest that the GMWDA will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The GMWDA has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the GMWDA will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £68.812m would be valued at £83.839m. However, if the GMWDA were to realise the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £14.526m

Note 24 Nature and Extent of the Risks Arising from Financial Instruments

The GMWDA's activities expose it to a variety of financial risks. The key risks are:

- credit risk – the possibility that other parties might fail to pay amounts due to the GMWDA;
- liquidity risk – the possibility that the GMWDA might not have funds available to meet its commitments to make payments;
- re-financing risk – the possibility that the GMWDA might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- market risk – the possibility that financial loss might arise for the GMWDA as a result of changes in such measures as interest rates, stock market movements and currency exchange rates.

Overall procedures for managing risk

The GMWDA's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Credit Risk

Credit risk arises from deposits with banks and financial institutions. The GMWDA does not have significant credit risk exposure to customers, as it rarely supplies goods or services on credit.

Credit risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings

Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the GMWDA are detailed below:

The GMWDA uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard & Poor's, forming the core element. However, it does not rely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2017/18 was approved by the GMWDA on 18 March 2017 and is available on the GMWDA's website.

The GMWDA's maximum exposure to credit risk, in relation to its investments in banks and building societies of £10m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the GMWDA's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

Liquidity Risk

The GMWDA manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The GMWDA has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The GMWDA is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

Refinancing and Maturity Risk

The GMWDA maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the GMWDA relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The GMWDA approved treasury and investment strategy is to ensure that no more than a manageable proportion of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

Analyses of the maturity of long-term borrowing and other long-term liabilities are shown in Note 12 and Note 13.

Market Risk (Interest Rate Risk)

The GMWDA is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the GMWDA, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The GMWDA has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the GMWDA's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The finance team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis also advises whether new borrowing taken out is fixed or variable. The GMWDA currently only has fixed rate long term borrowings.

Market Risk (Price Risk)

The GMWDA, excluding the pension fund, does not invest in equity shares or marketable bonds. As a consequence, the GMWDA is not exposed to financial risk from fluctuating share prices.

Market Risk (Foreign Exchange Risk)

The GMWDA has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 25 Events After the Balance Sheet Date

During the financial year 2017/18 the GMWDA's subsidiary made a sale that has now completed. The sale had conditions attached which meant that the receipt, a material amount, was considered to be due but could not be certain. Confirmation of the completed sale was received during November 2018. The GMWDA has accrued for the income and created a debtor for the amount of £3m that will flow from the subsidiary via the liquidator as a post balance sheet event.

The Statement of Accounts were approved for publication by the GMWDA's Section 73 Officer (the Treasurer, GMCA) on 21 March 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 https://www.zerowastegm.co.uk/wp-content/uploads/2016/12/Glossary-of-terms-final.pdf

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains & Losses

Actuaries assess financial and non-financial information provided by the Authority to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed.

Amortised Cost of a Financial Asset or Financial Liability

This is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Appointed Auditors

The PSAA appoints external auditors to every Local Authority, from one of the major firms of registered auditors. From 2012/13, an external audit function is no longer directly undertaken by the Audit Commission due to a change in the Audit Commission's role. Grant Thornton is the GMWDA's appointed auditor.

Balances

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (deferred charges). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current asset, or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Financing Charges

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Contingency

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Authority's accounts.

Creditors

Amounts owed by the Authority for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors

These are sums of money due to the Authority that have not been received at the date of the Balance Sheet.

Deferred Liabilities

These are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time e.g. deferred purchase arrangements.

Defined Benefit Scheme

This is 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 Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions 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

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset.

Derecognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Earmarked Reserves

The Authority holds a number of reserves earmarked to be used to meet specific known or predicted future expenditure.

Effective Interest Rate

This is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IAS18 Revenue), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Expenditure

This is amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair value

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Rules

These are the written code of procedures approved by the Authority, intended to provide a framework for proper financial management. Financial rules usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

Impairment

A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

Income

These are amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Authority).

Infrastructure Assets

Non-Current Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are Non-Current Assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software, licenses and patents.

International Accounting Standard (IAS) 19

IAS 19 sets out the treatment of pensions and other forms of retirement benefits in an organisation's statutory accounts. The main features of IAS 19 are the valuation of assets and liabilities relating to pensions and other retirement benefits and their recognition and disclosure in the financial statements.

Leasing Costs

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Net Book Value

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

Net Current Replacement Cost

This is the cost of replacing or recreating a 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 Debt

Net debt is the Authority’s borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is 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-Current Assets

Assets that yield benefits to the Authority and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Operational Assets

Non-current assets held which are not directly used in the delivery of Authority services.

Operational Assets

Non-current assets held and occupied, used or consumed in the delivery of Authority services.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Private Finance Initiative (PFI)

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities’ participation.

PFI Assets

Assets constructed as part of the PFI.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs is uncertain.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior Officers and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure.

Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Authority. This mainly includes employee costs, general running expenses and capital financing costs.

Service Reporting Code of Practice (SeRCOP)

Prepared and published by CIPFA, the SeRCOP is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Subsidiary

This is an entity over which the reporting Authority is able to exercise control over operating and financial policies and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.