

SHROPSHIRE WASTE PARTNERSHIP

AUDITED ANNUAL

STATEMENT OF ACCOUNTS

for the

YEAR ENDED 31 MARCH 2009

**SUBMITTED TO
AUDIT COMMITTEE 17/09/09
AND
FULL COUNCIL 24/09/09**

Director of Resources
Shropshire County Council
The Shirehall
Shrewsbury
SY2 6ND

**SHROPSHIRE WASTE PARTNERSHIP
STATEMENT OF ACCOUNTS FOR YEAR ENDED 31 MARCH 2009**

Introduction

The purpose of the Statement of Accounts is to give electors, Members and other interested parties clear information on the Partnership's finances. The format of the Statement of Accounts is governed by the Statement of Recommended Practice on Local Government Accounting which requires accounts to include an Explanatory Foreword, a Statement of Accounting Policies, a Statement of Responsibilities for the Statement of Accounts, the Accounting Statements and Notes to the Accounts.

Shropshire Waste Partnership ("SWP")

Shropshire Waste Partnership is a Joint Committee formed by Shropshire County Council, Oswestry Borough Council and Bridgnorth, North Shropshire and South Shropshire District Councils. Shrewsbury and Atcham Borough Council joined the partnership on 20 October 2008. Shropshire County Council acts as Contracting Authority for the Joint Committee.

The Constitution of the Joint Committee was approved at the inaugural meeting of the Shropshire Waste Partnership on 3 August 2004.

On 29 September 2007, Shropshire County Council, in its capacity as Contracting Authority for the Shropshire Waste Partnership, entered into a 27 year integrated waste management contract with Veolia ES Shropshire Limited ("Veolia"). The contract is part funded by £40.8 million of PFI credits. Services under the contract commenced on 1 October 2007. The contract is funded from the waste budgets of SWP member authorities which have been pooled since 1 October 2007. Shrewsbury and Atcham Borough Council joined the partnership and the contract with Veolia on 20th October 2008.

Shropshire County Council, as Contracting Authority, employs the SWP staff responsible for managing the Veolia contract. It also funds SWP's day to day transactions and invests surplus or reserved funds on behalf of SWP.

This Statement of Accounts reports the 2008/09 waste costs funded from pooled SWP waste budgets.

The service has been delivered within budget and a £264,730 budget underspend has been transferred to an earmarked SWP general reserve account.

From 1 April 2009 the separate authorities making up the Shropshire Waste Partnership will be absorbed by the new Unitary Council and the partnership will cease to exist. During 2008/09 SWP has worked to bring Shrewsbury and Atcham Borough Council into SWP and the contract prior to the advent of the Unitary Council.

Further information about these accounts can be obtained from the Resources Department at Shropshire Council. For details please contact Laura Rowley on (01743 252007).

L Rowley
Director of Resources
Shropshire County Council

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Partnership's responsibilities

The Partnership is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In the Shropshire Waste Partnership, the responsibility of Chief Financial Officer is allocated to the Director of Resources of Shropshire County Council;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Approval by the Partnership

Following the introduction of the Unitary Council on 1st April 2009 the Shropshire Partnership no longer exists as all client side activities are conducted as one through Shropshire Council.

Responsibility of the Director of Resources, Shropshire County Council as Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the Partnership'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 of Practice").

In preparing this statement of accounts, the Chief Finance Officer has:

- elected the most suitable accounting policies and then applied them consistently
- made estimates and judgments that were reasonable and prudent
- complied with the Code of Practice

The Chief Finance Officer has also:

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

Certificate of the Chief Financial Officer

I hereby certify that the Statement of Accounts presents fairly the financial position and the income and expenditure of the Partnership for the year ended 31 March 2009 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2003, as amended in 2006.

Laura Rowley
Director of Resources

Independent auditor's report to the Members of Shropshire Council

Opinion on the accounting statements

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

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

Respective responsibilities of the Director of Resources and auditor

The Director of Resources responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Joint committee and its income and expenditure for the year. I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Joint committee's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In my opinion:

- The Joint Committee's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Joint Committee as at 31 March 2009 and its income and expenditure for the year then ended.

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

Joint Committee's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

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

published in December 2006, I am satisfied that, in all significant respects, Shropshire Waste Partnership made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Grant Patterson

Officer of the Audit Commission
Opus House
Priestley Court
Stafford Technology Park
Beaconside
Stafford ST18 0LQ
[Date]

Date..... Signature.....

Statement of Accounting Policies

The purpose of the Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Legal status of the Shropshire Waste Partnership

The authorities making up the Shropshire Waste Partnership have agreed, by virtue of the provisions of Sections 101 and 102 of the Local Government Act 1972 (“the 1972 Act”), the Local Authorities (Arrangement for the Discharge of Functions) (England) (Amendment) Regulations 2001 made under Section 20 of the Local Government Act 2000 (“the 2000 Act”), and any other enabling legislation to form a Joint Committee with effect from 1 August 2004 and for its functions to be discharged by the County Council as Contracting Authority

Key Principles of the Joint Committee

The members of the Committee wish to establish a clear and accountable framework for them to work together in order that they are able to respond in a more effective and co-ordinated way in relation to the development and implementation of an integrated strategy for waste management in the Partnership Districts

General

The Statement of Accounts summarising the Partnership’s transactions for the year ended 31 March 2009 have been prepared in accordance with the *Code of Practice on Local*

Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (the SORP).

FRS 9: Associates and Joint Ventures

This Statement of Accounts is prepared in accordance with the SORP to represent the financial activity and financial position of the Shropshire Waste Partnership. In accounting terms the Shropshire Waste Partnership is assumed to be a “Joint Arrangement that is not an Entity” (a “JANE”).

FRS 9 defines a “Joint Arrangement that is not an Entity” as a contractual arrangement under which participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. It goes on to state that a contractual arrangement where all significant matters of operating policy are predetermined does not create an entity because the policies are those of its participants not of a separate entity.

FRS 9 requires participants in a joint arrangement that is not an entity to account for their own assets, liabilities and cash flows, measured according to the terms of the agreement governing the arrangement.

Basis of Accounting for Items of Expenditure and Income

Revenue transactions are recorded on an accruals basis. This means that sums due to the Council in the year are accounted for even if the cash had not been received by the year end. Similarly, all payments which related to the financial year have been included in the accounts together with any identifiable and material sums which still remain to be paid for goods and services provided up to 31 March 2009.

Value Added Tax (VAT)

Only irrecoverable VAT is included in revenue and capital expenditure.

Private Finance Initiative (PFI) Scheme

PFI contracts are agreements to receive services, where the PFI contractor has responsibility for making available the assets needed to provide the services. The County Council, as contracting authority for the Shropshire Waste Partnership, pays the contractor a payment, which is called a unitary charge, for the services delivered under the contract.

The proper practice for accounting for PFI contracts is set out by the Accounting Standards Board. This means the adoption of *Application Note F to Financial Reporting Standard 5: Reporting the substance of transactions (FRS 5)*, and also reference to *Treasury Taskforce Technical Note Number 1 (revised): How to account for PFI transactions*.

PFI credits

The County Council receives PFI credits from the Government in the form of a specific grant on an annuity basis. Receipts are credited to Current Assets – Government Debtors in the County Council's Balance Sheet, and are drawn down at the end of the year against the unitary payments that have been made to the operator.

Grants receivable

Grants received by individual partner authorities and made available to the Shropshire Waste Partnership are treated as contributions rather than as direct grant income.

Costs arising in respect of assets transferred to contractor

The value of the assets that partner authorities have transferred to the contractor will result in reductions to the price of the contract. This benefit has been recognised by establishing a deferred consideration account in each partner authority's accounts. The initial value of the deferred consideration was equal to the value of the assets transferred. The deferred consideration is being written down over the life of the contract, which is the period over which the partner authorities will benefit from the value of the assets contributed to the contractor.

The cost of the amortisation and the unwinding of the discount are treated as a contract cost in the Shropshire Waste Partnership's Statement of Accounts and reflected as being funded by additional, non cash contributions from each partner authority.

**SHROPSHIRE WASTE PARTNERSHIP
INCOME & EXPENDITURE ACCOUNT
FOR THE YEARS ENDED 31 MARCH 2009 and 2008**

2007/08 Net expenditure	Notes	2008/09 Gross expenditure	2008/09 Income	2008/09 Net expenditure
£		£	£	£
				Expenditure on continuing service
(155,968)			283,992	(283,992)
(31,964)			25,471	(25,471)
(1,459,009)			3,185,610	(3,185,610)
(33,802)			0	(0)
(0)	2	84,871	84,871	(0)
(791,249)			0	(0)
976,332			0	0
664,340		1,472,148		1,472,148
7,533,755		17,811,998		17,811,998
149,249	9	434,080	256,611	177,469
198,420		483,409		483,409
7,050,104		20,286,506	3,836,555	16,449,951
				<u>Contributions from partners:</u>
(7,897,786)	7		17,015,129	(17,015,129)
				Non-cash contributions:
(377,834)	9		434,080	(434,080)
	9		(256,611)	256,611
228,585			177,469	(177,469)
(149,249)				
(996,931)		20,286,506	21,029,153	(742,647)
(996,931)				(742,647)
(996,931)				(742,647)

STATEMENT OF TOTAL GAINS AND LOSSES

No Statement of Total Gains and Losses is included in the Statement of Accounts as the surplus on the Income & Expenditure Account equals the Total Realised Gains for the year as there is no surplus or loss arising from the revaluation of fixed assets and no actuarial gains or losses on pension fund assets and liabilities.

SHROPSHIRE WASTE PARTNERSHIP STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the Partnership's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, partner Councils are required to raise council tax on a different accounting basis, one of the main differences being that capital investment is accounted for as it is financed, rather than when the assets are consumed.

The General Fund Balance compares the Shropshire Waste Partnership's spending against budget for the year, taking into account the use of reserves build up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the outturn on the Income & Expenditure Fund and the General Fund balance.

2007/08 £		2008/09 £
(996,931)	Surplus for the year on the Income & Expenditure Account	(742,647)
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement of the General Fund Balance for the year	
646,931	Transfer to earmarked reserves	264,730
350,000	Transfer to PFI smoothing reserve	477,917
-	Increase/Decrease in general fund balance for the year	-
-	General Fund balance brought forward	-
-	General Fund balance carried forward	-

SHROPSHIRE WASTE PARTNERSHIP
BALANCE SHEET
AS AT 31 MARCH 2009 and 2008

31 March 2008		Notes	31 March 2009
£			£
	Current Assets		
852,992	Debtors due within one year	10	150,000
996,931	Temporary investments	11	1,739,578
<u>1,849,923</u>			<u>1,889,578</u>
	Current Liabilities		
852,992	Creditors falling due within one year	12	150,000
<u>996,931</u>	Net assets		<u>1,739,578</u>
	Financed by		
646,931	Earmarked reserve	13	911,661
350,000	PFI smoothing reserve	13	827,917
<u>996,931</u>			<u>1,739,578</u>

**SHROPSHIRE WASTE PARTNERSHIP
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

This statement provides a link between the Balance Sheet at the beginning of the year, the Income & Expenditure Account for the year and the Balance Sheet as at the end of the year. It looks at where the money came from and how it was spent for both revenue and capital activities, and therefore reflects the changes in the financial structure of the Partnership during the year.

2008/09		Notes	2008/09 £	£
	Revenue activities			
	Outflows			
294,980	Employee related client costs		629,538	
152,925	Employee related procurement costs		0	
369,360	Non-employee related client costs		927,481	
823,407	Non-employee related procurement costs		0	
198,420	FRS 17 and support costs charged to SWP		483,409	
7,533,755	Contract payments		17,811,998	
9,372,847				19,852,426
	Inflows			
7,897,786	Budget contributions from SWP partners	7	17,015,129	
187,932	Fees and charges		309,463	
1,459,009	PFI grant	14	3,185,610	
33,802	Other grants (WPEG/Love Food Hate Waste)		84,871	
791,249	Historic SWP pooled grant funding		0	
10,369,778				20,595,073
996,931	Net inflow on revenue activities			742,647
	- Servicing of finance			-
	- Capital activities			-
993,931	Net cash inflow before financing			742,647
(996,931)	Management of liquid resources			(742,647)
	- Financing			-
0	Increase in cash			0

SHROPSHIRE WASTE PARTNERSHIP NOTES TO THE ACCOUNTS

1. Basis of preparation of accounts

The accounts reflect the cost of the combined waste service from 1 April 2008 to 31 March 2009. It also reflects the pooled SWP partner budgets used to fund these activities.

2. Restatement of prior year comparatives

There have been no changes to the amounts reported in respect of the prior year.

3. Income & Expenditure

The Best Value Accounting Code of Practice was issued by CIPFA in 2000. It established a mandatory requirement on local authorities to present service analysis in a standard form.

All of SWP's 2008/09 expenditure related to the Cultural, Environmental and Planning Services Block. All expenditure was incurred by the Economy/Environment/Planning Directorates of the respective partners.

4. Disclosure of Emoluments

All SWP's direct employees are employed by Shropshire County Council, SWP's contracting authority. The disclosures regarding employee emoluments and pension information for these employees is reported with Shropshire County Council's Statement of Accounts

5. Publicity expenditure

During the year the Shropshire Waste Partnership spent £7,955 on waste promotions and initiatives.

6. Audit costs

SWP's audit costs will be borne by Shropshire County Council, the Contracting Authority for the Shropshire Waste Partnership.

7. Cash funding by SWP partners

2007/08 £		See note	2008/09 £
6,729,900	SCC pooled waste budget		13,417,400
(2,395,000)	Less: amount retained to contribute to smoothing reserve to fund PFI contract	13	(4,387,000)
0	Less: amount retained to contribute to capital reserve	13	(120,000)
0	Interest earned on smoothing reserve		127,917
198,420	SCC payment of support costs and service level agreements		483,409
4,533,320	SCC funding contribution		9,524,726
2,854,176	Pooled District and Borough waste budgets		6,864,223
145,001	South Shropshire payment for street cleansing		279,180
350,000	Proceeds of sale of trade waste business	13	350,000
15,289	District contributions for back pay adjustments		0
<u>7,897,786</u>			<u>17,015,129</u>

8. Fixed Assets transferred to the contractor

At the start of the contract partners made various assets available to the contractor to deliver waste services. Transferred assets included the bins and boxes used to collect

waste from Shropshire properties, vehicles and other items of equipment. A number of property assets were also made available to the contractor at a peppercorn rent which has been treated as a partial disposal of the asset. Asset transfers are summarised in the table below:

	Land & Buildings		Vehicles, Plant & Equipment				Total
	SCC	BDC	NSDC	OBC	SCC	SSDC	
	£	£	£	£	£	£	
Assets donated by partners	4,803,317	660,908	130,313	274,648	194,800	467,009	6,530,995

The depots that the District and Borough partners have made available to the contractor have not been treated as assets contributed to the contract because they are only being made available on short term leases to facilitate handover and service commencement

On 20 October 2008 Shrewsbury & Atcham Borough Council joined the contract and made various assets available to the contractor. These included vehicles, bins and boxes. A proportion of the Weeping Cross depot was also made available to the contractor at this time but has not been treated as assets contributed because the facility has been transferred under a tenancy at will on a short term basis to facilitate handover and service commencement. The asset transfers particular to Shrewsbury and Atcham Borough are summarised in the table below.

	Land & Buildings	Vehicles, Plant & Equipment	Total
	SABC	SABC	
	£	£	£
Assets donated by SABC	0	950,007	950,007

9. Deferred Consideration

The value of the assets that partner authorities have transferred to Veolia results in reductions to the price of the contract. This benefit has been recognised by establishing a deferred consideration account in each partner authority's accounts. The initial value of the deferred consideration was equal to the value of the assets transferred. The deferred consideration is being written down over the life of the contract, which is the period over which SWP will benefit from the value of the assets contributed to the contractor.

The brought forward and year end value of the deferred consideration balances carried within each partner authority's accounts are shown in the table below:

	BDC	NSDC	OBC	SCC	SSDC	SABC	Total
	£	£	£	£	£	£	£
Assets transferred (and initial value of deferred consideration)*						950,007	950,007
Net book value of Deferred Consideration at 31 March 2008	645,805	127,335	268,372	4,883,898	456,336		6,381,746
	645,805	127,335	268,372	4,883,898	456,336	950,007	7,331,753
Amortisation of deferred consideration	(38,235)	(7,539)	(15,889)	(289,153)	(27,018)	(56,246)	(434,080)
Unwinding of discount on deferred consideration	22,603	4,457	9,393	170,936	15,972	33,250	256,611
Net book value of Deferred Consideration at 31 March 2009	630,173	124,253	261,876	4,765,681	445,290	927,011	7,154,284

* Shrewsbury and Atcham Borough joined the contract on 20th October 2008 and transferred vehicles, plant and equipment to the value of £950,007 during 2008/09. During this first year the value of these assets has been written out of Shrewsbury & Atcham Borough Council's accounts and a corresponding deferred consideration account established. This is then amortised in the same way as the other partners.

The cost of the amortisation and the unwinding of the discount are treated as a contract cost in the accounts of the Joint Committee and reflected as being funded by additional, non cash contributions from each partner authority.

10. Debtors (amounts falling due within one year)

31 March 2008 £		31 March 2009 £
201,985	General debtors and accrued income	150,000
651,007	Funding balance due from SCC	0
852,992		150,000

11. Temporary investments

Temporary investments are investments that Shropshire County Council has made using SWP reserved funds. The investments are shown at amortised cost and represent amounts placed with highly credit rated banks and building societies for periods of up to 365 days.

12. Creditors (amounts falling due within one year)

31 March 2008 £		31 March 2008 £
852,992	Accrued costs	78,000
0	Funding balance owed to SCC	72,000
0		150,000

13. SWP PFI Reserves

In 2007/08 Shropshire County Council established a SWP smoothing reserve of £2,395,000. In line with the SWP Business Plan a further contribution has been made in 2008/09 by SCC of £4,387,000.

During 2008/09 Shropshire County Council also established a capital reserve of £120,000 in accordance with the SWP Business Plan.

In 2007/08 SWP created a further smoothing reserve of £350,000 with the proceeds of the sale of the District and Borough partners' trade waste business. During 2008/09 a further £350,000 was added to this smoothing reserve following the sale of Shrewsbury & Atcham Borough Council's trade waste business, bringing the balance to £700,000 as at 31 March 2009. During 2008/09 the reserve earned interest of £127,917 bringing the total value of the SWP smoothing reserve to £8,279,917 as at 31 March 2009. This is included within the County Council accounts in accordance with the JANE accounting requirements under FRS9.

The earmarked SWP reserve represents SWP's reported underspend of £646,931 for 2007/08 plus the reported underspend of £264,730 for 2008/09, a total of £911,661.

14. **Private Finance Initiative Scheme**

On 29 September 2007, Shropshire County Council, in its capacity as Contracting Authority for the Shropshire Waste Partnership, entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1 October 2007.

The contract is a Private Finance Initiative (PFI) contract and is part funded by £40,800,000 of PFI credits which are paid in quarterly instalments as an annual PFI grant.

There are two separable elements to the contract:

- collection and recycling
- waste treatment services

The collection and recycling element comprises the kerbside collections of recycling and waste, the operation of the Integrated Waste Management Facilities (comprising the household recycling centres and transfer stations) and waste treatment and disposal other than the operation of the proposed Energy Recovery Facility. The contract is an output based contract but proposed waste infrastructure that will be used to deliver services under this element of the contract includes upgrades of the existing Craven Arms and Whitchurch recycling facilities, the development of Integrated Waste Management Facilities to service the Oswestry and Bridgnorth areas and the development of an In Vessel Composting Facility.

The waste treatment services element is also an output based arrangement. Veolia is proposing to deliver this element of the contract by developing and operating a 90,000 tonne per annum Energy Recovery Facility.

The Accounting View – FRS5 or SSAP 21 Accounting Treatment

As Shropshire Waste Partnership officers and advisors are of the opinion that the risks and benefits, for the duration of the twenty seven year contract, lie with the operator, Veolia ES Shropshire Ltd, in accordance with FRS5, the waste management facilities, once constructed, will be classified as assets of the operator and not the partner authorities and they will not be recognised on the partner authorities' Balance Sheets. This accounting treatment will be revisited periodically, and if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

Unitary Charge and PFI grant

The County Council, as contracting authority, pays an annual Unitary Charge (in monthly instalments) for the facilities and services provided under the contract. The County Council receives PFI grant from the government which contributes towards the Unitary Charge.

To date the Unitary Charge and government PFI grant receipts have been as follows:

Years	Unitary Charge (£000)	Grant Received (£000)
2007/08*	5,848	1,459
2008/09	14,371	3,186

* from 1 October 2007

Fixed assets: treatment of existing assets

SWP partnership authorities have made existing waste assets available to the contractor. These contributions are accounted for in the books of the partner authorities.

Debtors: amounts falling due after more than one year

Deferred Consideration

A prepayment for services receivable under the PFI contract has been established in each partner's accounts to reflect the value of the assets made available to Veolia. The prepayment relates to Deferred Consideration for the value of the assets transferred to Veolia. The Deferred Consideration Balance will be written down (charged) to waste costs within the Income and Expenditure Account over the life of the contract to show the full value of the service received each year. The charge is, however, a notional charge which is reversed out in each partner's Statement of Movement on General Fund Balance to remove any impact on Council Tax.

The Shropshire Waste Partnership accounts include the cost of funding the amortisation of the Deferred Consideration. The funding of this cost by the partner authorities is shown as an additional non-cash budget contribution.

Once the assets have been constructed under the contract, an element of the Unitary Charge will be capitalised each year in order to build up a long term debtor on the balance sheet which will reflect the residual value of the assets that will transfer to the partnership's ownership at the end of the contract. There was no build up of balance in the 2008/09 accounts as none of the proposed waste infrastructure has been completed.

Commitments under the Waste PFI contract

The payments under the contract may vary according to the availability of services and facilities and the contractor's performance in delivering the service. Payments are also linked to the Retail Price Index (RPIx). Using an assumed 2.5% RPIx, and no performance or unavailability deductions, the future commitments for the Unitary Charge payable under the contract are as follows:

Years	Commitments (£'000)
Amounts falling due within one year	21,441
Amounts falling due within 2 – 5 years	99,853
Amounts falling due within 6 – 10 years	151,391
Amounts falling due within 11 – 15 years	170,167
Amounts falling due within 16 – 20 years	191,101
Amounts falling due after more than 20 years	237,906

15. Landfill Allowance Trading Scheme

The Landfill Allowance Trading Scheme (LATS) operates for 15 annual compliance periods and runs from 1 April 2005 to 31 March 2020. Under the scheme DEFRA allocates each Waste Disposal Authority an allowance to use landfill to a specified level (the cap). The allocations are free of charge. To allow Waste Disposal Authorities to plan for the future and establish a market in landfill allowances, Waste Disposal Authorities were notified of their allowances for all 15 annual compliance periods on 2 February 2005. Waste Disposal Authorities can contract with other Waste Disposal Authorities to buy and sell allowances for both the current and future compliance periods.

As at 31 March 2009, Shropshire County Council, as Waste Disposal Authority, held 107,824 allowances however, in the absence of an active market the Authority has concluded that a reliable estimate of fair value cannot be arrived at and has therefore written the value of these allowances down to zero.

The SWP Business Plan assumes that there will be no funding from the sale of landfill allowances in the early years of the contract but that some value will be generated from sales of allowances from 2013/14, when there is more pressure on landfill space and the contract is due to start delivering significant diversion from landfill.

Landfill Allowances are reported within Shropshire County Council's accounts rather than the accounts of the Shropshire Waste Partnership.