West London Waste Authority
Hugh Peart
Clerk
Civic Centre
Station Road
Harrow
Middlesex HA1 2XY
16 June 2022

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West London Waste Authority

A meeting of the West London Waste Authority will be held in Council Chamber, Harrow Civic Centre, Station Road, Harrow, HA1 2XY on Friday 24 June 2022 at 10.00 am

Membership

Councillor Deirdre Costigan, London Borough of Ealing
Councillor Guy Lambert, London Borough of Hounslow
Councillor Eddie Lavery, London Borough of Hillingdon
Councillor Anjana Patel, London Borough of Harrow
Councillor Krupa Sheth, London Borough of Brent
Councillor Julia Neden Watts, London Borough of Richmond

Agenda

PART I - ITEMS FOR CONSIDERATION WHILE THE PRESS AND PUBLIC ARE IN ATTENDANCE

1. Apologies for absence

2. Declarations of interest

   Members are reminded that if they have a pecuniary interest in any matter being discussed at the meeting they must declare the interest. They may not take part in any discussion or vote on a matter in which they have a pecuniary interest.

3. Minutes of the Audit Committee meeting held on 21 January 2022 and the Authority meeting held on 25 March 2022 (Pages 5 - 12)

4. Appointment of the Chair and Vice-Chair of the Authority, Audit Committee, Chair of the Audit Committee and Independent Member

5. Meetings for the Municipal Year 2022/23

The remaining dates of the Authority in 2022 are:

Friday 23 September 2022 at 10.00am
Friday 2 December 2022 at 10.00am

Members are invited to agree the following dates of meetings of the Authority and Audit Committee for 2023 based on the existing pattern:

Friday 20 January 2023 at 11.00am (Audit Committee at 10.00am)
Friday 24 March 2023 at 10.00am
Friday 23 June 2023 at 10.00am (including Audit items)
Friday 22 September 2023at 10.00am
Friday 1 December 2023 at 10.00am

AUDIT ITEMS

6.	2021/22 EY External Audit Progress Report	(Pages 13 - 20)
7.	Internal Audit Report 2021/22 - Income	(Pages 21 - 32)
8.	Internal Audit Report 2021/22 - Data	(Pages 33 - 44)
9.	Annual Internal Audit Opinion 21/22	(Pages 45 - 48)
10.	Internal Audit Plan 2022/23	(Pages 49 - 52)
11.	Draft Statement of Accounts for the year ending 31 March 2022	(Pages 53 - 108)
12.	Risk Register	(Pages 109 - 118)

AUTHORITY ITEMS

13.	Contracts and Operations Update	(Pages 119 - 122)
14.	Projects and Circular Economy Update	(Pages 123 - 128)
15.	Draft Finance Strategy	(Pages 129 - 140)
16.	Finance Update 2022	(Pages 141 - 146)

PART II - ITEMS FOR CONSIDERATION AFTER THE EXCLUSION OF THE PRESS AND PUBLIC

Nil

Recording and reporting on public meetings
Please note that members of public can choose to record or report in other ways, on this public meeting. If you wish to do so then please read the Authority's protocol which can be found online. Copies of the protocol are also available at the meeting.

The Authority asks that you avoid recording members of the audience who are not participants at the meeting. The Authority will seek to facilitate this. However, anyone attending a public meeting does so in the knowledge that recording may take place and that they may be part of that record.

Hugh Peart
Clerk to the Authority

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At a meeting of the West London Waste Authority - Audit Committee held on Friday 21 January 2022 at 10.00 am at the Council Chamber, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

Present:

Councillor Graham Henson, Councillor Deirdre Costigan, Councillor Guy Lambert, Councillor Eddie Lavery and Councillor Julia Neden Watts

Robin Pritchard (Independent Person)

Apologies for Absence

Councillor Krupa Sheth (Chair)

72. Apologies for absence

Apologies for absence were received from Councillor Krupa Sheth.

73. Appointment of Chair for the meeting

RESOLVED: That Councillor Deirdre Costigan be appointed as Chair for the meeting.

74. Declarations of interest

RESOLVED: To note that there were no declarations of interests made by Members.

75. Minutes of the meeting held on 25 June 2021

RESOLVED: That the minutes of the meeting held on 25 June 2022 be taken as read and signed as a correct record.

76. Health and Safety Internal Audit Report 2021/22

Members received the Health and Safety Management Audit report for 2021/22 and welcomed Mike Pinder and Julie Wood, the Authority’s internal auditors, to the meeting. The Chair also welcomed Robin Pritchard, the Committee’s new Independent Member.

Mike Pinder introduced the report which advised that no medium or high risk had been identified but that there had been three low risk findings; that a formal process be introduced to diarise health checks, the Human Resources policy update process be completed and testing for any staff working under the influence of drugs or alcohol be undertaken. In addition, records for drivers’ licensing and insurance checks should be more comprehensive and a formal process for the checks introduced.

The Independent Member expressed concern that it was viewed as a low risk that staff could be driving around under the influence of alcohol or drugs. This concern was acknowledged, and the internal auditors explained that this was due to the time at which the audit had been undertaken and the complexities that organisations were going through as a result of the pandemic. Whilst checks had been done on an ad hoc basis it was necessary to formalise them.

In terms of the risk register, the Independent Member commented that whilst it explained the risk environment, he would like to have seen graded recommendations. Mike Pinder responded that there was an element of subjectivity in relation to risk ratings but that he would give this consideration in subsequent reports.

Responding to the low risk finding in relation to the Human Resources Policy, Jay Patel, Finance Director, reported that there was a requirement to review this annually and that it would have been done in both calendar years, but it might not have been undertaken within each financial year.

RESOLVED: That the report be noted.

77. 2020/21 External Audit Report and 2021/22 External Audit Plan

Members received the External Audit report and plan for 2021/22 and welcomed Andrew Brittain and Cheng Sha, Ernst & Young LLP to the meeting.

Andrew Brittain introduced the report and advised that it had been a relatively stable year and that the risks were identified on page 51. A new area of focus was IFRS16 relating to leases which had been deferred as part of the response to the pandemic and therefore did not impact on the 2021/22 accounts but might impact in the future.

In response to a question from the Independent Member as to whether the external auditors would reduce the time they spent on risks where there had been no issues, Andrew Brittain advised that it was helpful to know where there were no prior year issues and that he would revisit the work done last year. A Member questioned whether there were any other risks the Authority should consider as the boroughs estimated their tonnages but then fluctuating costs came into play. Mr Brittain advised that this would be monitored by officers and that forecasts and estimates had received more scrutiny from the regulators.

The Treasurer sought clarification on audit fees and conversations with Public Sector Audit Appointments Ltd (PSSA) and was advised that the determination for 2019/20 was currently being consideration. In terms of 2021/22, the external auditor advised that the amount of now work required had increased considerably due to FRC and other regulators, but it was anticipated that these fees would remain for the next round.

RESOLVED: That the report be noted.

78. External Audit Service from 2023/24 to 2027/28

Members received a report which recommended the external audit service provision for the five-year period of accounts from 2023/24 to 2027/28.

The Independent Member questioned whether there was any merit in the same auditors being appointed for all London Waste Authorities. Jay Patel, Finance Director, responded that he thought this was a good idea and would raise it with the PSAA, the appointing body, to consider.

RESOLVED: That the Authority opt into the national scheme for auditor appointments managed by the PSAA.

79. Corporate Governance

Members received a report which provided an update in relation to the review of the Authority's Corporate Governance documents and policies.

RESOLVED: That the Clerk to the Authority's approval of minor changes to governance documents, following consultation with the Treasurer where appropriate, be noted.

80. Risk Register

Members received a report which provided the Authority's updated risk register. Jay Patel, Finance Director, outlined the content of the report.

A Member stated there was a shortage of skilled staff to do various jobs and that the risk was not simply about financial resources and questioned where staff could be found. Emma Beal, Managing Director, advised that as a waste disposal authority it was a different situation to that facing waste collection authorities. The Authority had started inhouse on the job training to improve skills needed in the future. She emphasised that the biggest risk was in relation to smaller contracts that hauled waste as there were many large companies doing this. With the move to electric vehicles, officers would need to keep a watch over staff skill sets and to focus on wider skills that were outside the Authority's control.

Referring to Risk 3 in relation to waste treatment and disposal contracts, the Independent Member questioned whether the plans had been tested. The Finance Director confirmed that business continuity plans were in place and that the pandemic had triggered the use and testing of these plans.

The Managing Director advised that the way waste was handled continued to be an issue in this country due to borders. The waste sector had regular calls with DEFRA to check and test such issues which had been navigated throughout the pandemic and, as a result, were well understood.

RESOLVED: That the contents of the risk register, attached at Appendix 2 to the officer report, be noted.

The meeting finished at 10.40 am. The minute taker at this meeting was Alison Atherton.

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At a meeting of the West London Waste Authority held on Friday 25 March 2022 at 9.00 am at the Council Chamber, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

Present:

Councillor Graham Henson (Chair)

Councillor Deirdre Costigan (Vice-Chair)

Councillor Guy Lambert, Councillor Eddie Lavery, Councillor Krupa Sheth and Councillor Julia Neden Watts

143. Apologies for absence

No apologies for absence had been received.

144. Declarations of interest

RESOLVED: To note that there were no declarations of interests made by Members.

145. Minutes of the meeting held on 21 January 2022

RESOLVED: That the minutes of the meeting held on 21 January 2022 be taken as read and signed as a correct record.

146. Joint Municipal Waste Management Strategy Update

Members received a report which provided an update on the West London Waste Authority (WLWA) Joint Municipal Waste Strategy.

Sarah Ellis, Strategic Development Lead introduced the report and advised that Members had seen the content previously and that their support for the way forward was sought.

RESOLVED: That (1) the policies detailed in section 3 of the officer report be approved; (2) the content of the strategies set out in section 1 of the report be approved.

147. Annual Procurement Plan 2022/23

Members received a report which provided details of the Authority's Annual Procurement Strategy for the year 2022/23.

Beth Baylay, Contracts and Procurement Manager, introduced the report, which provided details of the Authority's Annual Procurement Strategy for the year 2022/23. Emma Beal, Managing Director, advised Members that there was an error in that recommendations 2 and 3 set out in the officer should be determined following consideration of the separate confidential report.

RESOLVED: That the Annual Procurement Plan for 2022/23 be approved.

148. Finance Update January 2022

Jay Patel, Finance Director, outlined the content of the report which provided an update on financial and corporate matters.

A Member asked how the amount of food waste within residual waste was monitored given the level of investment and commented that the detail of how each borough was doing would be helpful. The Finance Director reminded Members that food projects had been considered at the previous meeting and that there was a metric which compared the amount of food waste compared to residual waste. The challenge from a data perspective was to define a clear cause and effect of food within residual waste. The Projects Director added that waste composition analysis was ongoing and took place approximately every 15 months with the next likely in September 2022. Overall, food waste was up. The Head of Service Delivery undertook to respond to the Member's query in more detail separately.

In response to a Member's query in relation to Trade at P10 of the high level summary (page 29 of the agenda) in that it appeared to have gone into reverse at P12, the Finance Director indicated that he would look into this and provide clarification to Members.

RESOLVED: That (1) the current financial position and forecast for 2021/22 be noted;
(2) the 2021/22 Key Performance Indicator performance be noted;
(3) the proposed 2022/23 Key Performance Indicator targets be approved;
(4) the delegated decisions be noted;
(5) the Finance Director provide Members with an update in relation to Trade income.

149. Contracts and Operations Update

Members received a report which proved an update on the Authority's waste treatment arrangements and procurements.

RESOLVED: That the report be noted.

150. Exclusion of the Press Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following items for the reasons set out below:

Item	Title	Reason
9.	Annual Procurement Plan 2022/23	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
10.	Residual Waste Services Contract Update	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

151. Annual Procurement Plan 2022/23

Members received a confidential report which provided details of the tenders received for the Transport Services of waste, recycling and associated services from sites within the West London Waste Authority area contract.

During the discussion on the report it was agreed that as part of the contract award process, the Managing Director share information with Members.

RESOLVED: That (1) the Managing Director be authorised, following a peer review, consultation with the Chief Technical Officer and Chair, to approve the contact award for Green Waste Collection and Treatment Contract;
(2) the Managing Director be authorised, following consultation with the Chief Technical Officer and Chair, to approve the contract award of the Transport Services of Waste, Recycling and Associated Services contract.

152. Residual Waste Services Contract Update

Members received a report which provided an update on the Residual Waste Services contract.

RESOLVED: That (1) the report be noted;
(2) the Managing Director be authorised, following consultation with the Chief Technical Officer and the Treasurer, to award a contract for Unallocated Residual Waste

The meeting finished at 10.03 am.

The minute taker at this meeting was Alison Atherton.

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West London Waste Authority

Audit Progress Report

Year-ended 31 March 2022

10th June 2022

EY
Building a better working world

Audit Committee

West London Waste Authority

10th June 2022

Dear Committee members

Audit Progress Report

We are pleased to attach our June 2022 Audit Progress Report.

This is our first progress report on the audit of WLWA’s 2021/22 financial statements. Since concluding the prior year audit we have met with the finance team to agree an outline timetable for the current years audit. In January, we issued an Draft Audit Planning Report to the Committee. We have since met with the management and finance team to discuss the 2021/22 accounts closedown process and expectations/deliverables.

We have enclosed a summary of revised risk assessment, an audit timeline update, and two other areas where we have actioned since last Audit Committee.

We are currently undertaking our year end audit procedures which will include revisiting our risk assessment in order to confirm whether any changes are required to the previously reported plan.

Yours faithfully

Andrew Brittain

For and on behalf of Ernst & Young LLP

Enc

Audit risk

Change in Risk Assessment - New significant risk in revenue recognition in relation to Miscellaneous Income

Risk of revenue recognition specifically in Miscellaneous Income

What is the risk?

At interim audit visit, we were informed by management the possibility of additional income for WLWA in 21/22.

This is driven by rising electricity price and increased third party waste volumes processed at the Severnside Energy Recovery Centre (SERC). The amount of this additional income is £9.8m which is material to the financial statements.

We notice this amount being recorded in Miscellaneous income in the draft financial statements for 21/22. Given the size and nature of this income, we consider there to be a risk of material misstatement in revenue recognition.

What will we do?

- Review and test revenue and expenditure recognition policies;
- Review and discuss with management any accounting estimates on revenue recognition for compliance with accounting standards and identify any evidence of bias;
- Document our understanding of the estimate in line with ISA 540;
- Evaluate the business rationale for significant unusual transactions;
- Develop a testing strategy to test material miscellaneous income streams;
- Review and test revenue cut-off at the period end date. We will specifically focus on key aspects of unrecorded liabilities testing as this will help offer us assurance that the year-end accounts are free from material misstatement;
- Review and test year end accruals.

VFM risk

Change in VFM risk: New risk of Informed Decision Making in relation to SERC waste process volume increase

Informed Decision Making in relation to SERC waste process volume increase

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What is the risk?

Over the longer term there may be opportunities to secure income by increasing third party waste volumes processed at the Severnside Energy Recovery Centre (SERC). This is the key facility for managing residual waste as part of the West London Residual Waste Services contract between the Authority and West London Energy Recovery Ltd (WLER). Given the increased capacity of waste process in 21/22, we consider there to be an increased risk of making informed decisions in securing value for money.

What will we do?

- Establish the current status of the SERC contract with third party
- Obtain an understanding of the negotiation process in relation to revenue sharing under the increased waste process volume.
- Obtain evidence of the 2021/22 governance arrangements and evaluate the process of decision making on allowing for increased waste process volume
- Review the outcomes of negotiation and comment on how management has responded to the issues raised and mitigated the risks identified
- Document our findings and any recommendations in the Value for Money commentary included in the Auditor’s Annual Report

Audit progress

2021/22 audit

Audit Progress and Timeline Update

<u>Interim Testing: Mar-Apr 2022</u>

- We performed walkthroughs in 7 areas;
- Performed interim expenditure testing up to M10;
- Performed interim income testing up to M10;
- Re-assessed audit risk and value for money risks;
- Carried out initial VFM planning procedures.

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<u>Year End Testing: May – Oct 2022</u>

- The majority of samples have been selected and are under testing;
- We engaged EY Real Estate specialist for asset valuation;
- Value for Money assessment is under way;
- We liaised with the external auditor of London Pension Fund, Grant Thornton LLP, and was informed that they will not be able to conclude their audit and issue us IAS 19 letter to us until end of September. This will impact EY's reporting timeline and delay the conclusion on WLWA audit.

<u>Change in reporting timeline</u>

We proposed in our audit plan presented to the committee in Jan 2022 that we will be concluding our audit in July 2022. This is no longer achievable as the LPFA auditor (on whom we rely on for assurance over the pension liability disclosures in the financial statements) has informed us that they will not be able to report to us within that timeline. We however will continue to perform all other audit procedures except work on Pension Liability according to our planned timeline, in order to be able to conclude and issue our opinion as soon as we are able to obtain and evaluation the IAS 19 letter from Pension Fund Auditor.

Audit progress

Other issues

Change in materiality

We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross operating expenditure, we have updated our materiality assessment as below:

	Final	Planning
Planning materiality	£1.36m	£1.28m
Performance materiality	£1.02m	£0.96m
Audit difference	£0.06m	£0.06m

Audit differences

Since our testing procedures in various areas are still ongoing, we are yet to conclude on any audit differences. However we have discussed a number of disclosure amendments required with the management and finance team.

We are aware that management have processed an adjustment in PPE deprecation charge which relates to 2018/19 to 2020/21, and a number of adjustment in relation to revaluation of assets in 21/22.

Audit fees

We have previously explained that we believe the underlying scale fee needs to increase due to changes in work required to address broader professional and regulatory requirements and scope associated with risk, and we expect those increases in costs to be ongoing. In addition to this, in 2021/22 the above mentioned additional risks will require, as outlined, specific areas of audit work. As with any variations in scope that occur within the year, when we are in a position to quantify this we will discuss with management.

EY | Assurance | Tax | Transactions | Consultancy

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In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

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Internal Audit Report 2021/22

West London Waste Authority

Final
February 2022

Income Audit

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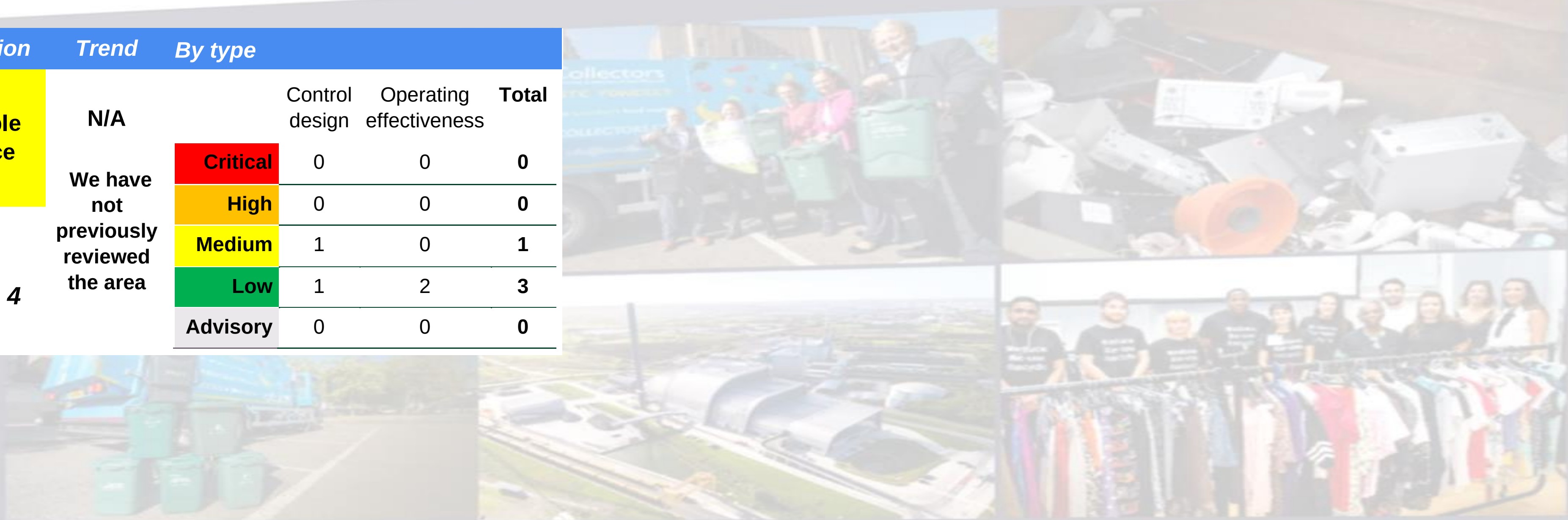
Classification	Trend	By type	Control design	Operating effectiveness	Total
Reasonable Assurance	**N/A**	**Critical**	0	0	**0**
	We have not previously reviewed the area	**High**	0	0	**0**
Total findings: 4		**Medium**	1	0	**1**
		Low	1	2	**3**
		Advisory	0	0	**0**



Agenda Item 7
Pages 21 to 32

West London Waste
Treating waste as a valuable resource

Executive summary (1 of 2)

Summary of findings

This audit has been undertaken as part of the WLWA 2021/22 Internal Audit Plan. The WLWA primarily receive income for the disposal of waste for the six boroughs signed up to the authority.

The purpose of the audit was to review the robustness of the WLWAs controls in place in relation to income with a focus on policies and procedures, raising of invoices / credit notes and refunds, debtors and write-offs, reconciliations and payment methods and storage. The approach utilised data where appropriate, to identify potentially anomalous transactions and trends in sample testing.

We have raised actions to mitigate one medium and three low risk findings.

Key findings

We identified no High-risk findings, one medium risk finding and three low risk findings.

Medium Risk

- Cash arrangements should be reviewed if the Brent site continues to claim to be cashless yet accepts cash in some circumstances. The storage of cash will also need reviewing along with banking frequency.

Low Risks

- Prompt invoice raising needs improving and refunds should not be paid out without full details to produce a robust audit trail.
- Write off sums agreed should be written off promptly and aged debtor reports are signed off.
- Policies and procedures for income related topics should be regularly reviewed

West London Waste

Treating waste as a valuable resource

Executive summary (2 of 2)

1	***Cash Arrangements***	Medium
2	***Invoices and Refunds***	Low
3	***Write -offs***	Low
4	***Policy Reviews***	Low

By Scope Area

	Critical	High	Medium	Low	Advisory
Policies and Procedures	0	0	0	1	0
Raising of Invoices / Credit Notes and Refunds	0	0	0	1	0
Debtors and Write-offs	0	0	0	1	0
Reconciliations	0	0	0	0	0
Payment Methods and Storage	0	0	1	0	0
Total	**0**	**0**	**1**	**3**	**0**

West London Waste

Treating waste as a valuable resource

Background and scope (1 of 2)

Background

The West London Waste Authority (WLWA) are responsible for disposing of waste for six London Boroughs.

- London Borough of Brent
- London Borough of Ealing
- London Borough of Harrow
- London Borough of Hillingdon
- London Borough of Hounslow
- London Borough of Richmond upon Thames

The WLWA has two main streams of income.

1. Monthly levies from the six boroughs above who are receiving the service of the WLWA. The amounts are calculated and agreed before the start of the year and are the focus of budget monitoring. There are two elements to the levy, a fixed charge which remains unchanged and a pay as you throw charge which is reconciled quarterly to ensure boroughs only pay for the waste they dispose.
2. Income generated at the Household Rubbish and Recycling Centre (HRRC) in Brent. This income comes from trade customers who are invoiced and from residents and others who pay by credit card at the weighbridge. There is also an agency charge to Brent for the provision of service to residents.

There are also other minor items of miscellaneous income.

The HRRC is supposed to be cashless but cash has been accepted in some circumstances.

The Senior Management team receive regular reports on the income and debt recovery and key performance indicators have been created to monitor the level of debt each month. The Board receive summary information within board reports prepared.

Background and scope (2 of 2)

Scope

The audit work focused on the following areas –

Policies and Procedures

- Policies and procedures are in place and clearly state the process to follow for raising invoices, income collection and debt recovery.
- Procedures are reviewed and updated on a regular basis and include best practice and changes in legislation and are relevant and available to all staff.

Raising of Invoices / Credit Notes and Refunds

- Income is maximised by the prompt raising of invoices for goods and services that have been provided by the WLWA.
- All requests to raise invoices received in the Finance team are recorded accurately, completely and in a timely manner.
- Cancellation of invoices and credit notes are recorded and posted accurately.
- Refunds from customer accounts are processed for valid reasons in accordance with WLWA policies.

Debtors and Write-offs

- Debtor balances are monitored and managed to maximise income collection.
- Management reports are produced regularly, and debt recovery targets are monitored by Senior Management.
- Write offs of account arrears are processed for valid reasons and in accordance with WLWA policies.
- All write offs are documented and authorisation is retained as part of the overall process.

Reconciliations

- Reconciliations are prepared on a monthly basis which reconcile the balance on the accounts receivable ledger to the general ledger. Supporting g documentation retained which confirms the balances of ledgers.
- Quarterly reconciliations are completed on the “Pay as you Throw” accounts to work out over and under payments for the six boroughs.
- Un-reconciled items are investigated and resolved, and the suspense account total is kept at a minimum.
- Reconciliations are prepared and reviewed by two separate individuals at the appropriate level to observe segregation of duties and delegated authority levels.

- Reconciliations are prepared and reviewed within one month of the period being reconciled.

Payment Methods and Storage

- Customers are encouraged to pay by accounts or cards.
- Cash is stored in line with insurance limits.

Limitation of scope

Our work was limited to the sub-processes and control objectives outlined above.

The scope of our work also did not cover IT controls and processes, such as interfaces.

Management should be aware that our internal audit work was performed in accordance with Public Sector Internal Audit Standards 2017 (PSIAS) and the Local Government Application. The assurance grading provided in our internal audit reports are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. Our internal audit testing was performed on a judgemental sample basis and focussed on key controls mitigating risks. Our testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that in relation to the scope above, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Current year findings (1 of 4)

Cash Arrangements

Control Design & Operational Effectiveness

1

Medium

Finding and root cause

The web site for the HRRC at Brent claims not to accept cash but this is not always the case. If a customer pays by card and it is declined or they have forgotten to bring their card after unloading their waste, cash is accepted. Cash is not held in the weighbridge, so customers must agree to pay a rounded-up amount. We found that from the 31 payments made over a twelve-month period, 10 payments were the exact amount owed, 12 payments were more than the amount owed and 9 payments were for less than the amount owed. For this period, £1,633.70 was taken for £1,656.60 owed. We noted that some of the companies paying by cash had been allowed to pay cash previously so they would have been fully aware that cash should not be used.

The safe used at the site is only designed to hold a maximum amount of £1000 cash. At one time, the safe held £2,448.30 which if was subject to theft, would not be insured.

Banking was not undertaken for twelve months during the lockdown despite the site being open. The banking is now done quarterly which still too long as money should be banked as soon as possible.

We also note that there are no procedures regarding income collection (cash).

Implications

- An increased risk of fraud by accepting cash payments.
- Theft of cash will not be insured if exceeds £1000 in the safe.
- Financial information is unreliable due to cash not banked regularly.
- Staff working without procedures causing theft opportunities and inconsistent practices.

Action plan

1) Stop accepting cash at the Brent HRRC site and have a policy in place for those vehicles who do not pay.
2) We will improve the site signage and remind drivers at the weighbridge that cash is not accepted.

Responsible person/title
Jay Patel (Director of Finance) and Sapna Dhanani Finance Manager)
Target date
1st April 2022i

Current year findings (2 of 4)

Invoice Raising and Evidence to Support Refunds

Operational Effectiveness

2

Low

Finding and root cause

The HRRC in Brent provides a service to businesses and residents to deposit their trade and household waste. Chargeable trade waste is generally building materials and chargeable waste for residents can be items such as kitchen or bathroom units or sheds amongst other items or materials. On occasion, errors are made, and customers are entitled to a refund after being overcharged.

We requested a list of all refunds made over the last twelve months and was provided with a list of five. We asked for the backing papers for the list and were provided with backing papers for six refunds. Two of the six cases examined held inadequate backing documents. The total value of the refunds was £444.96

1. Refund to customer requested by site Manager without any explanation of why, and evidence to back up the transaction such as the ticket number, receipt etc.
2. Email to the Finance team from a customer asking for a refund due to overcharging at the HRRC in Brent and providing bank details. Nothing else was provided.

We also checked the timeline for invoice raising from a sample of 15 and found in three cases, the invoices were raised later than 30 days after the event.

Transaction 3002262 = 47 days / Transaction 3002259 = 42 days / Transaction 3002360 = 37 days

Implications

- Fraud may not be detected due to a lack of audit trail for verification.
- Income is not registered on accounts due to slow collection requests.

Action plan

1) The refund process is tightened to only process once full details are submitted to provide a clear and robust audit trail.
2) Full backing papers are retained for refunds to provide an audit trail record.
3) Improvements will be made to raise invoices promptly.

Responsible person/title
Jay Patel (Director of Finance) and Sapna Dhanani Finance Manager)
Target date
Effective Immediately

Current year findings (3 of 4)

Write-offs

Control Design and Operational Effectiveness

3

Low

Finding and root cause

We requested a list of debts written off at the WLWA in the last twelve months but were informed that there were none.

The aged debtor report indicated that one outstanding debt had been outstanding for 2-3 years. A company owed a large sum to the WLWA and in May 2021, a settlement was agreed prior to any court proceedings. The amount agree was paid in full in June 2021 paid leaving a shortfall of £17,069.82 which will never be recovered and should have been written off. There has been agreement to write this sum off but as of December 2022, the amount was still showing in the aged debtor report.

Implications

- Management Information is not reflective of actual position if sums required to be written off are still in financial reports.
- Staff work inconsistently if policy and procedures are not in place to follow.

Action plan

1) We will action the authorised write off sum immediately.
2) We will ensure sums which can never be recovered are written off promptly after authorisation is obtained.
3) The aged debtor reports will be signed off by the Finance Manager and the Director of Finance, so sums are not overlooked.

Responsible person/title
Jay Patel (Director of Finance) and Sapna Dhanani Finance Manager)
Target date
31st March 2022

West London Waste

Treating waste as a valuable resource

Policy Reviews

Operational Effectiveness

4

Low

Finding and root cause

The WLWA has a comprehensive list of procedures for staff to access and follow in all areas of the business. We requested all the procedures relating to income and were provided with seven. Four of the seven documents had not been subject to a review in recent years. –

1) Raising Invoices - 2017
2) Reconciliations – 2019
3) Debt Recovery – 2016
4) Bank Reconciliations – 2015

There was also no mention of handling cash income which has been highlighted in finding 1 of this report.

Implications

- Income processing may be non-compliant if the procedures are out of date with legislation.
- Staff may work inconsistently where the procedures no longer match the actual process performed
- New staff may work incorrectly due to out-of-date instructions within the documentation.

Action plan

1) All policies and procedures relating to income are reviewed and dated to show completion.
2) Any changes to the documents are highlighted to staff.

Responsible person/title
Jay Patel (Director of Finance) and Sapna Dhanani Finance Manager)
Target date
30th April 2022

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- ***Critical*** *impact on operational performance; or*
- ***Critical*** *monetary or financial statement impact; or*
- ***Critical*** *breach in laws and regulations that could result in material fines or consequences; or*
- ***Critical*** *impact on the reputation or brand of the organisation which could threaten its future viability*.

High

A finding that could have a:

- ***Significant*** *impact on operational performance; or*
- ***Significant*** *monetary or financial statement impact; or*
- ***Significant*** *breach in laws and regulations resulting in significant fines and consequences; or*
- ***Significant*** *impact on the reputation or brand of the organisation*.

Medium

A finding that could have a:

- ***Moderate*** *impact on operational; or*
- ***Moderate*** *monetary or financial statement impact; or*
- ***Moderate*** *breach in laws and regulations resulting in fines and consequences; or*
- ***Moderate*** *impact on the reputation or brand of the organisation*.

Low

A finding that could have a:

- ***Minor*** *impact on the organisation's operational performance; or*
- ***Minor*** *monetary or financial statement impact; or*
- ***Minor*** *breach in laws and regulations with limited consequences; or*
- ***Minor*** *impact on the reputation of the organisation.*

Appendix B: Limitations and responsibilities

Limitations inherent to the internal auditor's work	
We have undertaken this review subject to the limitations outlined below	
Internal control Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.	***Future periods*** Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that: • The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or • The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Internal Audit Report 2021/22

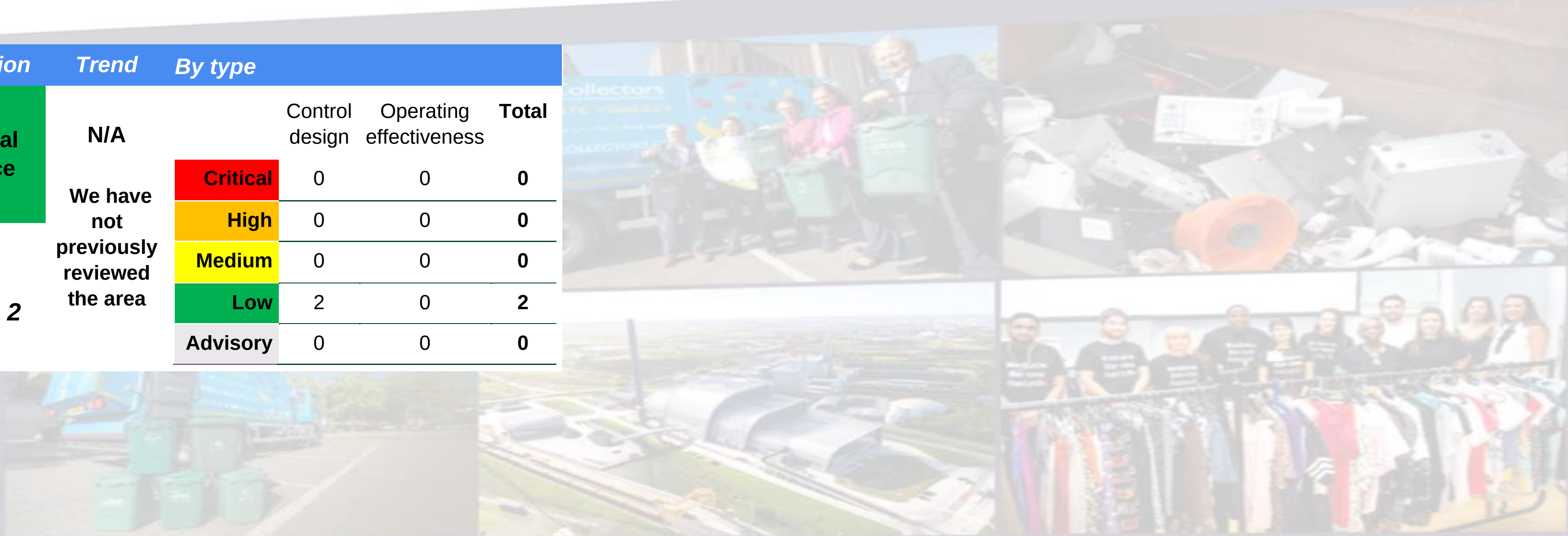
West London Waste Authority

Final
April 2022

Data Audit

33

Classification	Trend	By type	Control design	Operating effectiveness	Total
Substantial Assurance	**N/A**				
	We have not previously reviewed the area	**Critical**	0	0	**0**
		High	0	0	**0**
		Medium	0	0	**0**
Total findings: 2		**Low**	2	0	**2**
		Advisory	0	0	**0**



Agenda Item 8
Pages 33 to 44

West London Waste
Treating waste as a valuable resource

Executive summary (1 of 2)

Summary of findings

This audit has been undertaken as part of the WLWA 2021/22 Internal Audit Plan.

The purpose of the audit was to review the robustness of the WLWAs controls in place in relation to data with a focus on policies and procedures, data integrity, accuracy and validity, management scrutiny and Disaster recovery.

We have raised actions to mitigate two low risk findings.

Key findings

Low Risks

- Scrutiny workflow protocols are documented from creation of reports to Board Members examination.
- Each HRRC should provide assurance that the weighbridge in each site is functioning correctly and accurately.

Executive summary (2 of 2)

1	***Scrutiny Workflow***	Low
2	***Weighbridge Assurance***	Low

By Scope Area

	Critical	High	Medium	Low	Advisory
Policies and Procedures	0	0	0	0	0
Data Integrity, Accuracy and Validity	0	0	0	1	0
Management Scrutiny	0	0	0	1	0
Disaster Recovery	0	0	0	0	0
Total	**0**	**0**	**0**	**2**	**0**

Background and scope (1 of 2)

Background

The West London Waste Authority (WLWA) Board decisions are made using data from the six constituent boroughs (The London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow, and Richmond-upon-Thames).

The WLWA has a statutory responsibility to arrange the disposal / treatment of all waste collected except for that which is withheld for recycling purposes.

The risk register created and used by the authority highlights the need to have accurate and complete data to the Management and the Board to enable informed, correct decisions to be made.

Eighteen streams of data are collected by the WLWA from Household Rubbish and Recycling Centre's (HRRC's) transfer stations and contractors. This information forms the management reporting for multiple areas including financial and load reconciliations.

Source	Description
1 - Forward Drive 2 - Greenford Road 3 - Space Waye New Years Green Lane 5 - Townmead Road 6 - Abbey Road 13 - Richmond upon Thames to Richmond Central Depot	HRRC data
7 - Suez Hayes/Hayes Bulky 8 - Transport Avenue 9 - Victoria Road 10 - Southall Lane 11 - Richmond Central Depot to Country Style 12 - Richmond Central Depot to Victoria Road 14 - Harlington Depot to Victoria Road 15 - Greenford Yard to Crayford MRF	Transfer Stations data
16 - West London Composting 17 - Veolia Alperton 18 - Viridor (Lakeside, Viridor Ardley, Beddington ERF)	Contractor data

West London Waste

Treating waste as a valuable resource

There are procedures and workflow in place to provide full scrutiny from the raw data to the management information reports which form the basis of financial, management and Board decisions.

Some of the data checks are manual and very laborious but the WLWA are working to automate some of these type of tasks.

Background and scope (2 of 2)

Scope

The audit work focused on the following areas –

Policies and Procedures

- Policies and procedures are in place and clearly state the process to be followed for validation and scrutiny of data and management information.
- Procedures are reviewed and updated on a regular basis and include best practice and changes in legislative requirements and are available to all relevant members of staff.

Data Integrity, Accuracy and Validity

- Borough data includes all required data fields consistently.
- Data is checked for errors and validated before inclusion in any management information.
- Any data assumptions made when analysing is communicated when presenting reports.
- Data is secure when received including input and output controls.
- Assurance is provided and received regarding weighbridge functionality.
- Data is requested and delivered promptly. Where it is not, data presented is transparent and amended once full data is provided.

Management Scrutiny

- Reports are scrutinised by officers at all levels prior to presenting to the Board.
- A set timetable of meetings workflows is designed and followed to ensure full scrutiny.

Disaster Recovery

- Adequate back up for data is in place for both the HRRC and the WLWA.

Limitation of scope

Our work was limited to the sub-processes and control objectives outlined above. The scope of our work also did not cover IT controls and processes, such as interfaces.

Management should be aware that our internal audit work was performed in accordance with Public Sector Internal Audit Standards 2017 (PSIAS) and the Local Government Application. The assurance grading provided in our internal audit reports are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. Our internal audit testing was performed on a judgemental sample basis and focussed on key controls mitigating risks. Our testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that in relation to the scope above, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Current year findings (1 of 2)

Scrutiny Workflow

Control Design

1

Low

Finding and root cause

Reports produced from the data provided by all sites including HRRC's, transfer stations and contractors is scrutinised before it reaches the internal decision forums or ultimately, Board Members.

The journey for data and reports is one of three ways -

- The Environment report if scrutinised by the Strategic Lead of Operations before it is sent.
- SLT papers are scrutinised by Director of Finance and the Head of Service for Delivery Contracts.
- SLT scrutinise the papers presented to them prior to going to the Chief Officers meeting.

This information or protocols are not documented anywhere but appear to be in place.

Implications

Vital scrutiny may not occur before reports are presented to forums who make decision leading to ill-informed actions being taken which may lead to financial loss or reputational damage.

Action plan

1) The protocols for scrutinisation of data and reports will be documented and provided to staff to understand how the decision process works.

Responsible person/title
Jay Patel (Finance Director)
Target date
30 June 2022

West London Waste

Treating waste as a valuable resource

Current year findings (2 of 2)

Weighbridge Assurance

Control Design

2

Low

Finding and root cause

Weighbridge data from all sites is received by the WLWA and is subject to validation checks. The data contained provides the waste detail, tonnage, and vehicle information etc.

There is a 1 tonne tolerance permitted in the difference in the weight leaving the HRRC and the weight received at the transfer stations. No assurance is ever sought form sites to ensure the weighbridges are functioning correctly.

Implications

If assurances are not received regarding weighbridge functionality, there is an increased likelihood that the tonnage data is inaccurate resulting in incorrect charges and potential loss of income.

Action plan

1) Assurance is regularly (frequency to be agreed) obtained from each site that the weighbridge in use has been checked and is working correctly and accurately.

Responsible person/title

Tom Beagan (Head of Service Delivery)

Target date

30 June 2022

Appendix A: Basis of our classifications

Individual finding ratings

Rating	Description
Critical	A finding that could have a: • ***Critical*** *impact on operational performance; or* • ***Critical*** *monetary or financial statement impact; or* • ***Critical*** *breach in laws and regulations that could result in material fines or consequences; or* • ***Critical*** *impact on the reputation or brand of the organisation which could threaten its future viability*.
High	A finding that could have a: • ***Significant*** *impact on operational performance; or* • ***Significant*** *monetary or financial statement impact; or* • ***Significant*** *breach in laws and regulations resulting in significant fines and consequences; or* • ***Significant*** *impact on the reputation or brand of the organisation*.
Medium	A finding that could have a: • ***Moderate*** *impact on operational; or* • ***Moderate*** *monetary or financial statement impact; or* • ***Moderate*** *breach in laws and regulations resulting in fines and consequences; or* • ***Moderate*** *impact on the reputation or brand of the organisation*.
Low	A finding that could have a: • ***Minor*** *impact on the organisation's operational performance; or* • ***Minor*** *monetary or financial statement impact; or* • ***Minor*** *breach in laws and regulations with limited consequences; or* • ***Minor*** *impact on the reputation of the organisation.*

Appendix B: Limitations and responsibilities

Limitations inherent to the internal auditor's work	
We have undertaken this review subject to the limitations outlined below	
Internal control Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.	***Future periods*** Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that: • The design of controls may become inadequate because of changes in operating environment, law, regulation, or other changes; or • The degree of compliance with policies and procedures may deteriorate.

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We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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West London Waste
Treating waste as a valuable resource

Report for:
INFORMATION

Contains Confidential or Exempt Information	No
Title	Annual Report on Internal Audits including Head of Audit Opinion and Performance Report.
Contact Details	Mike Pinder, Assistant Director of Audit and Investigations (Ealing and Hounslow Shared Service)
For Consideration By	Audit Committee

1. Details of Recommendations

It is recommended that the Audit Committee:

- Note the performance of the Internal Audit team and key issues arising during the year.
- Note the Head of Audit and Investigations Annual Opinion for 2021/22.

Summary
The attached report describes the annual report and the Head of Audit's Opinion and details of the work completed by the Audit team between July 21 to April 22.

2. Background

This report outlines the performance of Internal Audit from July 2021 (when the agreement began) until March 2022 including all reports finalised during that period.

Internal Audit activity with the WLWA is delivered under an arrangement with the London Boroughs of Ealing and Hounslow (shared service).

Internal Audit (IA) provides an independent assurance which is essential in helping the WLWA achieve its corporate objectives. The plan is designed in line with the size of the organisation as it is relatively small with only 40 employees. It is a requirement of the Accounts and Audit (Amendment) Regulations 2021 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control, and corporate governance processes, taking into account public sector internal auditing standards or guidance.

This report provides the Audit Committee with:

- The Head of Audit Opinion for 2021/22.
- An overview of the WLWA 's risk exposure and overall system of internal control.
- The work undertaken by internal audit in 2021/22.
- Review of the outcomes of key internal audit reports; and
- An overview of the performance of Internal Audit.

The three-year plan is designed to provide assurance over the key areas within the WLWA and its risk register and is suited for a small organisation. Management is consulted each year for input into the annual planning, so issues and concerns are discussed and possibly added to the planned work.

3. Reason for Decision and Options Considered

The Audit Committee is presented with details in the attached report.

4. Key Implications

Internal audit is an assurance function that provides an independent and objective opinion to the WLWA on the control environment comprising of risk management, control, and governance, by evaluating its effectiveness in achieving corporate objectives. It objectively examines, evaluates and report on the adequacy of the control environment as a contribution to the proper, economic, efficient, and effective use of resources. The assurance is based purely on the small programme of work set out in the 2021/22 Plan. As this is the first year of being the internal audit provide the plan and status of follow-ups form the entirety of the opinion. As only a small number of audits are produced each year, we will look to build in other sources of assurance including potentially previous years.

5. Head of Audit Opinion

This report provides a summary of the work carried out by Internal Audit in the financial year 2021/22 and the results of that work as reported to the Audit Committee throughout the year. From the work undertaken during the year, my overall opinion the WLWA's system of internal control, governance and risk management is that:

Reasonable assurance can be given that there is a sound system of internal control, designed to meet the organisations objectives and that controls are applied consistently. For information, this compares with the 2020/21 opinion provided by the previous contracted auditors which was also reasonable.

Internal Audit performed audits on three areas, Health and Safety, Income and Data/Management Information. Two of the three reports received Substantial Assurance and one report received Reasonable Assurance.

The assurance levels for each report are summarised in the table below:

Substantial	1. Health and Safety 2. Data / Management Information
Reasonable	1. Income
Limited	0
Nil	0

The table below provides a guide to how assurance levels are defined.

Assurance Level	**Definition**
Substantial	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the compliance with some of the control processes may put some of the client's objectives at risk.

Limited	Weakness in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
Nil	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

6. Internal Audit Performance

This table report provides a summary of all audits against the internal audit plan for 2021/22. The Health and Safety report was provided to Audit Committee in January 2022. The Income and Data/Management Information reports are also reported to this committee.

	Topic	Description/Indicative Scope	Assurance Status	Final Report to Audit Committee
1	Health and Safety	A review of process for monitoring health and safety of the authority.	Finalised (Substantial)	January 2022
2	Income	A short review to confirm income process.	Finalised (Reasonable)	June 2022
3	Data/Management Information	A review of processes around data and management information for the authority.	Finalised (Substantial)	June 2022

Follow Ups

The table below shows the progress made on the follow ups of recommendations raised in reports. The results are summarised as:

Follow-up of recommendations	**Number**	**%**
Number of high-risk findings	0	
Number of medium risk findings	1	
Number of low-risk findings	7	
Number completed	5	62.5%
Number in progress	1	12.5%
Not implemented	0	0%
Not yet due	2	25%

The table below shows the details of risk areas which have not yet been fully implemented:

	Report	Title of Recommendation	High, Medium or Low Risk	Agreed Implementation Date	Status
1	Health and Safety Management	Formal arrangements of checks and policy updates	Low Risk	31st March changed to June in line with Board Meetings	Evidence of formal arrangements provided. Policies have

					been updated but not put before the Senior Leadership Team for approval. This is now due to be addressed in June.
2	Data / Management Information	Scrutiny workflow	Low Risk	30th June	Not due yet
3	Data / Management Information	Weighbridge assurance	Low Risk	30th June	Not due yet

West London Waste

Treating waste as a valuable resource

Internal Audit Plan 2022/23

West London Waste Authority

Draft Internal Audit Plan for 2022/23

Ealing

London Borough of Hounslow

Ealing and Hounslow Shared Internal Audit and Investigation Service

Introduction

Our role as internal auditors is to provide independent, objective assurance designed to add value and improve the West London Waste Authority's performance.

This document sets out the planning process, a one-year operational plan for the coming year (2022/23). A strategic plan to consider broader assurance work will also be set out.

Planning Process

The planning process is more directive from the WLWA, but includes a conversation with the Finance Director and Corporate Leadership Team around key risks and areas of assurance. Our aim with internal audit work is to:

1) Promoting good practice in:
    - Risk management
    - Control and fraud prevention
    - System designed
    - Governance

2) Adding value by:
    - Working with management to develop the most effective recommendations
    - Providing challenge where appropriate
    - sources.

The strategic plan internal audit plan is not a definitive list but acts as a planning aid. Setting out a list of areas to help with future year discussions. It is intended that the strategic plan will build over the next few years, but also that it will continue to evolve to reflect a changing risk environment.

2022/23 – Operational Internal Audit Plan

The operational one plan will remain reasonably fluid to allow areas of emerging risk to be adopted during the year where necessary. Updates will be reported to management and the Audit and Risk Committee during the year.

	Topic	**Description/Indicative Scope**	**Days**	**Period (forecast)**
1	Procurement and Expenditure	A review of procurement processes running through to actual expenditure.	9	Q2/3
2	HR/Payroll (WLWA Side)	A review of HR and payroll controls operated by WLWA.	8	Q1
3	Abbey Road Processes	To consider operational controls for the site and financial controls such as procurement cards, income and assets management.	3	Q4
4	Follow-up	To follow-up high recommendations made.	1.5	Ongoing
5	Management and Support	Includes: • Head of Audit time on planning. • Support and review of projects • Committee reporting and attendance	1.5	N/A
		Total Days	23	

Strategic plan

The strategic plan (tbc). This includes previous coverage from the Council.

Topic	19/20	20/21	21/22	22/23	23/24 (P)	24/25 (P)
Abbey Road Processes				✓		
Health and Safety			✓			✓
Business Continuity	✓					
Performance Management	✓				✓	
Creditors		✓				✓
Contract Management		✓			✓*	
Data/Management Information			✓			
Procurement and Expenditure				✓		
Income (S)			✓			
HR/Payroll (WLWA side) (S)				✓		
Central Services - ICT - FM - Utilities					✓	
Treasury		✓				✓

* Contract Management was due 22/23, but deferred until 23/24 to look at the Residual waste contract with Suez, following variation currently under negotiation.

External Assurance

Topic	19/20	20/21	21/22	22/23	23/24 (P)	24/25 (P)
Treasury Management		✓		✓		
Payroll	✓			✓		

These audits consider Ealing Systems, but will provide some assurance over the general controls in these areas.

WEST LONDON WASTE AUTHORITY
AUDIT COMMITTEE

Report of the Treasurer 24 June 2022

Draft Statement of Accounts for the year ending 31 March 2022

SUMMARY

This report presents the draft 2021/22 Statement of Accounts The key points are:

- Operational financial performance and variances are broadly as forecast and reported during the year.
- The Authority's income from the energy from waste plant was substantial
- Property valuations saw significant increase in land values reflecting current market conditions, but these are only notional/hypothetical gains
- The current financial performance and strength compare very favourably over the longer term
- Significant disbursements will be made to boroughs as identified in the Finance Strategy (separately reported) and noted in sections 24 and 28.

RECOMMENDATION(S)

The Authority is asked to:-

1) Note the **Draft** Statement of Accounts for 2021/22 (Appendix 1)

2) Note the disbursement of reserves planned for October

Introduction

1. As per last year, the statutory deadline for publishing signed and certified Statement of Accounts has been extended by legislation to the end of November to recognise the challenges facing the audit sector.

2. The draft 2021/22 accounts were produced as usual in April and were ready for audit by EY, our external auditors from May. EY's work is in progress and will continue for a few months.

3. A summary of the draft statement of accounts is provided below. It should be noted that since producing the draft accounts, the pension scheme have updated their assessment of the pension liability. An error in the calculation of the revaluation reserve has also been identified. Details of these are provided later in this report. It is common for a limited number of changes to be identified before finalisation of accounts but these are not expected to be material or alter the key messages in any way.

Statement of Accounts

4. The Statement of Accounts can be found in Appendix 1. The key sections of the draft accounts are explained below:

5. Narrative Statement (page 2) – This section provides background about the Authority's operations. It also summarises the financial position and performance for the year.

6. Accounting Policies (page 8) – This section explains the Authority's key accounting policies. These are long standing and pretty much standard local authority accounting policies which are used in maintaining records and producing the financial statements

7. Statement of Responsibilities for the Statement of Accounts (page 15) - This is a brief statement outlining the Authority's requirements in relation to the Accounts and the role and responsibility of the Treasurer, principally to ensure the accounts present a true and fair view of the Authority's finances. This is where the Treasurer certifies the Statement of Accounts and the Chair signs them on behalf of the Authority.

8. Comprehensive Income and Expenditure Statement (page 17) – This is a core financial statement. It shows the financial performance during the year. The operating performance is highlighted in the surplus on provision of services of £10.472 million. Following very significant adjustments for property valuations and a reduction in the pension liability this results in the total comprehensive expenditure of £62.421 million.

9. Balance Sheet (page 18) – This is another core financial statement. It shows the financial position or strength of the Authority at the end of the year. The overall picture of the balance sheet is strong with a positive net worth of £78.007 million. Continuing the healthy trend, this means the Authority has more assets than liabilities.

10. Notes to the Core Financial Statements (pages 22 – 42) – these provide details, breakdown and analyses in accordance with various disclosure requirements for most of the items identified in the above mentioned two core statements.

11. Annual Governance Statement (page 43) – This is a key statement within the Accounts that outlines the Authority's view of the effectiveness of its governance and internal control framework. The statement identifies the Authority's duties and lists the main elements of the corporate governance framework most of which are reported to Authority meetings during the year.

12. Independent Auditors Report (page 46) – This provides our external auditor's opinion and confirms the accounts present a true and fair view of the Authority's finances. The opinion will be per their report and the statement will be updated for the latest EY template once they complete their work.

Provisional out-turn 2021/22

13. The financial performance during 2021/22 is provided in the table below and compares the actual performance to the budgeted level in a more familiar budget monitoring format which groups spends in an operational way.

Financial Performance 2021/22	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Employees	2,252	3,067	815
Premises	2,620	2,508	(112)
Waste, Transport and Disposal	50,363	45,325	(5,038)
MRF Waste Transport and Disposal	2,469	2,432	(37)
Other supplies	968	1,987	1,019
Depreciation	9,240	10,699	1,459
Financing	6,171	6,429	258
Concession Adjustment	(4,381)	(4,381)	0
	69,703	**68,067**	**(1,636)**
Income			
Levies	(65,121)	(63,315)	1,805
MRF Service Charge	(2,469)	(2,432)	37
Trade and Other	(2,113)	(3,041)	(928)
PPP Income	0	(9,750)	(9,750)
	(69,703)	**(78,539)**	**(8,836)**
(Surplus) on provision of services	**0**	**(10,472)**	**(10,472)**
Actuarial gain on pension liability	0	(4,995)	(4,995)
Property valuation gains	0	(46,954)	(46,954)
Contribution to reserves	**0**	**(62,421)**	**(62,421)**

14. The operational performance above delivered a surplus of £10.5 million. The major component of this (£9.7 million) relates to the Authority's share of income generated by the energy from waste plant (PPP income), principally electricity income. There are three other notable operational variances as reported in previous months. The first relates to lower volumes of waste arising during the year and therefore a significant favourable variance of £5.0 million. One relates to Other Supplies adverse variance of £1.0 million which relates to additional energy from waste plant insurance costs of £1.3 million that arise every two years and are unpredictable / not budgeted for. The third adverse variance relates to an increased depreciation charge resulting from previous years' under-depreciation arising from indexation.

15. Outside of operational activities, the main variances relate to year end valuations and these are detailed later in this report.

Post draft account production adjustments

16. This year, given the volatile economic conditions (inflation) the LPFA (pension fund) at the end of May provided a second retrospective and more up to date valuation of the year end pension liability. The draft accounts used the original valuation showing a pension liability of £6.9 million (2021: £11.0 million). The latest valuation shows a pension liability of £8.0 million.

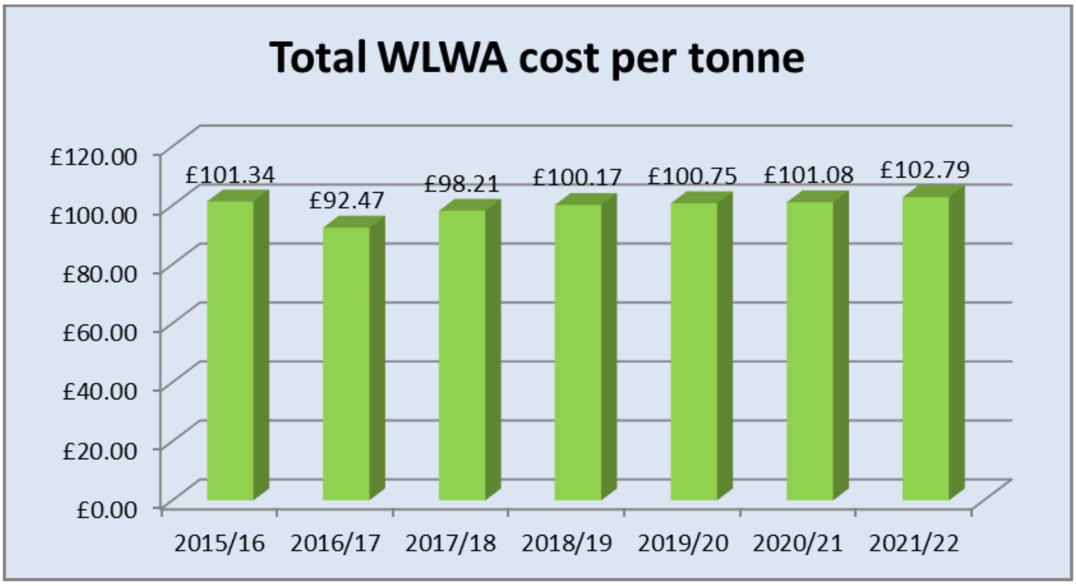
17. The draft accounts include a mis-posting between revaluation reserves and the capital adjustment account which have a neutral net effect. The revaluation reserve should be £9.9 million higher and the Capital Adjustment Account should be £9.9 million lower.

18. These adjustments will be applied to the final accounts and EY will naturally audit these post draft account production changes and refer to them in their final report.

Strategic Perspective

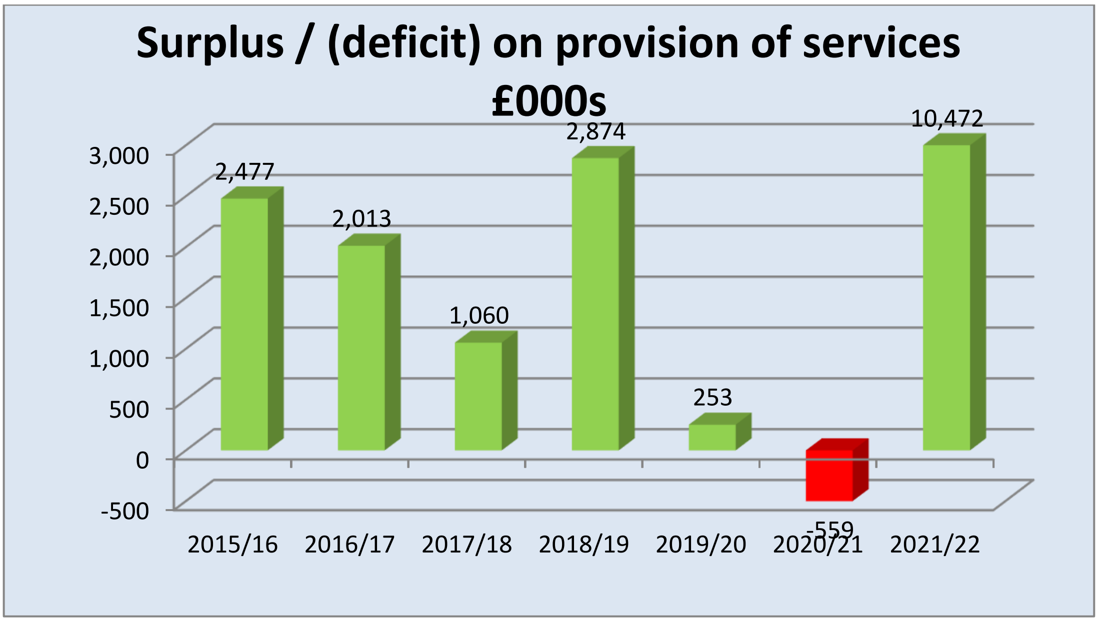
19. To provide context and a better strategic perspective, it helps to look at the financial performance over a period of time. Therefore, below the chart "Total WLWA cost per tonne" looks at how effectively the Authority has managed its costs. The total cost of delivering services (including disposal and treatment costs of all waste materials, overheads and financing but excluding PPP income and valuation adjustments) is divided by the total tonnes of waste (all materials) disposed by the Authority, to provide an overall cost per tonne figure. This has been plotted over a longer timeframe.

20. The key feature illustrated by this chart is that the Authority's cost per tonne is only 1.43% more than it was in 2015/16 with a 1.70% growth on the previous year. To put this into context inflation over the same period was 24.6%. This reflects the Authority's ability to deliver on service and control costs. The costs are indicative of efficiencies made even during the pandemic to ensure that costs are maintained, but at no detriment to the service the Authority provides. It is worth noting that 2016/17 included significant one off benefits resulting from the commencement of full service at the new energy recovery centre.



21. It is also useful to consider how the operational performance (i.e. surplus / deficit on provision of services) has moved over the same period of time. This is illustrated in the chart below

which shows that the Authority has ensured that sufficient funds are being generated from day to day activities to meet day to day obligations.



22. Both of the charts above show that from strategic longer term perspective and also from the individual year's results, the financial performance has been good.

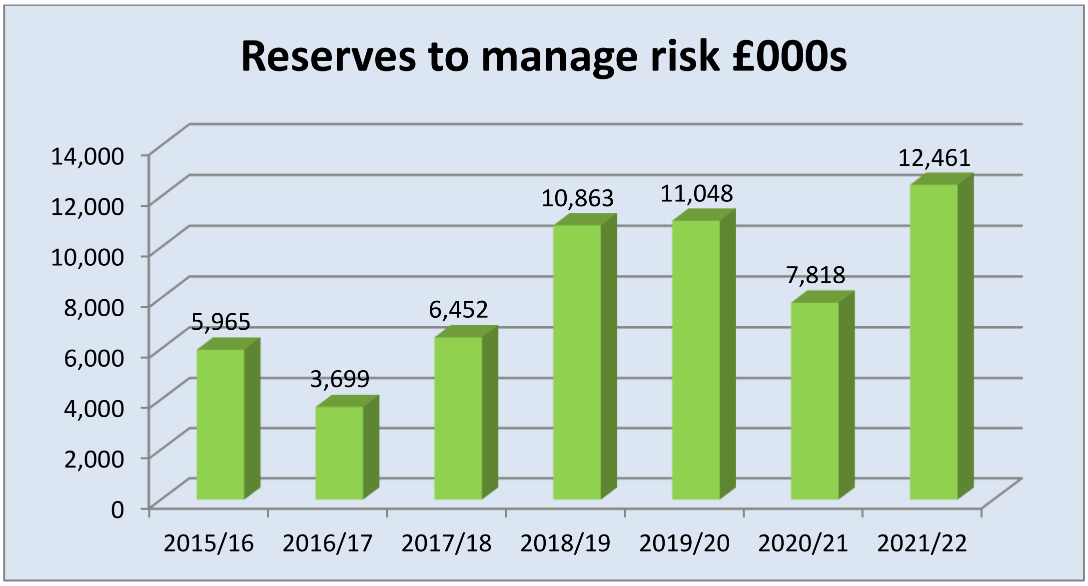
23. As well as performance, it is also important to consider the financial strength of the Authority. A good indicator of financial strength is the level of reserves. The table below outlines the change in the Authority's reserve position during the year.

Reserves	
Reserves b/f	15,586
Contribution to reserves	62,421
Post year end pension valuation adjustment	(1,074)
Reserves c/f	**76,933**

24. However, the property valuation gains are notional and a result of valuation exercises. Furthermore as proposed in the draft Finance Strategy (reported elsewhere in today's agenda) two thirds of the additional income from the PPP contract will be passed through to boroughs and one third will be retained by the Authority for strategic projects. Therefore these are excluded to provide a more accurate picture of the reserves available to the Authority for managing risks.

Reserves	76,933
Exclude property revaluation gains	(54,722)
Proposed pass through of new income	(6,500)
Set aside for strategic projects	(3,250)
Reserves available to manage risks	**12,461**

25. Once again, by considering reserves available to manage risk over a longer timeframe, provides a more strategic perspective. The following chart plots these over the same period applying the new income sharing arrangements within the draft Finance Strategy to the latest year.



Note that the draft Financial Statements pre-date the development of the Finance Strategy and so the reserves table therein will be updated in the final version of the accounts.

26. The chart above shows that the Authority has improved its position by building its reserves as the basis of a financial buffer to better manage unexpected risks. This cautious approach reflects the changing legislative requirements and operating environment.

Excess reserves

27. The 2022/23 budget highlighted that £9.2 million was needed to manage risks. At the end of 2021/22 they totalled £12.4 million. This means there are excess reserves of £3.2 million.

28. Under the new Finance Strategy being developed with borough Directors, the Authority will disburse back to boroughs the £3.2 million. This is to be apportioned using the council tax base as in previous years and will appear as a rebate of levies in the 2022/23 budget monitoring reports and accounts. Note that the Authority's forecasts of spending and levies will show an under-recovery of £3.2 million in 2022/23 to reflect this disbursement.

29. The final Finance Strategy will be recommended to the September Authority meeting and once approved boroughs will be paid in October.

30. The table below benchmarks the Authority's reserves as described earlier with other London Waste Authorities latest published figures (2020/21 financial statements). In this context the Authority's reserves are not excessive.

Year-end valuations

31. The Authority instructed a valuer (Vail Williams) to carry out the periodic five yearly valuation for the year ending 31 March 2022. This resulted in an overall gain on property valuations of £47.0 million.

32. The key message from the property valuation exercise was that the value of land has increased substantially, and this has been reflected in the valuer's report. The net total notional movements resulting from the valuation have been applied to the accounts.

33. These adjustments are notional. They are recognised in the accounts but not realised. The valuations are for accounting purposes only and do not represent any cash in or out of the Authority. The Authority has over several years experienced valuations bouncing up and down with sizeable adjustments, although this is by far the largest in that time.

34. The latest pension valuation by the LPFA's actuaries shows a reduction in the pension liability. This represents an actuarial gain of £3.0 million (£2.7 million loss in the previous year).

30**. Financial Implications** – These are detailed in the report.

31. **Legal Implications** – It is a statutory requirement for the Authority to produce annual financial statements**.**

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West London Waste Authority

Statement of Accounts

For the year ended 31 March 2022

West London Waste

Treating waste as a valuable resource

Contents

Narrative Report

Introduction

West London Waste Authority (WLWA) is a statutory joint waste disposal authority established on 1 January 1986 to undertake the waste disposal functions set out in the Waste Regulation and Disposal (Authorities) Order 1985 made under the Local Government Act 1985, Section 10.

WLWA undertakes the waste disposal function for its six constituent boroughs in west London and its administrative area covers a population of approximately 1.7 million and an area of 38,000 hectares.

The six boroughs are responsible for the collection of waste in their areas and the Authority's statutory responsibility is to arrange for the provision of:

- facilities for the receipt, recycling and disposal of waste which is collected by the six constituent boroughs;
- transport and disposal of waste which the constituent boroughs receive at their household reuse and recycling centres;
- household reuse and recycling centres; and
- the storage and disposal of abandoned vehicles which are removed by the constituent boroughs.

The Authority is governed by six Councillors, one from each of the six constituent boroughs: the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames. The members of the Authority usually meet five times each year. They also convene an Audit Committee during the year to consider matters of risk, control and governance. Additionally, there are regular partnership meetings between officers of the Authority and officers of the constituent boroughs.

At the end of the year WLWA employed 41 staff (previous year: 35) in two locations, the main administrative office in West Drayton and a small transfer station in Brent. WLWA is headed by the Managing Director and three part-time chief officers – the Clerk, Treasurer and Chief Technical Adviser, who are normally also full time chief officers employed in the constituent boroughs. Having close working relationships with the boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:

- London Borough of Ealing – treasury, payroll
- London Borough of Harrow – legal, insurance, procurement and committee services
- London Borough of Hounslow – dynamic procurement system (DPS)
- London Borough of Ealing – internal audit

These arrangements have not only provided relevant expertise but have also helped deliver value for money in back office functions.

Following the procurement and construction of an energy from waste plant, more recently the Authority's focus has been on how waste is disposed of – increasing reuse, recycling, composting and recovery of energy and materials. The Authority has taken on the role of coordinating waste minimisation, that is, the prevention of waste arising. This work requires close co-operation with the constituent boroughs, achieved through an agreed long term Joint Waste Management Strategy. A key objective of this strategy is to improve the recycling rate which is reflected in a target of 65% agreed by boroughs and support a longer term push for increased circular economy. To further support this strategy, the Authority's Waste Minimisation team has developed into a Circular Economy team and a Projects team to increase our capability to meet the legislative challenges ahead.

In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long term contracts that ensure most of the constituent boroughs' waste that cannot be recycled or composted is used to produce energy. These long term arrangements provide for 400,000 tonnes of waste per year to be treated at energy from waste recovery centres, and through the anaerobic digestion contract (50,000 tonnes of food waste recycling per annum, which offers significant savings in comparison to disposal of residual waste).

The arrangements deliver one of the key objectives of the Joint Waste Management Strategy and mean that only a very small percentage of waste goes to landfill. They also guarantee an outlet for the majority of west London's waste for the next 20 years and dampen the effect of pricing inflation over that period.

Activity

The start of the year was dominated by the impact of the coronavirus pandemic. However, as things began to return to normal, the Authority's employees and management collectively responded to and managed the significant operational changes resulting from the aftermath of the pandemic including quickly ensuring covid-safe working practices. With waste collection and disposal being essential public services, these continued to be delivered and there was minimal impact on the Authority's financial performance and position for 2021-22.

During the financial year, the Authority continued to successfully collaborate with constituent boroughs to manage waste more holistically across west London through sharing of information and resources and by adopting consistent approaches towards managing the implications of the pandemic. Examples of this include formulating and putting in place contingency plans to deal with risks such as staff illness and changing waste flows, implementing a self-service hub for boroughs with access to management information reports and data visualisation to enable trend analysis and discussions around areas of concern, and the re-opening of household reuse and recycling centres to ensure both public and staff safety.

In 2020-21 the Authority provided £3.0 million funding to its constituent boroughs to improve food waste recycling services to over 100,000 residents in west London. Throughout 2021-22 there has been a significant improvement, with food waste tonnages increasing.

In 2021-22, the Authority committed to invest in the borough's household reuse and recycling centres and support in improving diversion from residual waste. This should enable boroughs to reduce residual waste and thus provide cost benefits overall.

The Authority routinely reviews business risks and has concluded that the current level of reserves at £62.4 million offers a reasonable level of cover to ensure adequate resilience in an environment that is rapidly changing. Recent and emerging legislation will result in challenges and risks that we will need to manage and things that we will need to do, which won't be optional.

Net Zero, Climate Emergency, Consistency, Extended Producer Responsibility, Deposit Return Scheme and the Emissions Trading Scheme are some examples of where we already have or will soon see new legislative requirements. The scale of the change required will be significant and reserves will enable the Authority and constituent boroughs to manage the risks.

The principal statutory responsibility for the Authority remains unchanged and is to receive, treat, transport and dispose of waste collected by boroughs from their households. A breakdown of the boroughs' collected waste is provided in the table below. The Authority has worked hard to limit growth, and this is indicated in the table below which shows a 1.0% increase in the volume of borough collected waste being received by the Authority to 609,000 tonnes for the year. The year on year increase incorporates recycling processed by the Authority on behalf of Ealing Council amounting to 24,000 tonnes a year; a service commenced in 2020-21. During the year, 99.3% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

	2021-22 Tonnes	**2020-21 Tonnes**
Recycling and reuse	91,000	89,000
Composting	88,000	86,000
Energy recovery	426,000	424,000
Landfill	4,000	4,000
Total waste	**609,000**	**603,000**

The Authority supports the constituent boroughs in providing household reuse and recycling centres for residents to deposit their waste. Some of these centres also take in trade waste and other borough collected waste such as street cleansing and fly tipping. The Authority is responsible for arranging the transport and composting or disposal of all the waste received at these sites except for the waste that the boroughs recycle. The above total includes the waste collected and disposed from these sites.

There are six household reuse and recycling centres. The boroughs operate five of these (either directly themselves or through contractors) for which the Authority arranges transport and disposal through contracts with the private sector. The remaining site is operated by the Authority as agent of one of the boroughs.

For the year, within the above totals, residual waste sent for disposal from these centres totalled 86,000 tonnes. Of this, householders deposited 46,000 tonnes; 23,000 tonnes was trade waste and 17,000 tonnes was borough collected waste. The introduction of covid-safe working practices at sites has resulted in lower volumes compared to 2019-20 but volumes are returning to pre pandemic levels since things have returned back to normal. There is a 5,000 tonne increase from 2020-21 where the covid-19 pandemic did impact on opening of household reuse and recycling centres. A breakdown follows.

	2021-22 Tonnes	2020-21 Tonnes
Household residual waste	46,000	45,000
Household recycle and re-used waste	7,000	5,000
Household composted waste	11,000	10,000
Trade residual waste	23,000	23,000
Borough residual street cleansing waste	17,000	16,000
Total Household Re-use and Recycling Centre waste	**104,000**	**99,000**

Financial Performance

WLWA is primarily financed by an annual levy on the constituent boroughs. Other income is generated from sources such as charges paid by businesses for the disposal of non-household waste. For the levy, boroughs' tonnages are the basis for the majority of the apportionment with some fixed costs allocated according to Council Tax Base (i.e. the number of Band D equivalent properties). Authority expenditure is primarily related to waste treatment and transport contracts with the private sector.

During the year, the Authority raised an annual levy on the constituent boroughs of £63.3 million, an increase from £60.4 million in 2020-21. This continues to reflect the increase in household waste volumes resulting from the pandemic at the start of the financial year. During the year, there has been a decrease of net cost of services to £42.5 million, from the previous year's £54.5 million. Net financing costs remain flat at £9.4 million and the overall result shows a surplus on provision of services of £10.5 million compared to a deficit of £0.6 million in the previous year.

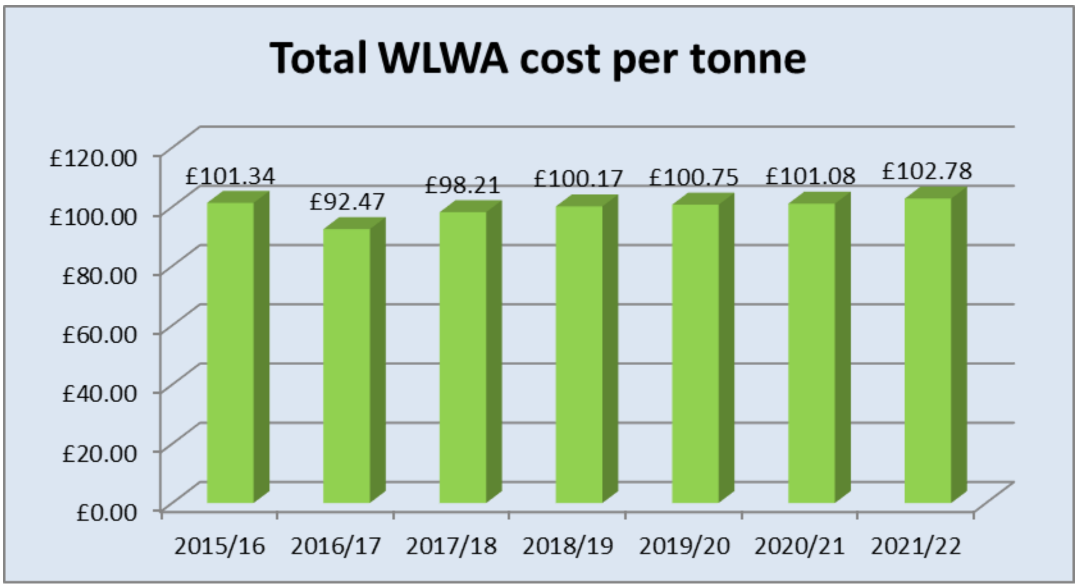
The Authority instructed a valuer to carry out the five yearly valuations in 2021-22 resulting in an overall gain on property valuations of £46.0 million. An increase of actuarial gain on the pension liability valuation of £5.0 million (£2.7 million loss in the previous year) resulted in total comprehensive income for the year of £62.4 million (total comprehensive expenditure of £3.2 million in the previous year).

The Authority is entitled to a share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, which is included within Miscellaneous income of £12.9 million. The recent high electricity prices have resulted in £9.8 million of PPP income which makes up the majority of this total. Another large component is £2.6 million in relation to a trial at London Borough of Ealing for the disposal of dry mixed recyclable waste, which is a continuation from the trial in 2020-21. This contract is a related party transaction and outside of the PPP scheme mentioned previously. The Authority's aim for 2021-22 was to continue delivering ambitious business plan objectives and at the same time to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from Boroughs. The Authority has continued to achieve this target.

The Authority's properties comprise of an energy from waste centre, three transfer stations and a head office building which have a combined balance sheet value of £240.0 million and have been funded by loans from constituent boroughs and the Public Works Loans Board with combined total balances of £83.6 million and a capital contribution balance from the Suez consortium of £104.6 million for the construction of the energy recovery centre.

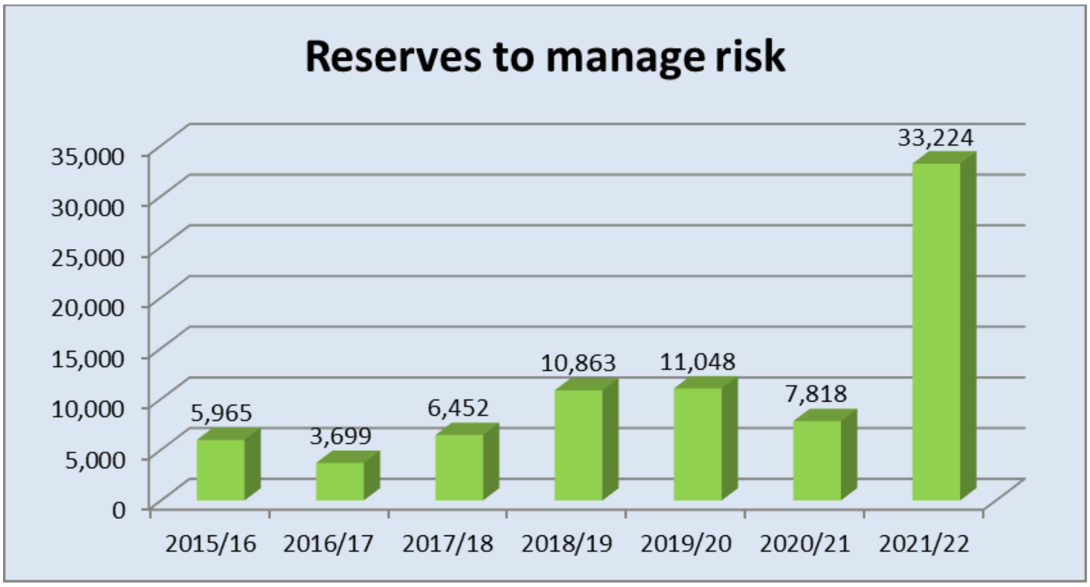
Looking ahead into the longer term, the Authority has a healthy reserve position to manage any risks in relation to continuing and indeed extending its service offering to constituent boroughs. The Authority's long term financial plans and finance strategy incorporate sensitivity analysis to reflect the impact of key variables affecting the finances i.e. tonnage growth and inflation. The plans show a strong financial outlook including effective mitigation of risks, reflected in a low forecast of growth in costs and therefore levies. The plans also show a break even position throughout the medium term, despite a background of inflation and waste growth. The Authority has commenced collaboration with constituent boroughs to develop a new joint municipal waste management strategy for approval next year that will set out how the Authority and the boroughs will respond to the challenging legislative changes ahead.

To put the numbers into context and provide a better perspective of financial performance, it helps to look at results over time. To this effect, the key measure is the Authority's cost per tonne. This looks at how effectively the Authority has managed costs and is a key measure of efficiency and performance. The total cost of delivering services (Net Cost of Services plus Financing less Revaluation Losses) is divided by the total tonnes of waste (all materials) disposed by the Authority, to provide an overall cost per tonne figure. The share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, which is included within Miscellaneous income totalling £9.8 million has been excluded. This measure has been plotted over seven years in the chart that follows.



The key feature illustrated by this chart is that the Authority's cost per tonne is only 1.42% more than it was in 2015/16 with a 1.68% growth on the previous year. This reflects the Authority's ability to deliver on service but control costs, with a year on year increase in tonnages. The costs are indicative of efficiencies made even during the pandemic to ensure that costs are maintained, but at no detriment to the service the Authority provides. It is worth noting that 2016/17 included significant one off benefits resulting from the commencement of full service at the new energy recovery centre.

Once again, by considering a longer timeframe, the level of reserves available to manage risk provides better perspective about the Authority's financial health. The chart below considers the Authority's reserves excluding the notional property revaluation over the same period. Prior to 2013-14, the Authority had more obligations and liabilities than it did assets and therefore held a negative reserve position. From 2013-14 the Authority has improved its position by building a stable level of reserves as the basis of a financial buffer to better manage unexpected risks.



Financial performance is reported to the Authority on a regular basis and matters of financial control are considered by the Audit Committee. The financial outturn and performance for the year shows that the Authority has achieved a position of financial stability, with operating performance delivering surpluses and a strong balance sheet reflected in net assets and positive reserves. The Authority's long term capital investment also effectively manages the longer term risks of increasing landfill costs and tonnages and the Authority is well placed to continue delivering good value for money services to boroughs for the foreseeable future and to respond to the significant legislative changes that will affect the waste industry in the next few years.

Accounting Policies

General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom that is recognised by Statute as representing proper accounting practices. They are also in line with the Accounts and Audit Regulations (2015).

Borrowing costs

Borrowing costs that can be directly attributed to the construction or manufacture of an asset for which a substantial period is required to bring the asset to its intended usable condition are capitalised as part of the costs of the relevant asset. All the other borrowing costs are expensed as incurred. Borrowing costs are the interest and other costs incurred by the Authority in connection with borrowing funds.

Capital Adjustment Account

This account sets out amounts set aside from revenue resources, or capital receipts, to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Capital Work in Progress

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Cash and Cash Equivalents

The Authority manages its own cash balances and holds balances during the year within its bank account and deposits funds (cash equivalents) under a service level agreement with the London Borough of Ealing.

Debtors and Creditors

The accounts are prepared on an accruals basis. Outstanding debtors and creditors are brought into the accounts at year-end. Where exact amounts are unknown at the time of closing the accounts, accruals are supported by activity and pricing data.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction, using the straight-line method, over their estimated useful lives, as follows:

Type of Asset	Years
Land Assets	60
Buildings	21-25
Fixed Plant	8-12
Vehicles and equipment	7-8

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 entity. There must be a contract whether actual or implied.

In accordance with the standard IFRS9 (Financial Instruments), the Authority recognises financial assets and liabilities when the Authority becomes a party to contractual provisions and at which point they are classified and initially measured at transaction price. Subsequent measurement will follow the initial measurement so will be at amortised cost.

Financial assets are held for day to day operations so are settled in the short term (i.e. generally within a few weeks). This means the time value of money is unchanged from the initial value i.e. nil amortisation. There is no gain or loss to recognise through the amortisation process.

Financial liabilities that are held for day to day operations (i.e. trade creditors) are also settled in the short term and their value will remain unchanged from the initial value. There is no gain or loss to recognise through the amortisation process.

Financial liabilities held over a longer term (borrowing/loans/PPP) where the time value is relevant are subsequently measured using the effective interest method. In WLWA's case the actual interest rate of the borrowing is the effective interest rate. There is no gain or loss to recognise through the amortisation process.

The transaction costs in relation to loan debts are immaterial and consequently charged immediately to surplus and deficit on provision of services.

Impairment and credit losses for trade receivables are required for assets classified under the amortised cost basis. The Authority has assessed impairment and credit losses for trade receivables. Reviewing current debt the Authority has forecast bad debt going forwards and adjusted for credit losses.

The Authority's financial assets comprise of bank balances, investments and trade receivables. The Authority's financial liabilities comprise of borrowings, PPP liability and trade payables.

Going Concern

The Authority's Statement of Accounts have been prepared on a Going Concern basis, i.e. the accounts have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future. This conclusion is supported by the Authority's Business Plan and financial plans principally its medium to long term Financial Model which covers a period of 21 years from the balance sheet date of these accounts.

The financial plans show the Authority maintains suitable reserves to manage risks. The Section 73 Officer's recommendation of a minimum level of reserves of £7.4 million was approved by the Authority in January 2021. These are reviewed at least annually as part of the budget setting process. The reserves are also used to provide a buffer to absorb any variances from budgeted performance and so facilitate stability of levying to boroughs. The current reserve position as detailed in the balance sheet is largely reflected in the cash and equivalent balances. The forecast reserve position in 12 months from the audit report date of £12.4 million will also be fully reflected by the forecast cash position. There are no long term investments. These cash balances can be drawn down at short notice to support the cash position if needed. The Authority's cash flow projections demonstrate the Authority has no liquidity problems for the 12 months from the audit report date and no requirement for any borrowing for cash management purposes.

The financial plans are prudent and include the impacts of Covid-19. These principally relate to increased volumes from borough household waste collections resulting in additional expenditure which will be recovered through the levy to boroughs. They show that the Authority will maintain healthy reserve and cash positions over the longer term, that borrowing will be repaid and that the key driving factors of waste volumes and inflation are effectively managed over the longer term. These are reflected over the longer term through projected balanced budgets and levies to boroughs rising at significantly less than inflation in context of growing waste volumes.

Government Grants and Other Contributions

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

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Impairments

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.

Leasing - The Authority as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. There were no leases during 2020-21.

Minimum Revenue Provision (MRP)

Under Part IV of the Local Government and Housing Act 1989 the Authority is required to set aside a minimum revenue provision (MRP) as part of the means to finance capital expenditure. The Authority’s policy is and is based on 4% of the capital financing requirement.

Employee Benefits

Short term employee benefits (to be settled within 12 months other than termination benefits) are recognised when the employee renders the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

Pension Scheme

WLWA does not manage its own pension scheme but is an admitted body in the London Pensions Fund Authority (LPFA). This enables all WLWA staff to participate in the LPFA Pension Fund, which is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

The scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. For a defined benefit scheme changes in actuarial deficits or surpluses arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the triennial valuation date (31 March 2019). The WLWA is committed to provide for service benefits up to the valuation date.

The Code of Practice on Local Authority Accounting requires the Authority to apply accounting principles and to make disclosures under International Accounting Standard 19, Employee Benefits (IAS19). Details are provided to the Authority by the LPFA’s Actuary (currently Barnett Waddingham). The Notes to the Core Financial Statements provide details of how the Authority has met these requirements.

Post Balance Sheet Events

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

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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.
- 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.

No events have been identified to the date of signing these accounts.

Public Private Partnership Contracts

Public Private Partnership (PPP) 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 contractor.

As the Authority is deemed to control the services that are provided under its PPP schemes, the Authority carries the assets used under the contracts 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 contractor to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority and measured at current value.

The amounts payable to the PPP contractor each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- Finance cost – interest and other financing charges on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Payment towards liability including deferred revenue balance – applied to write down the Balance Sheet liability towards the PPP contractor.

- Life cycle costs – reflecting the consumption of components and the cost of their replacement

(The profile of write-downs is calculated using the same principles as for a finance lease)

Property, Plant and Equipment

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by the Authority.

All property, plant and equipment are used in operations and measured at current value. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The expenses incurred for construction of the fixed asset are normally not capitalised (other than major projects spanning multiple years) but are charged to the Comprehensive Income and Expenditure Statement in the year to which they relate.

Land and buildings are normally re-valued every five years applying Fair Value assumptions using independent professional valuations to reflect the current value to the Authority in their existing use. Where appropriate a re-valuation will be carried out within a five year period. In between full or quinquennial valuations a review is undertaken to determine whether or not annual indexation should be applied to ensure the carrying value continues to reflect the current value. Non-property assets will be carried at historical cost as a proxy for current value.

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the Authority and the cost of the item can be determined reliably. Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value.

Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised.

Other expenditure that does not generate additional future economic benefits or service potential, such as rates, repairs and maintenance is charged to the Comprehensive Income and Expenditure Statement in the period which it is incurred.

Revenue Recognition

In accordance with the Waste Regulations and Disposal (Authorities) Order 1985 and the IFRS 15 (Revenue from Contracts) the Authority apportions costs in a manner agreed with boroughs then raises and notifies boroughs of an annual levy which is a statutory requirement for the boroughs to pay. This is charged in 12 equal instalments over the year. Revenue is recognised on the date of each instalment. The levies are then adjusted on a quarterly basis to reflect the actual service (i.e. tonnages of waste disposed) with boroughs receiving an additional charge or rebate. The adjustment is recognised in the revenue and any unsettled balance at year end reflected in creditors or debtors. Trade, agency and other income are recognised at the point of service delivery and sale.

In relation to a trial at London Borough of Ealing for the disposal of dry mixed recyclable waste, the Authority does not act as an Agent in accordance with IFRS 15 as:

- We are contracting the vendor to dispose of waste for London Borough of Ealing
- We can determine the price
- We are exposed to credit risk should the service recipient not pay
- The remuneration is not based on a percentage commission based arrangement
- We would bear the risk if the vendor is unable to carry on the service

Borough Service Costs

Administrative costs charged to the Authority by constituent boroughs are based on the time spent in respect of services rendered (e.g. financial, legal and technical). There are service level agreements in place where appropriate.

VAT

All income and expenditure is shown net of VAT.

Reserves

The net assets/(liabilities) of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserve is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority 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".

Statement of Responsibilities for the Statement of Accounts

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 those affairs. For WLWA, that officer is the Treasurer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

The Treasurer'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 local authority 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.

The Treasurer is also responsible for the maintenance and integrity of the financial information included on the Authority's website.

Statement of the Treasurer

I certify that the Statement of Accounts presents a true and fair view of the Authority's income and expenditure for the year ended 31 March 2022 and the Authority's financial position as at 31 March 2022.

Ian O'Donnell
Treasurer
23rd September 2022

Authority

I can confirm that these Accounts were considered and approved by the Authority.

Signed on behalf of West London Waste Authority
Councillor Graham Henson (Chair)
23rd September 2022

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices:

	Note	2021-22 £'000	2020-21 £'000
Gross expenditure			
Employees		(3,067)	(2,433)
Premises		(2,508)	(2,572)
Waste transport and disposal		(40,647)	(40,855)
Other supplies and payments		(1,988)	(4,405)
Impairments and revaluation losses		0	0
Depreciation	7	(10,699)	(8,934)
Total		**(58,908)**	**(59,199)**
Gross income			
Trade waste		2,160	1,724
Agency		373	373
Miscellaneous income		12,908	2,552
Total		**15,442**	**4,649**
Net cost of services		**(43,467)**	**(54,550)**
Net financing and investment income and expenditure	6	(9,377)	(9,400)
Levies on constituent councils	17	63,315	63,391
Total		**53,937**	**53,991**
(Deficit)/Surplus on provision of services		**10,472**	**(559)**
Gain / (loss) from revaluation of property	14	46,954	0
Actuarial (loss) / gain on pension liability	20	4,995	(2,672)
Other comprehensive income and expenditure		**51,949**	**(2,672)**
Total comprehensive income and expenditure		**62,421**	**(3,231)**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The unaudited accounts were issued on 03 May 2022 and the audited accounts were authorised for issue on 23rd September 2022.

		2021-22	2020-21
		£'000	£'000
Property, plant and equipment	7	240,156	203,797
Capital work in progress	8	83	83
Long Term Assets		**240,238**	**203,880**
Cash and cash equivalents	10	29,045	22,209
Short term debtors	11	15,611	8,436
Current Assets		**44,655**	**30,645**
Total Assets		**284,894**	**234,525**
Short term creditors	12	(9,421)	(11,079)
Short term borrowing	13	(2,354)	(2,233)
Current PPP liability	19	(4,166)	(4,080)
Current Liabilities		**(15,940)**	**(17,392)**
Long term borrowing	13	(83,586)	(85,940)
Other long term liabilities	19	(100,413)	(104,579)
Pension fund liability	20	(6,948)	(11,028)
Long Term Liabilities		**(190,947)**	**(201,547)**
Net Assets		**78,007**	**15,586**
Usable Reserves		55,781	13,227
Unusable reserves	14	22,226	2,359
Total Reserves		**78,007**	**15,586**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable" reserves (i.e. those that can be applied to fund expenditure) and other reserves. The surplus (or deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	Total Usable Reserves £'000	**Unusable Reserves** £'000	**Total Authority Reserves** £'000
Balance at 1 April 2021	**13,226**	**2,359**	**15,585**
Surplus/(deficit) on provision of services (accounting basis)	10,472	**0**	10,472
Other comprehensive income/(expenditure)	0	51,949	51,949
Total comprehensive income/(expenditure)	10,472	51,949	62,421
Adjustments between accounting basis and funding basis under regulations (Note 5)	32,082	(32,082)	0
Increase/(Decrease) in year	**42,554**	**19,867**	**62,421**
Balance at 31 March 2022	**55,781**	**22,226**	**78,007**

	Total Usable Reserves £'000	**Unusable Reserves** £'000	**Total Authority Reserves** £'000
Balance at 1 April 2020	**12,730**	**6,086**	**18,816**
Surplus on provision of services (accounting basis)	(559)	**0**	(559)
Other comprehensive expenditure	0	(2,672)	(2,672)
Total comprehensive expenditure	(559)	(2,672)	(3,231)
Adjustments between accounting basis and funding basis under regulations (Note 5)	1,055	(1,055)	0
Increase/(decrease) in year	**496**	**(3,727)**	**(3,231)**
Balance at 31 March 2021	**13,226**	**2,359**	**15,585**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for reserves which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority:

		2021-22 £'000	2020-21 £'000
Net surplus/(deficit) on the provision of services		10,472	(559)
Adjustments to net surplus		12,158	20,562
Net cash generated from operating activities		**22,629**	**20,003**
Investment activities			
Payments for capital work in progress	8	0	0
Payments for property, plant and equipment	7	(102)	(223)
Interest received	6	19	69
Net cash used in investment activities		**(83)**	**(154)**
Financing activities			
Interest paid	6	(9,396)	(9,468)
Loans repaid		(6,314)	(6,120)
Net cash generated (used in)/from financing activities		**(15,710)**	**(15,588)**
Net movement in cash and cash equivalents		**6,836**	**4,261**
Opening balance		22,209	17,949
Cash and cash equivalents at end of year		**29,045**	**22,210**

Cash Flow Statement

		2021-22 £'000	2020-21 £'000
Adjustments to net surplus for non-cash movements			
Depreciation and impairments	7	10,699	8,934
IAS 19 non-cash pension entries		915	557
(Increase)/decrease in short term debtors	11	7,175	(3,746)
(Decrease)/increase in short term creditors	12	(1,658)	5,417
Sub Total		2,781	11,162
Adjustments for items included in financing/investing activities			
Interest received	6	(19)	(68)
Interest paid	6	9,396	9,468
Total Adjustments		**12,158**	**20,562**

Notes to the Core Financial Statements

The notes to the core financial statements (notes to the accounts) are provided to give additional information about items included in the core statements. The notes expand on some of the information and provide further explanation of a number of matters prescribed by accounting standards.

1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is used as a whole for decision making purposes in a single service authority with no directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020-21				2021-22		
Net Income chargeable to General Fund	Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Income chargeable to General Fund	Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
(45,243)	(9,307)	(54,550)	Net Cost of Services	(32,081)	(11,385)	(43,467)
45,739	8,252	53,991	Other income and expenditure	46,432	7,506	53,938
496	(1,055)	(559)	Surplus or (deficit)	14,351	(3,879)	10,472
		12,730	Opening General Fund Balance	13,226		
		496	Surplus or (deficit)	14,352		
		13,226	**Closing General Fund Balance**	**27,578**		

2. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in the financial statements, the Authority has had to make certain judgements about complex transactions or those involving certainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on going concern, such as future funding levels and long term contracts;
- Whether contracts need to be accounted for as service concessions or with embedded leases;
- The calculation of debtor and creditor accruals; and
- The recognition of assets and calculation of depreciation.

3. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains a number of estimates that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2021 for which there may be a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of net pension liability depends on complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries engaged by the London Pensions Fund Authority provide expert advice about the assumptions applied.	The actual results will only become apparent on crystallisation of the pension liability. However the effects on the net pension's liability of changes in individual assumptions can be measured and are illustrated in note 20.
Property Valuation	Independent professional property valuations take place every 5 years by surveyors appointed by the Authority. The valuations are undertaken in accordance with RICS and CIPFA rules and require the use of a variety of information and the judgement of surveyors in relation to market conditions, components and lifecycles.	Actual results only become apparent on the disposal of property. However, the balance on the revaluation reserve in note 14 provides an indication of the level of notional gain resulting from valuations. For prudence where there are notional losses, these are immediately recognised in the income and expenditure statement. A full valuation was undertaken as at 31 March 2022.

4. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 24 June 2022. 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 2022 they have been taken into account.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

	2021-22	2020-21
	£'000	£'000
Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:		
Depreciation* (note 7)	10,699	8,934
Impairments and revaluation gains/(losses)*	28,204	0
Reversal of items relating to IAS19 Retirement Benefits	915	557
	29,878	**9,491**
Amounts not included in the Comprehensive Income and Expenditure Account but required by Statute to be included:		
Statutory provision for the Repayment of Debt* (note 14)	(7,615)	(7,932)
Revenue financing to Capital (note 14)	(102)	(515)
Other	0	0
	(7,717)	**(8,447)**
Transfer (from)/to general reserves		
Accumulated Absences Account (note 14)	(17)	11
	(17)	**11**
Net additional amount to be credited to general balances for the year	**32,083**	**1,055**

* Adjustments impact capital adjustment account (unusable reserve)

6. Financing and Investment Income and Expenditure

	2021-22	2020-21
	£'000	£'000
Interest payable and similar charges	5,304	5,414

Pensions interest and expected return on pensions assets	211	195
PPP financing interest	3,393	3,473
PPP contingent rents	488	386
Interest receivable and similar income	(19)	(68)
	9,377	**9,400**

7. Property, Plant and Equipment

	Land and Buildings Freehold	Land and Buildings Leasehold	Fixed Plant and Vehicles	TOTAL
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2021	**221,173**	**0**	**484**	**221,657**
Additions	57	0	46	**103**
Revaluation increase/(decrease) recognised in comprehensive income and expenditure statement	18,751	0	0	**18,751**
Gross book value at 31 March 2022	**239,981**	**0**	**0**	**240,511**
Accumulated depreciation at 1 April 2021	**(17,553)**	**0**	**(307)**	**(17,860)**
Depreciation charge for the year	(10,651)	0	(48)	**(10,699)**
Revaluation increase/(decrease) recognised in comprehensive income and expenditure statement	28,204	0	0	**28,204**
Accumulated depreciation at 31 March 2022	**0**	**0**	**(355)**	**(355)**
Net book Value at 01 April 2021	**203,620**	**0**	**177**	**203,797**
Net book Value at 31 March 2022	**239,980**	**0**	**176**	**240,156**

Land and buildings include assets under PPP arrangement with net book value of £200.6 million. A full valuation exercise valued properties at 31 March 2022.

Within depreciation charge for the year, £164k in land and buildings freehold reflects the decrease in ground rent value towards the lease expiry.

	Land and Buildings Freehold	Land and Buildings Leasehold	Fixed Plant and Vehicles	TOTAL
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2020	**220,658**	**0**	**484**	**221,142**

Additions	515	0	0	**515**
Disposals	0	0	0	**0**
Leasehold buyout	0	0	0	**0**
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	0	0	**0**
Revaluation increases/(decreases) recognised in Comprehensive income and expenditure statement	0	0	0	**0**
Gross book value at 31 March 2021	**221,173**	**0**	**484**	**221,657**
Accumulated depreciation brought forward	**(8,690)**	**0**	**(236)**	**(8,926)**
Disposals	0	0	0	**0**
Depreciation charge for the year	(8,863)	0	(71)	**(8,934)**
Leasehold buyout	0	0	0	**0**
Depreciation written out to Revaluation Reserve	0	0	0	**0**
Accumulated depreciation carried forward	**(17,553)**	**0**	**(307)**	**(17,860)**
Net book Value at 31 March 2021	**203,620**	**0**	**177**	**203,797**
Net book Value at 01 April 2020	**211,968**	**0**	**248**	**212,216**

8. Capital Work in Progress

	2021-22	**2020-21**
	£'000	£'000
Opening balance	83	375
Expenditure in year	0	0
Recognised in long term assets	0	(292)
Closing balance	**83**	**83**

9. Financial Instruments

Accounting regulations require the "financial instruments" shown on the Balance Sheet to be further analysed into various defined categories:

	Long term		Current	
	2021-22	**2020-21**	**2021-22**	**2020-21**
	£'000	£'000	£'000	£'000
Financial Assets – Amortised Cost				
Cash and cash equivalents	0	0	29,045	22,209
Trade debtors and prepayments	0	0	13,126	4,520
Financial Liabilities – Amortised Cost				
Trade creditors	0	0	(7,840)	(10,276)
Long term borrowing	(83,586)	(85,940)	(2,354)	(2,233)
PPP liability	(100,412)	(104,579)	(4,166)	(4,081)

Fair Values of Assets and Liabilities

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

- The financial asset or liability's discount rate of return at 31 March 2022
- No early repayment or impairment
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

	2021-22		2020-21	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£'000	£'000	**£'000**	**£'000**
Long term borrowing (note 13)	85,940	86,481	88,172	91,445
PPP liability	104,579	111,349	108,659	127,566

The fair value for the year was provided by an independent professional valuer, Arlingclose, who are regulated by the Financial Conduct Authority. The higher fair values reflect that these essentially fixed rate instruments have higher interest rates than similar loans available in the market at balance sheet date. The loans and long term liabilities are valued at Level 2 (previous year: Level 2) as the valuation of the underlying debt is derived from observable inputs (i.e. estimated using market data) as they are not readily quoted or sold in active markets. The valuation is derived from future cash flows which are discounted at the equivalent interest rate the Authority would expect to obtain for the same product at 31 March 2022 (same methodology used in previous year). The discount rates range between 1.70% and 7.60% (previous year: 1.70% to 7.60%) to reflect the particular features of each financial instrument and are set using market information including as the AA rated corporate bond yields, swap rates and margins.

Nature and Extent of Risks arising from Financial Instruments

Overall Procedures for Managing Risk:

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services. The procedures for risk management in relation to key financial instruments are set out through the legal framework detailed within the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance.

In order to comply with the requirement that the Authority is required to set a balanced budget (Local Government Finance Act 1992) this is reported at the same time as the levy setting meeting. The annual Treasury Management Strategy outlines the detailed approach to managing risk in relation to financial instrument exposure. Actual performance is compared to the strategy and reported annually to members.

The Treasurer is responsible for all of the Authority's banking, borrowing and investment activities. Under a service level agreement, the London Borough of Ealing provides a low risk option for investing balances.

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

Credit risk for the Authority arises from deposits with banks and credit exposures to debtors. Deposits are not made with banks unless they are rated independently and meet the Authority's credit criteria, which are restricted to the upper end of the independent credit rating criteria. The credit risk around debtors is set out in Note 11.

Liquidity Risk

The Authority 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 Code of Practice. This seeks to ensure that cash is available when it is needed.

Through the Local Government Finance Act 1992, the Authority is required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that the Authority will be unable to raise finance to meet its commitments.

Refinancing and Maturity Risk

The Authority's approved Treasury strategy is set to avoid the risk of refinancing on unfavourable terms. The maturity analysis for borrowing is set out in Note 13. All trade and other payables are due to be paid in less than one year.

Market Risk

As at the 31 March 2022 the Authority holds no variable rate borrowings as they are all fixed rates. Therefore there is no predicted impact for this on the Comprehensive Income and Expenditure Statement.

10. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following:

	2021-22	**2020-21**
	£'000	£'000
Bank balance (HSBC)	6,045	4,709
Deposit placed with the London Borough of Ealing	**23,000**	17,500
Total	**29,045**	**22,209**

11. Short Term Debtors

	2021-22	**2020-21**
	£'000	£'000
Other Local Authorities	339	2,330
Central Government Bodies	2,399	3,716
Other Entities and Individuals	63	60
Prepayments and Accrued Income	12,810	2,330
Total	**15,611**	**8,436**

In determining the recoverability of Short Term Debtors, the Authority considers the credit quality of the receivable. Credit risk is low as the majority of balance relates to HMRC and constituent boroughs. Credit losses for doubtful debts are recognised against trade receivables, based on estimated irrecoverable amounts determined by debt analysis and management judgement.

Age of receivables due	2021-22	2020-21
	£'000	£'000
< 90 days	317	1,893
90 – 180 days	0	0
> 180 days	0	150
Total	**317**	**2,043**

12. Short Term Creditors

	2021-22	2020-21
	£'000	£'000
Other Entities and Individuals	(7,312)	(9,102)
Other Local Authorities	(2,109)	(1,978)
Total	**(9,421)**	**(11,080)**

Trade creditors for waste transport and disposal are the main component of short term creditors.

13. Borrowing

The Authority's capital expenditure for the project to build a residual waste to energy plant is financed by loan arrangements with four constituent Boroughs (Brent, Ealing, Harrow and Richmond). The interest charged was 7.604% and will be repaid over 25 years with interest being charged on the reducing balance basis. The purchase of two transfer station sites during the year was financed by a loan from the PWLB at a fixed interest rate of 2.24%.

	2021-22	2020-21
	£'000	£'000
Opening balance	(88,172)	(90,291)
Loans in year	0	0
Repayments	2,233	2,119
Closing balance	**(85,940)**	**(88,172)**

At 31 March 2022 £152,000 loan interest payable within 12 months was accrued and is included within short term creditors.

The table below shows the loans split by maturity into short term and long term elements. Analysis by maturity	2021-22	2020-21
	£'000	£'000
Short term element	**(2,354)**	**(2,233)**
Between 2 and 4 years	(10,803)	(10,228)
Between 5 and 10 years	(17,424)	(16,452)
10 years or more	(55,359)	(59,259)
Long term element	**(83,586)**	**(85,939)**
Total liability	**(85,940)**	**(88,172)**

The table below shows the loans split by maturity including interest into short term and long term elements. Analysis by maturity	2021-22	2020-21
	£'000	£'000
Short term element	**(7,521)**	**(7,524)**
Between 2 and 4 years	(30,040)	(30,058)
Between 5 and 10 years	(37,426)	(37,458)
10 years or more	(74,322)	(81,794)
Long term element	**(141,789)**	**(149,310)**
Total liability	**(149,310)**	**(156,834)**

14. Unusable Reserves

	2021-22	2020-21
	£'000	£'000
Revaluation reserve	(44,783)	(7,768)
Capital adjustment account	15,585	(5,661)
Pensions reserve	6,948	11,028
Accumulated absences account	25	42
	(22,226)	**(2,359)**

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

- re-valued 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.

In 2021-22, the freehold properties were valued, and the gain recognised through the Comprehensive Income and Expenditure Statement, and via the revaluation.

(ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition.

	2021-22	**2020-21**
	£'000	£'000
Balance as at 1 April	(5,661)	(6,148)
Depreciation	10,699	8,934
Statutory provision for repayment of debt	(7,615)	(7,932)
Impairment and revaluation	18,264	0
Amounts written out of Revaluation Reserve	0	0
Net written out amount of the cost of non-current assets consumed in the year	15,687	(5,146)
Revenue financing to capital	(102)	(515)
Balance at 31 March	**15,585**	**(5,661)**

(iii) 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 Authority 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 Authority makes employers' 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 of the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2021-22	2020-21
	£'000	£'000
Balance as at 1 April	11,028	7,799
Actuarial gains or losses on pension assets and liabilities	(4,995)	2,672
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	704	747
Employer's pensions contributions and direct payments to pensioners payable in the year	211	(190)
Balance at 31 March	**6,948**	**11,028**

(iv) Accumulated Absences Account

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2022. This reserve absorbs the differences that would otherwise arise in the General Fund from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

	2021-22	2020-21
	£'000	£'000
Balance as at 1 April		31
Amounts accrued at the end of the current year by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(17)	11
Balance at 31 March	**25**	**42**

15. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

	Salary and Termination Benefits (£)		Pension Contributions (£)		Total (£)	
	2021-22	**2020-21**	**2021-22**	**2020-21**	**2021-22**	**2020-21**
Director	150,990	146,543	19,808	19,783	170,999	166,326
Finance Director	112,759	0	14,820	0	127,579	0
Clerk	11,179	11,014	1,509	1,487	12,688	12,501
Technical Advisor (till April)	918	11,014	0	248	918	11,262
Technical Adviser (from May)	10,157	0	617	0	10,774	0
Treasurer	11,179	11,014	1,509	1,487	12,688	12,501

The number of employees excluding Senior Officers whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	2021-22	**2020-21**
Remuneration Band including exit packages	No of employees	No of employees
£50,000 to £54,999	3	1
£55,000 to £59,999	2	1
£60,000 to £64,999	1	0
£65,000 to £69,999	0	1
£70,000 to £74,999	0	1
£85,000 to £89,999	1	0
£90,000 to £94,999	0	1

Members Allowances

£5,400 allowance to members was paid for attending Authority meetings 21-22.

£750 allowance was paid to Audit committee member for meetings in 21-22.

Redundancy

One member of staff received a redundancy payment under £5,000.

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16. External Audit Fees

The audit fees reflected in the accounts are as follows:

	2021-22	2020-21
	£'000	£'000
Audit of the Authority	57	112
Other services	2	0
Total Fees	**59**	**112**

17. Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of International Accounting Standard 24 (IAS 24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS 24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from each of the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and its operations are financed by an annual levy on the constituent boroughs. Borough loans have also been used to finance large capital investments. The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2021-22. No related party transactions were declared. At the end of the financial year the officers in the post of Clerk to the Authority and Chief Technical Advisor were also Chief Officers at the London Borough of Harrow. The Authority pays the individuals directly for the services they provide. The Authority also receives support services from Ealing, Hillingdon, Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account.

	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Pay as you Throw	9,399	10,773	7,006	9,218	8,324	5,791	50,510
Fixed Cost Levy	2,176	2,588	1,931	2,255	1,900	1,955	12,805
Total Levies	11,574	13,361	8,937	11,473	10,224	7,746	63,315
Agency and other income	373	2,642	0	0	0	0	3,015
Total 2021-22	**11,947**	**16,003**	**8,937**	**11,473**	**10,224**	**7,746**	**66,331**
Total 2020-21	11,773	15,233	8,823	11,841	10,523	7,812	66,005

	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
Interest expense 2021-22	**1,189**	**1,189**	**1,189**	**0**	**0**	**1,189**	**4,758**
Interest expense 2020-21	1,212	1,212	1,212	0	0	1,212	4,848
Expenditure							
Waste Transport and Disposal Costs	0	0	0	0	0	0	0
Rent and Rates	102	0	0	391	0	0	493
Support Services	0	29	15	5	0	0	49
Other	0	0	0	0	0	0	0
Total 2021-22	**102**	**29**	**15**	**396**	**0**	**0**	**542**
Total 2020-21	602	509	500	901	528	500	3,540
	Brent	**Ealing**	**Harrow**	**Hillingdon**	**Hounslow**	**Richmond**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debtors 2021-22	**15**	**235**	**0**	**3**	**85**	**0**	**339**
Debtors 2020-21	13	1,591	0	0	717	9	2,330
Creditors 2021-22	**705**	**212**	**157**	**176**	**679**	**180**	**2,109**
Creditors 2020-21	561	425	44	448	0	500	1,978
Borrowings 2021-22	**15,493**	**15,493**	**15,493**	**0**	**0**	**15,493**	**61,971**
Borrowings 2020-21	15,816	15,816	15,816	0	0	15,816	63,264
Cash / equivalents 2021-22	**0**	**23,000**	**0**	**0**	**0**	**0**	**23,000**
Cash / equivalents 2020-21	0	17,500	0	0	0	0	17,500

18. Leases

The Authority does not hold any finance or operating leases.

19. Other Liabilities

The construction of an energy from waste centre included investment by the Suez consortium which the Authority will benefit from over the life of the contract. A liability was recognised as project assets were completed, equal to the fair value of each asset less any capital contribution. This benefit will be realised over the life of the contract.

	2021-22	2020-21
Energy from waste facility:	£'000	£'000
Opening balance	108,659	112,662
Developer's contribution	0	0
Reduced through unitary payments	(4,081)	(4,003)
Closing balance	**104,578**	**108,659**

PPP liability repayments	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	**1,398**	**2,768**	**4,166**
Two to five years	6,560	11,072	17,632
Six to ten years	10,894	13,840	24,734
Eleven to fifteen years	14,912	13,840	28,752
Sixteen to twenty years	17,288	12,005	29,294
Twenty to twenty five years	0	0	0
Long term liability	**49,654**	**50,758**	**100,412**
Total repayments	**51,052**	**53,526**	**104,578**

The table below shows the split by maturity including interest payments:

PPP liability repayments including interest	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	**4,707**	**2,768**	**7,475**
Two to five years	18,826	11,072	29,899
Six to ten years	23,533	13,840	37,374
Eleven to fifteen years	23,533	13,840	37,374
Sixteen to twenty years	20,409	12,005	32,415
Twenty to twenty five years	0	0	0

Long term liability	86,302	50,758	137,060
Total repayments	**91,009**	**53,527**	**144,535**

The twenty seven year, £900 million Public Private Partnership contract provides for up to 300,000 tonnes of waste that West London's residents haven't recycled to be treated each year. Crucially, the approach will mean a minimum of 96% of waste will not go to landfill.

20. Defined Benefit Pension Scheme

The West London Waste Authority (WLWA) does not manage its own pension scheme but is an admitted body in the London Pensions Fund Authority. This enables all WLWA staff to participate in the London Pensions Fund Authority (LPFA) Pension Fund, which is a defined benefit statutory scheme, administered in accordance with the Local Government Scheme Regulations 1997.

The Scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. For a defined benefit scheme changes in actuarial deficits or surpluses arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the triennial valuation date. The WLWA is committed to provide for service benefits up to the valuation date. Pension costs are a very minor proportion of total spending and the effects of the defined benefit scheme and its valuation on the timing, uncertainty and risk around cash flows is not material.

The Code of Practice on Local Authority Accounting requires the Authority to apply accounting principles and to make disclosures under International Accounting Standard 19, Retirement Benefits (IAS 19) in respect of retirement benefits. Details are provided to the Authority by the Actuary (currently Barnett Waddingham) via the LPFA. The notes to the Core Accounts provide details of how the Authority has met these requirements.

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge that is required to be made is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of General Fund via the Movement in Reserves Statement. Changes in the net pension liability arising as a result of past events which are not concurrent with the assumptions made in the course of the last actuarial valuation, or as a result of revised actuarial assumptions are charged to the Pensions Reserve.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Total Reserves via the Movement in Reserves Statement during the year:

Balance sheet disclosure	**2021-22**	**2020-21**
	£'000	£'000
Present value of funded obligation	(29,719)	(31,734)
Fair value of Scheme Assets (bid value)	22,930	20,882
Net Liability	**(6,789)**	**(10,852)**
Present value of unfunded obligations	(159)	(176)
Net Liability in Balance Sheet	**(6,948)**	**(11,028)**

Comprehensive Income and Expenditure Statement

	2021-22	**2020-21**
	£'000	£'000
Service costs	876	529
Net interest on defined liability	211	195
Administrative expenses	27	23
	1,114	**747**

Reconciliation of the present value of the scheme liabilities:	**2021-22**	**2020-21**
	£'000	£'000
Opening balance as at 1 April	31,910	25,154
Current service cost	876	529
Interest cost	612	627
Change in financial assumptions	(2,734)	7,197
Change in demographic assumptions	0	(260)
Experience (gain)/loss on liabilities	81	(344)
Liabilities assumed/extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(1,142)	(1,264)
Past service costs including curtailments	0	0
Contributions by scheme participants and other employers	289	285
Unfunded pension payments	(14)	(14)
Closing balance as at 31 March	**29,878**	**31,910**

Reconciliation of fair value of the scheme (plan) assets:	**2021-22**	**2020-21**
	£'000	£'000
Opening balance as at 1 April	20,882	17,355
Interest on assets	401	432
Return on assets less interest	2,342	3,921
Other actuarial gains	0	0
Administration expenses	(27)	(23)
Employer contributions	199	190
Contributions by scheme participants and other employers	289	285
Benefits paid	(1,156)	(1,278)
Settlement prices received/(paid)	0	0
Closing balance as at 31 March	**22,930**	**20,882**

Assumptions as at	**31 March 2022 p.a.**	**31 March 2021 p.a.**	**31 March 2020 p.a.**
Discount rate	2.80%	1.95%	2.55%
Pension increases	3.20%	2.80%	1.90%
Salary increases	4.20%	3.80%	2.90%

The LPFA's actuary undertakes sensitivity analysis by looking at the impact on the present value of the scheme by flexing the assumptions (e.g. increasing discount rate by 0.1%).

Life expectancy from age 65 (years)		**31 March 2022**	**31 March 2021**
Retiring today	Males	22.2	22.1
	Females	23.7	23.6
Retiring in 20 years	Males	22.7	22.6
	Females	26.0	25.9

Sensitivity analysis on major assumptions	**£'000**	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	29,368	29,878	30,397
▪ Projected service cost	708	729	750
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	29,912	29,878	29,844
▪ Projected service cost	729	729	728
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%

▪ Present value of total obligation	30,361	29,878	29,403
▪ Projected service cost	750	729	708
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	31,336	29,878	28,492
▪ Projected service cost	761	729	697

Re-measurements in other comprehensive income	**2021-22**	**2020-21**
	£'000	£'000
Return on plan assets in excess of interest	2,342	3,921
Other actuarial gains on assets	0	0
Change in financial assumptions	2,734	(7,197)
Change in demographic assumptions	0	260
Experience gain on defined benefit obligation	(81)	344
Total	**4,995**	**(2,672)**

Projected pension expense for next year	**2022-23**
	£'000
Service cost	729
Net interest on the defined liability	192
Administration expenses	30
Total	**951**
Employer contributions	**193**

Assets by Class	**2021-22**	**2020-21**
	£'000	£'000
Equities	12,868	11,874
Target Return Portfolio	4,873	4,878
Infrastructure	2,290	1,732
Property	2,003	1,894
Cash	896	504
Total	**22,930**	**20,882**

Analysis of 2021-22 Assets		**% Quoted**	**% Unquoted**
Equities			
	Real Estate	1%	
	Consumer Discretionary	5%	
	Consumer Staples	7%	
	Energy	0%	
	Financials	6%	
	Health Care	3%	
	Industrials	5%	
	Information Technology	12%	
	Materials	1%	
	Communication Services	2%	
	Utilities	1%	
	Fixed Income & Other	0%	
	Trade Cash/Pending	3%	
	Synthetic Equity	0%	
Private Equity			9%
Fixed Income		3%	
Total Return			
	Investment/Hedge funds and unit trusts	10%	
Credit			8%
Infrastructure			10%
Real Estate			9%
Cash			
	Cash	1%	
	LDI	3%	
	Currency Hedge (Forward Contracts)		-0%
Total		**65%**	**35%**

21. Contingent Liabilities

At 31 March 2022 there was no contingent liability (31 March 2021: nil)

22. Miscellaneous Income

Over the longer term there may also be opportunities to secure income by increasing third party waste volumes processed at the Severnside Energy Recovery Centre (SERC). This is the key facility for managing residual waste as part of the West London Residual Waste Services contract between the Authority and West London Energy Recovery Ltd (WLER). Should this proposal come to fruition, there will be additional income received by the Authority, which will be partially be disbursed to the boroughs and a proportion retained to mitigate risks and invest in a wider strategic project across the six constituent boroughs.

This income has been recognised within Miscellaneous Income, and totals £9.8 million.

Annual Governance Statement 2021-22

1. Scope of Responsibility

The WLWA is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

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

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Authority's code can be obtained from WLWA's website (http://westlondonwaste.gov.uk). This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1) which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

The key elements of the Governance Framework include

- Production of business plans and long term financial forecasts
- Performance monitoring information (Key Performance Indicators)
- Statement of Accounts
- Schemes of delegation for Officers
- Regular scrutiny of operations at Chief Officer's meetings
- Audit Committee
- Regular progress meetings with members
- Internal Audit
- Whistle Blowing Policy
- Financial Regulations and Related Policies
- HR Policies providing a framework for the organisation culture
- Health & Safety Policy and annual action plans
- Public meetings, except for confidential items
- Clear communication with stakeholders
- Collaborative development with constituent boroughs of the Authority's long term Strategy
- Regular meetings with constituent borough Environment Directors and Finance Directors
- Consultation with constituent boroughs of Authority papers

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the internal auditor's annual report, and also by comments made by the external auditors.

The work of the Audit Committee includes monitoring the progress of action plans and ensuring appropriate systems of governance and internal control. The Audit Committee considered reports from the internal auditors on:

- Health and Safety
- Revenues
- Data

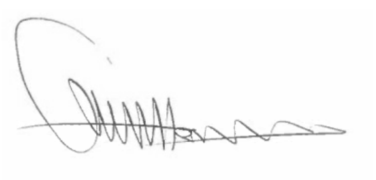
The internal audit reports provide assurance about specific activities and over a number of years all of the Authority's activities will be audited. This year's reports provided substantial or reasonable assurance for reported areas, identified no high risk items/recommendations and almost all medium and low risk recommendations have been accepted and most implemented.

Risk registers were regularly reviewed at all levels within the Authority and were considered at each Audit Committee meeting. Financial performance was scrutinised and a strong focus on controlling spending delivered efficiency savings.

The Authority has been advised on the implications of the result of the review of the effectiveness of the Governance Framework by the Officers and Audit Committee and that it is agreed that the current arrangements can be regarded as fit for purpose in accordance with the Governance Framework.

5. Significant Governance Issues

No significant governance issues were identified from internal audit, management reporting or other assurance processes. Therefore no action plan is required.



Councillor Graham Henson,

Chair to the Authority

23rd September 2022

Hugh Peart,

Clerk

23rd September 2022

Independent Auditor's report to the Members of West London Waste Authority

WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE 24 June 2022

Report of the Managing Director and Treasurer

West London Waste Authority Risk Register

SUMMARY

This report provides the Committee with the Authority's updated Risk Register. The key points are:

- Most of the key risks facing the Authority are mitigated
- Two new risks and mitigations have been added to reflecting changes in legislation and industrial action in rail industry

RECOMMENDATION(S)

The Committee is asked to:-

1) Note the content of the Risk Register (Appendix 2)

1. The Authority's Risk Management Policy (Appendix 1) identifies the risk register as a key tool for managing risk. This sets out the main risks to which the Authority is exposed and the actions management is taking to mitigate those risks. This is in line with good corporate governance.

2. The Corporate Risk Register is a formal document that is reviewed regularly by risk owners and is a standard agenda item for both WLWA Officer and Senior Management Team meetings which are held regularly throughout the year, where risks and actions are considered and updated routinely.

3. The risks are grouped according to the widely used PESTLE framework - political, economic, social, technological, legislative and environmental risks. Each risk is reviewed individually with risk owners taking responsibility for updating the register and highlighting significant changes and new risks. At the end of the risk register there is a matrix which helps Officers to score individual risks in terms of their probability and potential impact should they crystallize.

4. Appendix 2 provides the latest risk register which was updated at the latest round of management meetings. In overall terms, the risk register identifies 2 Red and 16 Amber risks facing the Authority and the mitigating actions to reduce the risk. All but 2 of the risks have been mitigated to a Green status. A brief explanation of the Amber risks are provided below and also of risk 16 a new item for the risk register:

- Driver shortages – this risk is largely outsourced to the haulage contractors we work with.

- Covid-19 pandemic – The mitigations in place are largely the same as at the height of the pandemic. With the roll out of the vaccine the risk is significantly less now even with the emergence of new omicron variant. So the Authority and boroughs are well placed to manage any issues. However given the uncertainty around variants and the worldwide picture, this is a risk that will require ongoing monitoring.

- Changes in legislation – this new item identifies the risks and opportunity costs highlighted at the March strategy day and which will inform the Authority's strategy going forwards. The mitigations will be reflected in the collaborative development of the strategy.

- Industrial action impacting rail movements – this new risk reflects the impact of the proposed industrial action. The impact is largely outsourced to the disposal contractors and there are also a range of other of mitigations that can help manage this risk

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Appendix 1

Risk Management Policy

Policy Statement

One component of the Authority's corporate governance framework is to manage risks effectively in order to make a positive contribution towards the achievement of the Authority's corporate aims and objectives and to maximise the opportunities to achieve its vision, whilst obtaining assurances about the management of those risks.

The Authority is committed to the proactive management of key external and internal risks and actively promotes the principles of effective Risk Management throughout the organisation and its partner organisations. Effective partnership risk management allows the Authority to demonstrate a positive risk culture and improved outcomes, whilst improving its ability to deliver innovative and challenging projects.

Effective risk management is essential for both an organisation and its partners to achieve strategic objectives and improve outcomes for local people and for this to occur there needs to be strong leadership from Senior Officers and Members, clear strategies in place and trained and engaged staff.

The Authority's Risk Management Policy and framework will apply best practice to the identification, evaluation and control of key risks and ensures that any residual risks are at an acceptable level. This will be achieved through:

- Adopting an effective and transparent corporate approach to proactive Risk Management by the Authority and the work of key external partners
- Integrating Risk Management into the operational and management practices and procedures of the Authority to promote a culture of risk awareness
- Providing information to support the Authority's annual assurance statement, as to the effectiveness of the arrangements for risk management and internal control mechanisms in practice.

Framework

The Risk Management Framework provides the basis used to improve and strengthen governance and front-line service delivery throughout the Authority. The framework is described in the following bullet points:

- The Authority undertakes to promote and ensure that the management of risk is linked to the achievement of its priorities and service objectives and supports continuous improvement in service delivery and performance.
- The risk management approach will be appropriate to the size and scale of Authority operations and activities.
- Members and the senior management team own, lead and support risk management.
- Ownership and accountability are clearly assigned for the management of risks at all levels throughout the Authority. There is a commitment to embedding risk management into the Authority's culture and organisational processes at all levels including corporate, project, operational and service.
- All Members and officers acknowledge and embrace the importance of risk management as a process, by which key risks and opportunities are identified, evaluated, managed and contribute towards good governance. This is reinforced through the delivery of appropriate training.
- Effective and transparent monitoring and reporting mechanisms are in place to continuously review the Authority's exposure to, and management of, risks and opportunities. The effectiveness of these mechanisms are continually reviewed, updated and improved where opportunities arise.
- Open and inclusive processes are established and maintained by involving all those associated with the planning and delivery of services, including stakeholders and partners.
- Best practice systems for managing risk are used throughout the Authority, including mechanisms for monitoring and reviewing effectiveness against agreed standards and targets.
- Accountability to stakeholders is fully demonstrated through periodic progress reports and an annual assurance statement on the effectiveness of the Authority's risk management framework. This includes the Annual Governance Statement.
- The policy statement and framework will be reviewed periodically as required, to ensure their continued relevance to the Authority.

Risk register and risk appetite

A key tool in the management of risk is the risk register. This identifies the key risks faced by the Authority and classifies them into the following categories:

- Political

- Economic
- Social
- Technological
- Legislative
- Environmental

The register is reviewed at all levels of management and makes an overall assessment (priority) of those risks based on scoring of the impact, likelihood and effect of mitigating actions. The assessment (priority) can be red, amber or green where green represents risks that have been largely mitigated and red risks are those which haven't.

The Authority's aim is to contain all risks within the green category (i.e. are largely mitigated). Essentially this demonstrates the Authority's low risk appetite. However it should be noted that this may not be possible for all risks and where new risks emerge and mitigations are being put in place.

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Appendix 2 - Risk Register

	Risk Area "There is a risk that…"	Analysis of Risk "Which will result in…"	Type	Assessment of Risk *(original score in brackets)*			Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations *(original score in brackets)*			Responsible Officer
				Impact	Probability	Rating		Impact	Probability	Rating	
1.	Driver shortages and workforce supply challenges in the UK waste management industry.	Increased cost, lack of treatment capacity in UK, waste stockpiling, reduced haulage options. HRRC closure, increased landfill, lack of drivers affecting collections, collected recycling treated as residual waste.	Economic	5	3	15	PPP contract with rail haulage for most of the Authority's waste provides significant protection. Lack of waste processing capacity on shore UK for materials currently shipped abroad will be mitigated UK wide by Govt planning and EA flexibility using protocols developed during the start of the covid 19 pandemic. Reserves of £2.5m are being maintained for increased costs of haulage and treatment of waste streams arising from market risks. No significant impacts have been observed to date but the situation will require ongoing monitoring. Re-procurement of haulage contracts has ensured that new contractors have strong contingency plans. Weekly service status report at Environment Director level will identify where driver levels are low and identify options to share staff if/where necessary to maintain service levels.	3	3	9	Managing Director
2.	Authority decisions may be based on inaccurate or incomplete information	Inappropriate actions or decision making, unnecessary costs, challenge from an interested party, failure to meet objectives and impact on reputation	Political	5	2	10	Manage in accordance with policies and procedures, review P&Ps to ensure they are up to date and robust. Scrutiny processes in place for reporting, reviewing and checking of any financial data by Officers. Policy for handling conflicts of interest involving Members and/or Officers. Internal management team meetings, Chief Officer's meetings, Borough Partnership meetings review Authority papers. Audit Committee established with internal and external audit governance framework. Key performance indicators are reported to the Authority. Waste data is a regular area for internal audit review.	5	1	5	Managing Director
3.	One or more of the waste treatment and disposal contracts will perform poorly or a single event will result in a need for business continuity planning.	Poor service to the Boroughs using the sites or needing material to be removed from site. Complaints about nuisance e.g. odour or pests. Increased cost of handling materials	Political	4 (5)	4 (2)	16 (10)	Ongoing review of contingency arrangements on each contract quarterly / annually as required. An additional transfer station in the PPP contract provides additional contingency arrangements. Ability to direct deliver to Lakeside. Maintain good relationships with alternative waste offtakers, enabling emergency procurement or fast procurement via Dynamic Purchasing System (DPS). Ensure key potential off takers are registered on the DPS. Plan waste flows well in advance of foreseeable events. Holding regular meetings with contractors and monitor KPIs as appropriate. Regular communication with Boroughs about service issues. Service monitoring and market information, reports on credit changes monitored. Credit checks and a review of accounts are routinely undertaken for new contracts and considered for contract extensions.	3 (5)	2 (1)	6 (5)	Head of Service Delivery
4.	WLWA financial processes are not robust	Internal fraud by an employee or contractor, bad information resulting in wrong decisions	Economic	5 (4)	2	10 (8)	Internal audit plan in place. Policies and procedures in place including arrangements for checking contracts and invoices. Segregation of duties between authorisation and checking of payments. Robust arrangements in place to control payments. Register of assets maintained. Processes in place for the monitoring of ad hoc contracts, contract management and negotiations. Whistle blowing policy. Standing Orders. Procurement scrutinized jointly by senior management team and declarations of interest extended to all staff. Cash facilities removed completely and card procedures reviewed.	4	1	4	Finance Director
5.	There will be unforeseen financial costs not covered by balances	An in-year levy to the Boroughs	Economic	4	3	12	Budget processes reviewed and monthly reporting demonstrating performance. Budgets built from the bottom up with input and validation of data from boroughs. Boroughs pay for PAYT collected tonnes essentially bearing the risk for variances. Prudent levels of reserves are maintained to act as a buffer against any unforeseen risks and financial costs. Excess reserves are returned to boroughs. Budget plan takes into account quantifiable risks. Where appropriate budgets are set with contingencies for identified risks.. In response to Covid-19 wasteflows are being monitored on a weekly basis and a range of reports are provided to stakeholders to help collectively manage the financial risk. Boroughs have received government funding to help with additional costs during the time of the pandemic. However there is no such commitment going forwards and boroughs are facing ongoing cost pressures as a result of the pandemic.	3	1	3	Finance Director
6.	WLWA insurance cover will be insufficient	Inadequate cover to meet the costs of future claims, increasing difficulty in obtaining competitive quotes for waste industry facilities	Economic	5	3	15	There is an annual review with brokers and insurers to review adequacy of policies, claims history and premiums and options. Regular updates from insurer and broker advising of new policies. Recent insurance procurement has shown that it is increasingly difficult to attract insurers to bid for the provision of cover. Therefore reserves will be built up to deal with loss of any insurance cover in coming years and advice will be sought regarding self insurance options.	5	1 (2)	5 (10)	Finance Director
7.	Funds (cash) are not managed effectively	Insufficient readily accessible cash to meet spending commitments resulting in financial penalties, legal claims and poor reputation. Poor rate of return on investments.	Economic	4	4	16	Cash planning is in place. Processes in place to make payments swiftly, within minutes if necessary. Cash balances maintained to cover delays in borough transactions. 3 day turnaround time for calling down funding from investments. Placement facility to deliver better returns. Opportunities to improve returns are reported to Chief Officers/Authority e.g. office procurement, transfer station purchase. In response to Covid-19 and as a precaution cash is held in readily accessible funds and not committed for long-term, should the need for it arise.	3	1	3	Finance Director
8.	The contract payment mechanisms are not properly understood or ambiguous	Payment delays, under or overpayments or disputes	Economic	5 (4)	3	15 (12)	In-house checks of invoices by both operational and financial managers in place. Independent audit of contractor's payment model. In depth contract knowledge of Sharpe Pritchard solicitors and key Authority managers. Monthly contract meetings, training and familiarisation with payment mechanisms. Periodic billing file audits	4 (5)	2 (1)	8 (5)	Finance Director
9.	IT systems are insecure or suffer a major failure and will face cyberattack	Loss of data which we are obliged to report, or without which we cannot invoice or operate effectively	Economic	4 (5)	4	16 (20)	There are no systems running on local servers/ we do not have any servers. ICT services are out sourced and subject to a wide range of back-up and security measures including remote storage and performance to an agreed service level standards. Service providers deploy a range of security measures to prevent unauthorized access to systems including 2 factor authentication, firewalls, antivirus and antispyware. These	4	1	4	Finance Director

Appendix 2 - Risk Register

No.	Risk Area "There is a risk that…"	Analysis of Risk "Which will result in…"	Type	Assessment of Risk (original score in brackets) Impact	Probability	Rating	Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations (original score in brackets) Impact	Probability	Rating	Responsible Officer
							are in addition to the fundamental underlying control of restricting access to kit communications and applications to authorised users only which both service providers and we operate. An IT strategy is in place and IT requirements are regularly reviewed.				
10.	WLWA Borough data is not being viewed holistically	A disjointed approach. Failure to capitalise on opportunity. Additional cost. A continuing disjointed approach. The Boroughs will fail to meet the 65% recycling composting target by 2030	Technological	5	3	15	Data is viewed from an Authority perspective and ensures operations are effective for the Authority.. Projects identified in the Business plan aim to provide a fuller picture. The Authority has had a key role in working with boroughs to share data and resources in response to the Covid-19 crises and in understanding the risks. A more collaborative and holisitic approach is developing with regular dialogue and engagement across constituent boroughs. A self-service data portal has been rolled-out and borough colleagues given guidance. Further engagement with boroughs will be ongoing with the strength of more analysis and information being routinely developed	4	2	8	Finance Director
11.	There will be a change in law relevant to our contracts	Unanticipated cost for the Authority	Legislative	4	4	16	Legislative changes are identified i.e. which affect EfW or transfer station operations, an incineration tax or change in classification to hazardous waste and are prepared for accordingly. Networking with contractors and public sector bodies on expected changes to follow the Resources and Waste Strategy. Nawdo, Lednet and Widp meetings. Where possible costs will be built into the budgeting process or reported through budget monitoring and dealt with through reserves.	4	2	8	Head of Service Delivery
12.	Environmental damage will be caused by Authority or Contractor Activities	Increased cost of repair, potential fines, reputational damage	Environmental	5	2	10	Range of processes including internal daily and weekly monitoring. Review operations risks. Review procurement policy. Monitor contractor's environmental performance and reporting. West London wide and Authority level Carbon projects are underway identifying and commencing actions to reduce the carbon footprint.	5	1	5	Operations Manager
13.	There will be a breach in Health & Safety at an Authority or Contractor site	Risk of injury to staff or public visitors to Authority sites	Environmental	5	2	10	Specialist Health and Safety Advice contracted in. Periodic internal audit assurance. Annual Action Plans are considered and agreed with GMB. Monitor contractors' health and safety performance and reporting. Regularly test and review fire prevention/precaution measures at site including fire risk assessments. Losses are covered by insurance policies.	5	1	5	Operations Manager
14.	Covid-19 – staff or contractors are infected by Covid-19 or required to self isolate	Death or serious illness of staff or family members. Failure or restricted capacity of sites leading to accumulation of waste within the system. Less waste is recycled leading to higher costs and environmental impacts.	Environmental	4	5	20	Sites and contractors – at all times: • Introduce safety standards and safe systems of work and keep them under constant review, including site indoor and outdoor layout changes to facilitate safe distancing, temporary role changes, supply of PPE, improved signage for public, training and tool box talks, H&S risk assessments, implementing a Covid testing programme for staff. • Establish a forum for communicating with Boroughs and contractors about the impact of the illness on their operations and identifying resource-sharing opportunities. • Agree consistent policies with Boroughs and contractors for scaling back services if necessary. • A booking system is in place to control throughput at Abbey Rd and 5 Borough sites If levels of illness/self-isolation are expected to increase rapidly: • Reduce waste stocks at transfer stations to maximise site capacity before illness spreads significantly. • Negotiate a temporary increase in storage capacity from the Environment Agency. If Boroughs need to increase the length of the working day to complete rounds: • Extend opening hours at transfer stations to accept additional out of hours waste. In the event of significant staff sickness levels: • Available office-based staff to cover non-specialist operational roles, e.g. weighbridge and HRRC operative at Abbey Road • Use available staff to support Borough or contractor front-line services on a highest-priority-first basis. • Work with Borough Env Directors, other Boroughs and contractors to create a shared pool of drivers and make use of existing frameworks. • Status check-ins from Boroughs, WLWA, and key contractors via the 'West London Strategic Waste Group' Whatsapp group daily (or other specified frequency) • Completion of the 'Service Status Tracker' spreadsheet by Boroughs and WLWA weekly (or other specified frequency). • WLWA to summarise the service status from the above sources and circulate an updated 'Waste Service Status report' to Heads of Service, Environment Directors and WLWA Councillors weekly (or other specified frequency). In the case of transfer stations being unable to accept waste: • Deliver contingency tipping plan • Change site operations/layout at Abbey Road to allow it to accept greater quantities of diverted wastes • Review contractual positions West Drayton • Close the office for non-essential use, all West Drayton based employees to work from	4	3	9 (12)	Managing Director

Appendix 2 - Risk Register

No.	Risk Area "There is a risk that…"	Analysis of Risk "Which will result in…"	Type	Assessment of Risk *(original score in brackets)* Impact	Probability	Rating	Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations *(original score in brackets)* Impact	Probability	Rating	Responsible Officer
							home and essential access is by appointment only and strictly controlled by an office manager with appropriate safe distancing, equipment and cleaning arrangements • Tool box talks have been provided, home working risk assessments been undertaken, equipment provided and H&S risk assessment. • Follow government guidance, and update risk assessments as the threat level and guidance changes. Waste Minimisation • Temporary stoppage of face to face community events which includes the running of reusable nappies and the implementation of food waste recycling at schools. • Move to on-line and e-commerce activities for reuse • Reduce HRRC usage by prioritizing bulky waste collection improvement projects				
15.	The Environment Bill will lead to increased costs and significant change to the way the Authority operates	Legislation principally in relation to waste will result in significant change within the waste sector and operations. The impact of legislation in other areas covered by the Environment Bill not expected to have a significant impact for the Authority (i.e. clean air, water, landscapes and wildlife legislation)	Political	3	4	12	• Leading borough wide consideration of Resource and Waste Strategy and consultation responses • MD role in national forums to provide early indication of direction of travel • Ongoing analysis of data, requirements, opportunities and impacts • Preparation, wider engagement and planning for change • Input and engagement with borough EDs and FDs to keep abreast of west London picture • Ongoing monitoring of detail and opportunities for funding of services (e.g. EPR)	1	4	4	Managing Director
16.	New partners in Circular Economy work may create new risks	Partner organisations may be small or new and have less developed controls resulting in risks of failure resulting in principally reputational or to a lesser extent financial implications for the Authority. In developing the market for circular economy small scale or trial services may not be sustainable longer term or cease at short notice.	Political	3	3	9	• Undertaking appropriate research and vetting of the business and key indivduals to properly understand the partner organisation / partnering risks • Leading on the development of processes and controls (including risk assessments) for the service offering to ensure appropriate controls are implemented to manage the operation and risk it entails, • Maintaining a stakeholder map for alternative providers • Benchmarking potential partners to assess benefit vs sustainability • Stress testing of partner business cases (financial and environmental) • Dynamic comms for the provision of services ensuring service information is near live where possible.	2	2	4	Project Director
17.	Risks and opportunity costs identified at March strategy day	A variety of new legislation will impact the Authority and boroughs. This includes legislation for • Extended Producer Responsibility (EPR) • Deposit Return Scheme (DRS) • Consistency • Emissions Trading Scheme (ETS) • Climate Emergency / Net Zero These could for example result in boroughs having to make changes to their collection systems (Consistency) or there could be a pass thorough of essentially a new financial burden from energy production (ETS)	Legislative	5	4	20	• Participation in national, regional forums and collectively to try and influence government thinking and have early sight of any plans • West londonwide collaboration to respond consistently to government consultations regarding change in legislation • Building business knowledge of proposed legislative change options being considered and understanding the impacts • Building jointly with boroughs a new WLWA strategy to mitigate any risk and maximize any opportunities • Sharing the knowledge with partners, building awareness and working collaboratively to respond to the challenges • As legislation developes and becomes clearer, reporting to members the implications and options for consideration and making recommending accordingly	3	5	15	Managing Director
18.	Industrial Action may take place on the railways for an extended period of time	• More export of waste by road, leading to: ○ Higher haulage costs ○ Greater environmental impacts from road haulage ○ Tipping delays caused by the need to load road haulage vehicles on site • Boroughs needing to tip at alternative locations if not enough waste can be exported by road. See Risk **Error! Reference source not found.** for potential impacts) • Reduced income from third party waste if the sites are forced to accept less waste • Accumulation of waste on-site leading to: ○ Odour ○ Pests ○ Reputational damage ○ Legal costs	Political	5	4	16	SUEZ • Maximise waste storage capacity at Victoria Road and Transport Avenue: ○ Projects to increase capacity of sites, trains and SERC ○ Maximise on-site storage space for containers ○ Increase numbers of empty containers available on sites • Have space readily available to enable bulking larger quantities of waste for road haulage • Stop third party waste inputs • Have haulage contractors available at short notice for providing road transport to disposal points • Identify alternative residual waste outlets within the region • If necessary identify further alternative tipping points for Boroughs and inform WLWA WLWA • Increase inputs to Lakeside • Identify and maintain dialogue with alternative disposal outlets within the region, and use emergency procurement or DPS to arrange temporary contracts if necessary. • Temporarily change site operations/layout at Abbey Road to allow it to accept greater quantities of diverted wastes on the Transfer Station • If it's necessary to divert Boroughs to other sites, implement the contingency tipping plan. • Review contractual positions	3	4	12	Head of Service Delivery

Appendix 2 - Risk Register

Risk/ Impact Rating

Rating	Status	Service disruption	Financial Loss	Reputation	Failure to provide statutory service / meet legal obligations	People
5	Extreme	Total failure of service	Over £5m	National publicity > than 3 days Resignation of leading member or chief officer	Multiple civil or criminal suits. Litigation, claim or fine of above £5m	Fatality or one or more clients/staff
4	Very high	Serious disruption to service	£500k-£5m	National public or press interest	Litigation claim or fine £500k-£5m	Serious injury. Permanent disablement of one or more clients / staff
3	Medium	Disruption to service	£50k-£500k	Local public /press interest	Litigation claim or fine £50k-£500k	Major injuries to individual
2	Low	Some minor impact on service	£5k-£50k	Contained within department	Litigation claim or fine £5k-£50k	Minor injuries to several people
1	Negligible	Annoyance but does not disrupt service	< £5k	Contained within unit/section	Litigation claim or fine less than £5k	Minor injuries to an individual

Likelihood Classification

1. Rare - May occur only in exceptional circumstances (0-5%)
2. Unlikely- Could occur at some time (6%-20%)
3. Possible - likely to occur (21%-50%)
4. Likely-Will probably occur in most circumstances (51%-80%)
5. Almost Certain - Expected to occur in most circumstances >80%)

Risk Rating/Scoring = Impact x likelihood. Prioritisation of Risks

20-25 (Red)	Those risks requiring immediate management and monitoring
9-19 (Amber)	Those risks requiring management and monitoring but less time critical
1-8 (Green)	Those risks which require ongoing monitoring

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WEST LONDON WASTE AUTHORITY

Report of the Head of Service Delivery & Operations Manager 24 June 2022

Contracts and operations update

SUMMARY

This report provides an update on the Authority's waste treatment arrangements and procurements. The key points are:

- The Authority's largest contract, which involves sending non-recyclable waste by train to an energy recovery centre, is operating well but there have been some delays to Borough waste vehicles when they tip their waste at the west London rail depots. Actions have been put in place to reduce these delays in future.
- Rail strikes are taking place which will have an impact on the above contract. Contingency plans are being put in place to reduce disruption.
- New contracts have started for composting green/garden waste and for collecting waste from the Borough's recycling centres. These contracts have started well.
- Improvements have been made at Brent's recycling centre, which is operated by WLWA, including creating a 'Fixing Factory' for fixing broken laptops.

RECOMMENDATION(S) The Authority is asked to:

1) Note the information within this report.

1. Introduction

This report provides an update on WLWA's existing contracts and operations for managing west London's waste.

2. West London Residual Waste Services contract

This contract is with West London Energy Recovery Limited (WLERL) and is operated by Suez. It involves the acceptance of waste from Boroughs at west London transfer stations, from where most of the waste is compacted into containers and transferred by rail to Severnside Energy Recovery Centre (SERC) for thermal treatment and energy recovery. It is the Authority's largest contract, handling over 300,000 tonnes of residual (non-recyclable) waste each year, with a value of around £35 million per year.

The contract performed very well against its Key Performance Indicators (KPIs) for the year 2021/22, where a landfill diversion rate of 99.9% (target 96.1%) was achieved along with a recycling rate of 5.4% (target 2.1%). In essence, this means that almost all contract residual waste went to energy recovery and almost all the process residues were recycled.

Since March there have been some operational issues at the waste transfer stations (where Boroughs tip most of their waste) resulting in higher-than-normal tipping times for Boroughs. The Transport Avenue transfer station in Brentford experienced a small fire in the bulky waste shed on 26 April, which was isolated and extinguished very quickly thanks to the quick actions of site staff. However, the fire brigade doused all the remaining waste as a precaution, leading to tipping delays over the following days. The fire brigade was unable to identify the cause of the fire. Suez has since started a major upgrade to fire suppression systems at both of the large transfer stations.

The Victoria Road transfer station in Ruislip has experienced tipping delays due to ongoing issues with the aging waste cranes. The two cranes move waste from the tipping bunkers into the compactors, which then push the waste into containers that are then loaded onto the train. Crane breakdowns mean that there are fewer empty tipping bays for Borough vehicles. Suez is developing interim solutions to speed up tipping in the short term and has recently invested millions in upgrading the sites' weighbridges to speed up Borough visits. It is bringing forward a programme of works to replace the cranes, which will be a further multi-million-pound investment in these sites.

Over the coming weeks, transfer of waste by rail to SERC may be affected by the proposed railway workers' strikes which, at the time of writing, are scheduled for 21, 23 and 25 June unless a resolution can be reached. Following these dates, a planned maintenance outage at SERC will take place 28 June and 17 July, which means that less waste will be sent by rail. WLWA officers have worked with Suez to make contingency arrangements which will involve:

- sending more waste to nearby Lakeside Energy from Waste site
- sending more waste by road to other energy recovery facilities
- Suez working with its rail haulage contractor to try and keep trains running during the strikes due to the strategic importance of the service
- scheduling catch-up trains where possible on the days between the strikes

The RMT union has hinted that strikes could continue throughout the summer, so longer term contingency measures are being developed. WLWA is using its position on influential national associations to lobby for waste to be treated as priority freight which needs to be transported throughout the industrial action.

There is a risk that some waste may need to be landfilled as a last resort.

3. Viridor residual waste contract (Lakeside)

This contract is for 90,000 tonnes a year of residual waste which is thermally treated at Lakeside energy recovery centre near Slough.

The contract is operating well, although there was one instance when Lakeside had an unplanned outage for four days in May. During this time, the waste was diverted to the Suez transfer stations resulting in some minor delays to Boroughs.

4. Food waste contract

The food waste contract with Biocollectors continues to operate well.

Overall food waste tonnages are down 3% compared to the same six-week period from last year. Residual waste tonnages are also down by 3%, which indicates that the food waste dip might not be caused by residents putting more of their food in the residual waste bin. A residual waste composition analysis is being planned for September and this will show us how much food is in the residual waste compared to the last time an analysis took place (July 2021) and help judge the impact of food waste improvement projects. Please refer to the Projects Update for more information.

5. Green waste contract

At the previous Authority meeting, approval of award for a new green (garden) waste transport and composting contract was delegated to the Managing Director in consultation with the Chief Technical Officer and Chair. Following this consultation, all the contract allocations (each allocation being 10,000 tonnes of green waste) were awarded to West London Composting. Before the procurement, the allocations were shared between West London Composting and Countrystyle Recycling.

The contract was mobilised on 1 May and has been operating very effectively. The change of contract has not led to any operational changes for the Boroughs.

6. **Transport contracts**

The Authority lets two waste transport contracts:

- One for transporting non-recyclable waste from Borough waste transfer stations and Dry Mixed Recycling (DMR) collected by Ealing, typically using bulk haulage vehicles (articulated lorries).
- One for the removal of segregated materials from Borough HRRC sites in roll-on roll-off (RoRo) containers.

Both contracts have been re-procured, with the bulk haulage contract being won by Waste-A-Way Recycling Limited (the contract was previously operated by J. Shorten & Son Ltd) and the RoRo contract was won by Suez Recycling and Recovery UK, the incumbent.

The new contracts went live on 1 June following a successful mobilisation period and are currently operating well.

7. **Dry Recyclables**

The contract is operating well, and there are no operational issues to report.

8. **Borough HRRCs**

The WLWA 2022/23 budget allocated £200k per Borough for improvements at HRRCs. WLWA officers have been working with colleagues from Ealing and Hounslow who have developed prioritised business cases for improvement projects and have started delivering.

9. **Abbey Road HRRC and WTS**

Abbey Road HRRC and WTS is managed by WLWA, and the HRRC is run on behalf of Brent.

Major progress has been made on repair and re-use services at Abbey Road with the launch of the Fixing Factory, a collaboration of social enterprises, which delivers laptop repair services on site. In addition, outlets have been secured for other reusable items collected at the site, including bikes, suitcases, bric-a-brac, furniture, and mobility equipment. All off takers are social enterprises providing social value, and many are based locally. Please see the Projects Update for more information.

New CCTV and ANPR (automatic number plate recognition) systems have been installed at Abbey Road and Hounslow's Spacewaye site following a WLWA-led procurement.

A trial of an Electric 360 grab vehicle is also due to be trialled at the site in the coming weeks as part of WLWA's work to decarbonise waste operations.

10. **Health and Safety Implications**

As a result of the SERC outage and any potential rail strikes, Boroughs may be required to tip waste in different parts of the transfer stations. The Contractor's staff will provide instructions on how to do this safely.

The new contractors for green waste and transport services all submitted strong health and safety method statements as part of their bids. Extensive mobilisation work has been undertaken which included inducting new drivers on safe operations at each of the sites that they will service.

WLWA officers are considering changes to the Authority's health and safety guidance to allow young persons (those aged between 16 and 18) to work at the Abbey Road site. This will enable young people to develop experience in the sector e.g. during school holidays. Any changes will be developed using WLWA's Health and Safety Advisor.

11. **Financial Implications**

Under the WLERL contract, any increased haulage costs, or gate fees at alternative energy recovery centres will be borne by the Contractor. However, if alternative energy recovery centres or landfill sites are used, WLWA will miss out on a contract rebate for this material. WLWA may also miss out on a share of third party waste income from SERC if the plant is unable to be run at full capacity.

The new green waste contract has a higher than budgeted cost per tonne due to the increase in haulage costs (fuel costs and driver shortages) and gate fees (operational impacts including removal of red diesel) and lack of suppliers with green waste processing capacity. However, under current waste flow projections the contract is not expected to exceed the budgeted amount.

The RoRo transport contract has the same cost per load as budgeted and the bulk haulage transport contract has a lower than budgeted cost per load due to strong competition in this market despite increased fuel and driver costs.

Please refer to the Finance Update for a summary of the current position against the budget.

12. Staffing Implications

None.

13. Legal Implications

None.

14. Joint Waste Management Strategy Implication - The contracts mentioned in this report meet the Authority's Joint Waste Management Strategy policies, as described in Section 1.

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WEST LONDON WASTE AUTHORITY

Report of the Projects Director 24th June 2022

Projects and Circular Economy Update

SUMMARY

This report provides an update on the West London Waste Authority (WLWA) projects.

- The Food waste investment projects are capturing more food waste for recycling from residual waste through the delivery of Borough specific business cases.
- Residual waste composition analysis is due in September to establish what is remaining in the waste and to identify trends and usage of recycling services.
- WLWA have started new repair and reuse workshops at the Abbey Road site to divert material from waste and develop green skills.
- Solar panels are being installed on Abbey Road site to reduce energy costs and increase the renewable energy generation.
- A new WLWA website is being launched in June to help with resident communications and improve access to sustainability and waste information and resources.

RECOMMENDATION(S)

1) *The Authority is asked to note the information within this report.*

1. Introduction

This report covers the main project updates, governance of the wider programme is managed through the WLWA senior leadership team.

2. Project Development

There are six key areas of WLWA's project programme (Data Management, Smart Cities, Household Reuse and Recycling Centre (HRRC) transformation, Food Waste, Shared Extended Producer Responsibility (EPR) funding plan, Double Recycling Infrastructure) each with an Environment Director and Member lead. Policies for each of these six areas were jointly developed and approved by the Authority in March 22 to deliver a unified approach to whole system change.

2.1. Food Waste

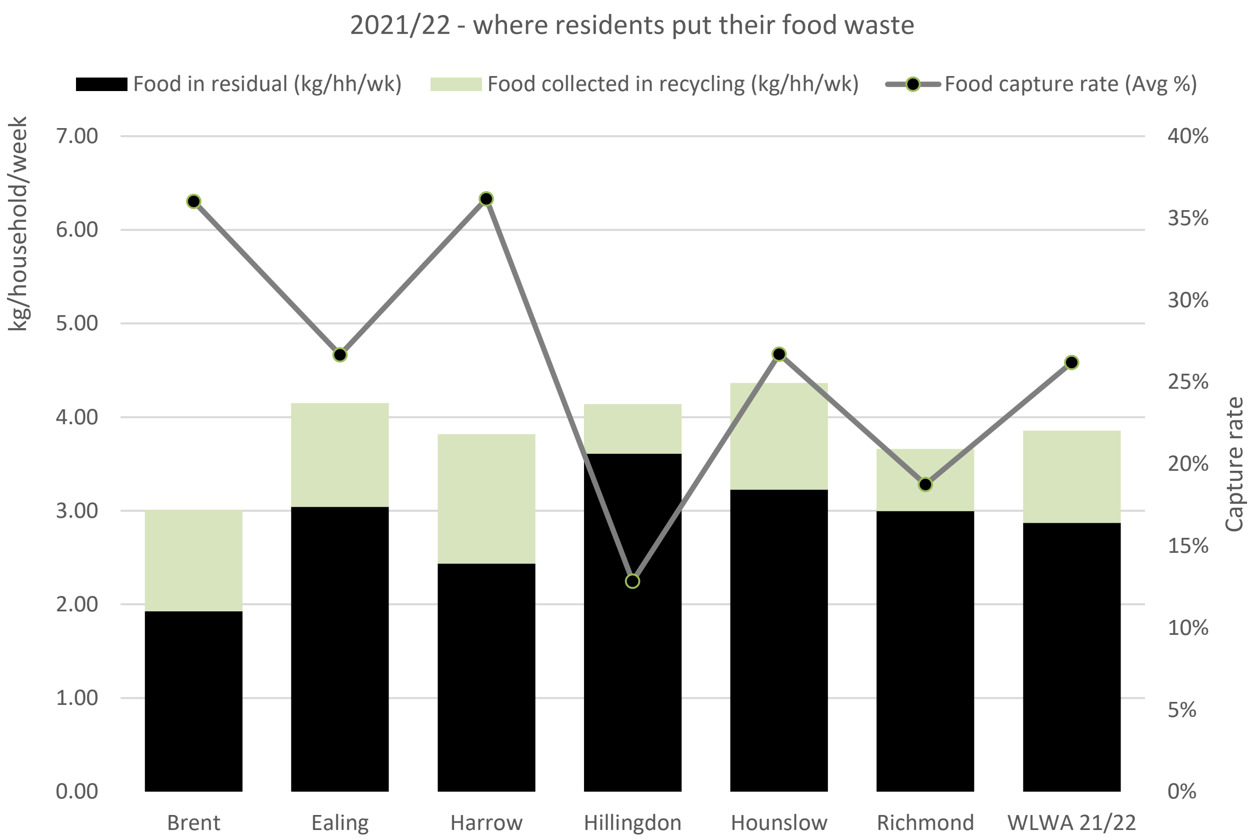
The food waste investment project was initially designed to incentivise an increase in food waste being removed from the general waste collection, with a target of doubling food waste collected in three years. Boroughs identified capital costs to be a hurdle for the expansion of the services and the funding was changed to provide an upfront investment of £500k for Boroughs to deliver service development project initiatives which would generate a return on investment through the food waste system i.e. collecting more of the food that had been thrown in the general waste stream within the food collection service within 3 years of the funding being received.

WLWA Project Managers are continuing to work with all Boroughs to assist with delivery of the food recycling projects. Specific Borough project updates will be presented at the September meeting and a capture rate study brought to the December meeting incorporating the waste composition analysis as detailed in 2.3 below.

Food waste measures including tonnages and capture are monitored regularly to identify changes to the services such as a reduction in food being thrown away, the amount of general waste being discarded and the amount of waste by collection service measured per household (kilograms per household per week kg/HH/wk).

Capturing and analysing the different metrics for the performance of the food waste service will be essential to understand the impact of the investment as the flows of different materials change in the future as a result ofexternal impacts. These impacts are expected to include the cost-of-living increases, food price increases, potential economic slowdown and increasing housing development.

Using the 2 years prior to 2020-21 as a baseline, there has been an increase in the total recycling of food as more residents separate their waste to use the different services they receive. The graph below shows the amount of food remaining in the general rubbish collection (residual waste, dark bars on the graph), how much is being collected from food waste services (recycling, light coloured bar) and the percentage capture of food waste (line on the graph). Residents are more likely to use services that are easily accessible, easy to use and well run, the delivery of the service development projects will continue to make the recycling of any discarded food the easy choice for residents.



2.2. HRRC investment fund

WLWA projects and operations teams are working with Ealing and Hounslow to develop their proposals for the use of the £200,000 HRRC improvement fund. These projects will be developed, and implementation will begin before the end of July.

2.3 **Waste Composition Analysis**

The next waste composition analysis is planned for September 2022. The previous analyses were conducted in June 2021 and March 2020. Feedback received from the boroughs following the previous analysis will support shaping the specification of the analysis in 2022.

3. Net Zero & Circular Economy

3.1. **Fixing Factory**

The first fixing factory in London was launched on 23rd April at the Abbey Road Household Reuse and Recycling Centre in partnership with the Restart Project (funded by National Lottery). The fixing factory will collect, repair and redistribute laptops and tablets to local community groups and marginalised individuals. A brand-new Fixing Factory sign installed at the site was designed by local artist, Matt Small, using old broken tech.

Monthly repair sessions started on the 4th June, the Fixing Factory will be open to residents to see the team of repairers in action fixing donated laptops & tablets. This project will also deliver a training programme for local youths/residents to obtain a certification and green skills to support them to get on a green job ladder.

3.2. **Electrical Repair Directory (Restart Project)**

The west London the Repair Directory has now been developed. Covering 8 Boroughs (all 6 of WLWA's constituent boroughs, London Borough of Hammersmith and Fulham (H&F) and Royal Borough of Kensington and Chelsea (RBKC)). The Directory is embedded in WLWA's brand new website, providing residents with a list of local businesses where they can get their electrical items repaired. In total,147 repair businesses meeting the selection criteria were identified. Brent 24, Ealing 11, Harrow 11, Hillingdon 23, Hounslow 22, Richmond 22, H&F 15, RBKC 19). The Boroughs' communications teams will be provided with a pack to start wider promotion of the Directory and the Boroughs are also encouraged to link to our Directory from their council's website.

3.3. **Circular Economy Hubs**

Conversations are currently progressing with 3 potential sites/partners: Ealing Council; Brent Council; and London Community Kitchen (Harrow). Various circular economy organisations including the Library of Things, local repair cafes and a refill station have been approached to discuss potential partnership opportunities.

3.4 **Abbey Road Decarbonisation**

A grid application was submitted to allow solar panels to be installed at Abbey Road. Social impacts (working conditions and environmental impacts) were considered when selecting the appropriate panels. It is anticipated that the project will be paid back in c.6 years and c.7.4t CO_2 saving per annum.

Four electric vehicle charging points have also been installed and are now functional. This will ensure the WLWA electric vehicle is carbon neutral as it is charged on site with electricity through a green energy tariff.

4. **WLWA Website**

A brand new website for WLWA was launched on 15th June. The site was developed with the mobile-first concept, allowing the design to be flexible and user friendly for various devices (smartphones, tablets and PCs). The new website features a modern look and structure; routing that prompts visitors to think about what else they can do with the items before visiting reuse and recycling centres; carbon/environmental impacts of items. In addition to the Repair Directory for electricals, further development is planned to incorporate a 'virtual circular economy hub' this year.

5. **Risk**

New legislation and details regarding EPR, DRS and the Environment Bill, that will impact on all waste services are expected soon. Officers are factoring potential impacts in during the development of all projects.

6. **Financial Implications**

The additional food waste captured in 2021/22 is c.4100 tonnes with an estimated return of c.£420,000 in savings from removing this material from the general waste collection. The estimated food waste reduction in general waste will be assessed following the next waste composition analysis to capture the return through waste reduction.

The solar energy project at Abbey Road requires an initial investment of approx. £30,000 for the panels. Based on an estimated £5,080 savings in import electricity costs, we anticipate net savings of £202,307 over 25 years for the organisation. The project's payback is c.6 years.

WLWA projects are designed to test and change the whole system to deliver benefits financially, environmentally and socially. Due to the whole system approach, there are aspects of the delivery and returns that require significant partnership working and multiple stakeholder changes, as such absolute returns are modelled, risk assessed and tracked but cannot be guaranteed.

7. **Staffing Implications** – Two members of staff (CE Manager and a Project Officer) are now on maternity leave. We are planning to recruit for a maternity cover shortly to fill the shortfall in team resources.

8. **Health and Safety Implications** – All fieldwork has been risk-assessed for the tasks to be completed. Fixing Factory at Abbey Road has been risk assessed and relevant agreements are being put in place between the project partners (the Restart Project and Ready-Tech-Go).

   We are currently reviewing the current Health & Safety guidance around working with young people at Abbey Road to enable us to provide opportunities (work experience, site visits/educational) for them to visit the site. This is addressed in the Operations update.

   Additional Health and Safety training is being planned for the team to ensure all members are informed to a standard to help raise awareness on site visits.

9. **Legal Implications -** none

10. **Joint Waste Management Strategy**

The projects mentioned in this report are intrinsically linked to the Authority's Joint Waste Management Strategy. The projects are driving the design of the new policy through data, best practice and identification of opportunities, as well as delivering change to meet the desired outcomes and targets inthe Strategy.

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WEST LONDON WASTE AUTHORITY

Report of the Treasurer 24 June 2022

Draft Finance Strategy

SUMMARY

This report provides a draft of the Authority's Finance Strategy and the progress from consultation with borough Directors. The key points are:

- The draft has been developed with all six boroughs' Finance and Environment Directors in collaboration with the Authority's Officers
- There will be significant change and financial consequences in coming years arising from legislation as detailed in section 1 of the strategy
- There is a need to find a mechanism to fund that change as detailed in section 3 of the strategy.
- There is a trade-off between the amount of new income disbursed directly to boroughs and the level of uncertainty around levies as detailed in section 4 of the strategy.
- A proposed balance essentially sharing the new income on the basis of two thirds being passed through to boroughs directly and one third being retained by the Authority for delivery of strategic plans. For 2021/22 two thirds of new income totals £6.5 million and will be paid to boroughs. One third (£3.2 million) will be retained by the Authority.

RECOMMENDATION(S)

The Authority is asked to: -

1) Approve for consultation with borough Directors, the Draft Finance Strategy found in Appendix 1

2) Note the aim to bring a final document to the September Authority meeting for approval

1. Introduction

The draft Finance Strategy brings together the established mechanisms which have built solid financial foundations together with recent changes such as new income from rising electricity prices.

It supports the delivery of the developing joint WLWLA strategy.

The first draft of the Finance Strategy was shared and discussed at meetings with borough Finance Directors and Environment Directors. Their feedback identified some changes and also the need for further data to make a more informed decision.

The Finance Strategy has been updated to reflect these changes and work is underway gathering the additional data. The aim is to share and work with borough Directors to agree a strategy for recommendation to the September Authority meeting.

2. Key Elements of Borough Directors' feedback

Below are key elements of feedback from Finance Directors and Environment Directors on the first draft together with responses:

- Further data and information was requested. These are identified in Appendix 2 and will be collated and shared with borough Directors in coming months as part of the strategy development work.
- Clarification of the timeline for approval of the Finance Strategy – the development of the Finance Strategy is an iterative process including further consultation with Finance Directors and Environment Directors during the summer and aiming for approval at the September Authority meeting

  The timeline includes:

  - Producing and sharing the additional information requested (by the end of June)
  - Meetings with borough Directors to collectively consider the additional information, receiving feedback and making appropriate changes (by the end of July)
  - Sharing the updated final version of Finance Strategy (2nd week of August) and requesting formal feedback from Finance Directors (similarly to the budget setting process)
  - Deadline for formal feedback (1st week of September)
  - Recommendation of the final version of Finance Strategy to the Authority (23 September)
- Clarification that £1 million (i.e. 2/3rd of the new income) will be disbursed to each of the boroughs and will be for boroughs to determine the use – the Finance Strategy has been amended accordingly.
- Details to be provided regarding the timing of the payment to boroughs – payment will follow the approval of the Finance Strategy i.e. aiming for approval at the September Authority meeting and payment in October.
- The level of reserves were considered to be excessive in comparison to reserves held by some boroughs – the existing approach has been clarified in the Finance Strategy and is considered appropriate. This explains the mechanisms and transparent approach for setting a target level for reserves and disbursing excess reserves to boroughs. These follow annual cycles and every year a recommendation is made when the draft financial statements are reported, typically at the June Authority meeting. This year's recommendation can be found in today's Authority agenda in the draft accounts report. A total £3.2 million disbursement has been recommended, to be allocated to boroughs on the basis of the Council Tax bandings as detailed in that report.

3. Managing the Uncertainties Ahead

The draft Finance Strategy has been developed in context of uncertainties on the near horizon, principally in the form of significant change resulting from legislation. Appendix 3 illustrates the financial impact of this legislation.

The opportunity and emergence of new income enables the Authority to effectively and proactively manage its risk through ring-fencing / setting aside some of that income (through reserves) for waste projects which will deal with the change and minimise the impact on levies.

It is important to highlight that much of the change arising from legislation will impact boroughs directly. There will be significant resulting financial pressures facing borough waste collection activities in delivering this change.

Therefore it is recommended that boroughs also consider ring fencing / setting aside a portion of their share of the new income for borough waste collection activities.

In particular given that much of the new income is one off in nature (from electricity price rises) investing in borough waste projects can mitigate future cost pressures of both having to implement the changes and also of potentially increasing levies.

A balance suggested is one third for Finance Directors for general borough use, one third ring-fenced by boroughs for Environment Directors projects and one third retained by WLWA for its strategic projects.

4. Disbursement to boroughs

For clarity, the table below shows the total to be disbursed to boroughs including both the new income generated in 2021/22 and also the excess reserves at the end of 2021/22.

Borough	Approved Council Tax Base	New Income (£000s)	Excess Reserves at end of 2021/22 (£000s)	Total (£000s)
Brent	99,868	1,103	553	**1,656**
Ealing	118,649	1,311	658	**1,969**
Harrow	90,597	1,001	502	**1,503**
Hillingdon	103,840	1,147	575	**1,722**
Hounslow	86,769	958	481	**1,439**
Richmond	88,703	980	492	**1,472**
Total	**588,426**	**6,500**	**3,261**	**9,761**

The totals have been apportioned using the council tax base as in previous years.

5. Next Steps

To produce the data and information requested and work with borough Directors to consider and finalise the Finance Strategy for approval at the September Authority meeting.

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Appendix 1

West London Waste Authority Draft Finance Strategy

1. Background

The environment that the Authority and Boroughs work in is rapidly changing. Recent and emerging legislation will result in challenges and risks that we will need to manage and things that we will need to do, which won't be optional.

Net Zero, Climate Emergency, Consistency, Extended Producer Responsibility, Deposit Return Scheme and the Emissions Trading Scheme are some examples of where we already have or will soon see new legislative requirements.

The scale of the change required will be significant and a key question for both the Authority and boroughs is how will we fund that change?

The March 2022 WLWA Strategy Day with borough stakeholders commenced collective work to develop the Authority's strategy and understand/prepare for the implications of this legislation. This collaborative work will continue and will result in the development of long-term action plans in the coming years working towards a joint vision for 2030.

The Finance Strategy provides a framework for supporting the delivery of those action plans.

2. Aims

For several years the Authority's financial management has delivered:

- A strong financial platform allowing the funding of strategic plans/projects for both the Authority and boroughs
- Effective cost control and containing growth in levies to well below inflation
- Certainty and predictability about costs and levies over the longer term
- Effective management of financial risks through reserves
- Disbursements of any excess balances to boroughs

These are the continuing aims of the Finance Strategy.

3. Finance Strategy

The Finance Strategy brings together a number of key long established considerations and processes together with recent developments such as new income and the need to fund developing strategic plans.

- Cost control and stability – this includes the procurement rules which drive good value and sustainable purchasing. It also includes the budget setting process (in particular the scrutiny from a variety of stakeholders providing suitable challenge) which provides a focus on costs and levies. To give certainty to all stakeholders, each years overall variance from the balanced budget will be absorbed through reserves, meaning no in-year levies in the event of an overspend.
- Financial planning for stability – long term financial plans, modelling and sensitivity analysis identify and provide an understanding of the business's key strategic financial drivers, opportunities and risks through their impact on costs and levies. This also facilitates effective cash and debt management and ensures planning for suitable levels

of liquidity throughout the term. Long term plans will be reviewed at least annually and also on emergence of any significant projects.

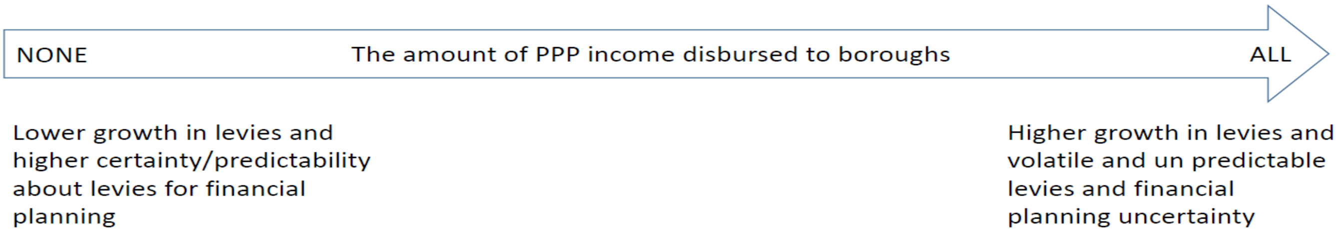
- Risk and reserves – key financial risks are managed through reserves (less artificial revaluation gains). Essentially an amount is set aside to deal with the risks should they materialise. This is reviewed annually as part of the budget setting process to determine a suitable level of reserves to maintain. Reserves are gradually built up when necessary through accumulation of surpluses arising during years when overall levies exceed overall costs.
- Disbursement of excess reserves – when the level of reserves (other than artificial revaluation gains) materially exceeds the sum needed by the Authority to manage risks (as budgeted), the excess is apportioned using the council tax base and disbursed to boroughs. This is reviewed annually on production of the draft financial statements. Additional disbursements have been made possible by deploying Authority reserves to fund borough improvements that are aligned to the Authority's strategic plans – e.g. food waste.
- Business cases – any significant project requires a business case to demonstrate that the return (financial or other) for either the Authority or boroughs is commensurate to the investment. Importantly, business cases can consider benefits from a holistic west London perspective which means boroughs can benefit directly rather than the project being of benefit to the Authority, provided they are aligned to the Authority's objectives. The business case will be approved by the appropriate decision making body per the delegated authority.
- Funding – the options for funding strategic plans/projects, principally includes the use of new income set aside in reserves or borrowing financed through future levies. To minimise the impact on levies, using reserves is the preferred option. This is explained in more detail in section 4. Reserves will have to be built up accordingly, through new income.
- New income – the PPP contract has provided the opportunity for generating new income. There will be income over the short term, significantly relating to 2021/22 with a likelihood of some relating to 2022/23. Over the short term this is largely from increased electricity prices. Over the longer term there may also be opportunities to secure income by increasing third party waste volumes processed at the SERC. Two thirds will be passed on to boroughs directly and one third will be retained by the Authority to fund strategic plans/projects.
- Reserves – this will comprise of reserves built up to manage risks (as identified earlier) and new income set aside (less any subsequently used) to fund Authority strategic plans/projects. Anything in excess will be disbursed to boroughs as identified earlier. Suitable liquidity will be maintained to ensure funds are readily available for these purposes. Reserves set aside for strategic plans/projects will also be reviewed annually as part of the budget setting process to ensure levels are suitable and not excessive, with disbursement being made accordingly.

4. The Trade-off

The use of new income for funding can be considered as a scale with two options at polar opposite ends of that scale and many choices in between. The scale essentially represents a trade-off between

a) The level of certainty/predictability about growth in levies and
b) The amount of new income disbursed directly to boroughs

The more of new income that is disbursed to boroughs the more volatile and bigger will be the movement in levies, as illustrated over the page:



To explain the illustration in a little more detail:

At one end of the scale, all new income can be retained by the Authority to fund the strategic plans. This option will provide greater certainty/predictability about levies over the longer term and contain growth to well below inflation. This is because the option reduces the need to borrow and finance that borrowing through increased levies. Furthermore, it allows the benefits (financial, carbon etc.) to be seen by boroughs in subsequent years in accordance with the business cases. The disadvantage of this approach is that there is no disbursement new income to boroughs.

At the other end of the scale, all new income can be disbursed directly to boroughs. The disadvantage of this approach is that the levies will become less predictable and more volatile. The levies will depend on the timing of projects and the borrowing to fund strategic plans. This will create uncertainty for both the Authority and boroughs and financial planning will become more challenging in order to deal with the movement in levies year on year.

This reflects a typical short term benefit vs long term stability, financial planning trade-off.

5. The Balance proposed

There are two other factors worth considering in context of arriving at a suitable trade off, the scale of the new income and the financial challenges facing boroughs.

So, on the basis that the scale of new income is far more than anticipated as are the financial challenges facing boroughs, the strategy leans towards the majority (two thirds) of new income being passed through to boroughs directly. One third will be retained by the Authority for delivery of strategic plans.

However boroughs will need to be mindful of the risk of a rise in levies in the future if funding, beyond that retained by the Authority from new income, for projects becomes required.

6. Key Financials

The Finance Strategy provides a mechanism for delivering better financial certainty in uncertain times as described by the aims.

It also strikes a balance between different stakeholder needs and also supports the delivery of the wider strategy for the Authority currently being jointly developed.

These are illustrated in the following tables which provide a projection of key financials from the Finance Strategy.

a) New income

	2021/22	2022/23	2023/24	2024/25	2025/26
One off from electricity	8,691	6,000	0	0	0
Recurring	1,059	1,500	1,500	1,500	1,500
Total new income	**9,750**	**7,500**	**1,500**	**1,500**	**1,500**

The 2021/22 figures are from the draft out-turn position for the year.

Caution – the estimates for 2022/23 onwards are notional and dependent on market electricity prices and success with securing recurring new income. Stakeholders are advised not to use the notional estimates above in financial planning.

b) Pass through to boroughs

	2021/22	2022/23	2023/24	2024/25	2025/26
2/3rd of one off	5,794	4,000	0	0	0
2/3rd of recurring	706	1,000	1,000	1,000	1,000
Total	**6,500**	**5,000**	**1,000**	**1,000**	**1,000**

These will apportioned and paid to boroughs in October.

c) Reserves for Authority strategic plans

	2021/22	2022/23	2023/24	2024/25	2025/26
Brought forward	0	3,250	5,750	6,250	6,750
1/3rd of one off	2,897	2,000	0	0	0
1/3rd of recurring	353	500	500	500	500
Total	**3,250**	**5,750**	**6,250**	**6,750**	**7,250**

These sums will be retained in reserves and used to fund Authority strategic plans. The balances will reduce as reserves are spent.

d) Reserves to manage risks (i.e. excluding revaluation gains)

	2021/22	2022/23	2023/24	2024/25	2025/26
Brought forward	7,818	9,200	9,200	9,200	9,200
Surplus/(deficit)	722	0	0	0	0
Pension liability movement	3,921	0	0	0	0
Total	**12,461**	**9,200**	**9,200**	**9,200**	**9,200**
Reserves target	9,200	9,200	9,200	9,200	9,200
Excess reserves paid to boroughs	**3,261**	**0**	**0**	**0**	**0**

The reserves target will be set annually as part of the annual budget setting exercise and will be based on risks at the time. It is unlikely they will remain at £9.2 million.

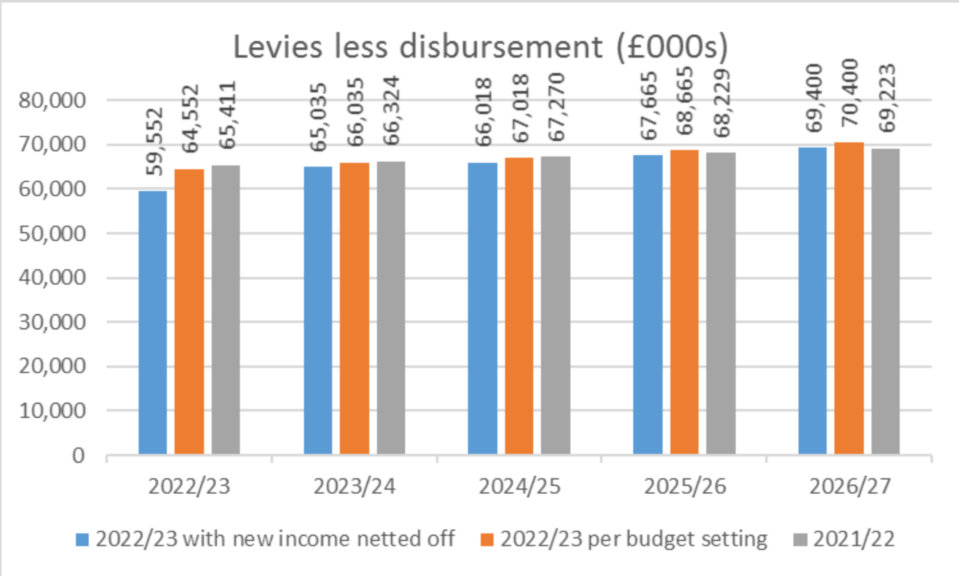
Excess reserves result from day to day operations and will be apportioned and paid using the council tax base.

e) Forecast levies

The long term financial plan has been updated to:

- use a long term assumption for inflation of 4% per year (2% was used when setting the budget).
- include the new income netted off against levies

The impact on levies is illustrated in the table below.



This shows a continuing healthy financial position compared to the projections from 2021/22 and during the 2022/23 budget setting. The forecast is particularly better over the next year due to one off income (subject to significant uncertainty) and subsequently with recurring income largely offsetting the impact of the increased inflation assumption.

Appendix 2

The information below has been requested to inform the further development of the Finance Strategy together with borough Directors.

- A pack identifying change and risks on the horizon – this is to help make better informed decisions about the “disburse vs levy risk trade-off”. Potentially this could be by material stream.
- A financial model of PPP electricity income scenarios to help inform choices around different levels of disbursement depending on how much is received.
- A model showing what levies will look like if we kept all reserves, no reserves, something in between.
- Governance arrangements if borough funds were retained within the Authority

Appendix 3

Impact of legislation

In almost all instances collection costs will rise

Opportunity to mitigate by reducing costs by eg:

- Restructuring
- New services
- Waste reduction
- Recycling
- Shared infrastructure

Greatest risk is silo thinking.

	Collection Costs	Disposal Costs	Carbon Reduction	Waste Reduction	Recycling Increase	Considerations
Green waste – free collections	↑ £	↑ £	X	X	✓	Will new burdens cover lost revenue?
Food Waste – collections for ALL households	↑ £	↓ £	✓	✓	✓	Not all households will participate
Fibres (paper and cardboard) - separate collections	↑ £	↓ £	✓	X	✓	Paper reducing Cardboard increasing
Glass (3 colours) - separate collections	↑ £	↓ £	?	X	✓	Increased remelt. Increase re-use?
Metals (4 grades)	↓ £	↑ £	?	✓	X	DRS avoidance causes innovative packaging
Plastics (8? types) – Extract all from EfW waste	↑ £	↑ £	X	?	X	New recycling streams needed. In area separation and baling?
Textiles (20+ types) – Extract all from EfW waste	↑ £	↑ £	✓	?	✓	EPR for textiles expected
Absorbent hygiene products – cost of disposal	↑ £	↑ £	X	X	X	Mitigation unknown

West London Waste
Treating waste as a valuable resource

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WEST LONDON WASTE AUTHORITY

Report of the Treasurer and Managing Director 24 June 2022

Finance Update May 2022

SUMMARY

This report provides an update on financial and operational matters. The key points are:

- Financial performance is broadly on track.
- Some work will be undertaken in the coming month to better forecast the Authority's share of electricity income form energy production for the year - this is one of the items of information that will also support the further development of the Finance Strategy.
- Operational performance is largely on track with one key exception on turnaround times resulting from a fire and crane failure at a transfer station.
- There were two delegated decisions.

RECOMMENDATION(S)

The Authority is asked to:-

1) Note the current financial position and forecast for 2022/23

2) Note the KPIs to date

3) Note the delegated decisions

1. Financial position – high level summary

A summary of the financial performance for the period and forecast to the end of the year is provided over the page. The summary shows how financial performance compares to the budget for both the period and the forecast for the year.

The overall performance for period 2 shows a favourable variance (i.e. underspend) of £0.137 million compared to budget. The favourable variance on employee costs of 21k is due to savings in Contracts, Abbey Road and Projects. There is a small underspend of £ 206k on Waste Transfer and Disposal costs but it is too early in the year to identify any patterns.

The Covid-19 impact is now wearing off and waste levels are budgeted to go back to pre-pandemic levels. However we are just two months into the new financial year and there is insufficient data to accurately forecast waste volumes going forward. On this basis future months have been forecast at budgeted levels. In particular at this stage it is difficult to predict the impact on waste flows (principally residual waste which accounts for the majority of spend). Other spending budgets are broadly on target.

The budget also includes as it did for financial year 2021/22, the financial effects of the new dry mixed recycling (DMR) contract for Ealing. This is cost neutral for the Authority but creates further variations in the WTD costs and Trade/Other Income.

High Level Summary

	P2 Budget £ 000s	P2 Actual £ 000s	P2 Variance £ 000s	Full Year Budget £ 000s	Full Year Forecast £ 000s	Full Year Variance £ 000s
Expenditure						
Employees	441	420	(21)	2,648	2,627	(21)
Premises	445	460	15	2,672	2,687	15
Waste Transfer and Disposal	8,260	8,054	(206)	49,558	49,352	(206)
MRF Waste Transfer and Disposal	358	310	(48)	2,148	2,100	(48)
Supplies and Services	200	207	8	1,198	1,206	8
Depreciation	1,635	1,717	82	9,809	10,300	491
Financing and Other	1,011	1,011	(0)	6,067	6,067	(0)
Concession Adjustment	(746)	(746)	0	(4,473)	(4,473)	0
	11,605	**11,433**	**(171)**	**69,628**	**69,866**	**238**
Income						
Levies	(10,759)	(10,759)	(0)	(64,552)	(64,552)	(0)
MRF Service Charge	(358)	(310)	48	(2,148)	(2,100)	48
Trade and Other	(355)	(369)	(14)	(2,128)	(2,142)	(14)
	(11,471)	**(11,437)**	**34**	**(68,828)**	**(68,794)**	**34**
(Surplus) / Deficit	**133**	**(4)**	**(137)**	**800**	**1,072**	**272**
PPP Contract Income and Adjustments	(133)	(133)	0	(800)	(800)	0
Net (Surplus) / Deficit	**(0)**	**(137)**	**(137)**	**(0)**	**272**	**272**
Actuarial (loss)/gain on pension liability	0	0	0	0	0	0
Total Income & Expenditure	**(0)**	**(137)**	**(137)**	**(0)**	**272**	**272**

The main variances are detailed in the standard breakdown in Appendix 1 which separates out the main types of waste streams and distinguishes between PAYT and FCL activities and summarises the following.

If we look at PAYT waste firstly, it has been more than 2 years since the Covid-19 pandemic began. As a result of more people returning back to work and resuming back to normality, residual PAYT loads have increased which in turn means costs have increased. Currently the forecast assumes the budgeted levels will continue for the year. This is on the basis that during the early months of the year, true waste patterns cannot easily be identified. We will be monitoring this and ensuring we are able to forecast trends more accurately.

Whilst residual tonnages are lower year to date by 6%, the costs are higher than budgeted due to costs being slightly higher than expected due to indexation. Also, in the months of April and May, more waste has gone to Lakeside direct delivered compared to budget, which has increased the costs.

Food and mixed organic waste spending combined were £9k less than budget reflecting the lower volumes of recyclable waste collected. The green waste spending was £42k lower than budget, reflecting seasonality. We should see this increase over the summer months.

There is an increase in depreciation as compared to the budget by £51k for the year due to the previous year end's property revaluations.

Secondly, in terms of FCL waste, there has been lower than budgeted HRRC volumes in turn leading to lower costs against budget. WTD costs were £243k lower than budget. Residual waste is the main component of HRRC waste costs. Once again, patterns, if any will become clearer over coming months.

There is a notional budget for the year in PPP Contract income for £800k principally driven by the market price of electricity. Given the 2021/22 prices and scale of Authority income, it is likely that the income will be more. Therefore over the coming months we will gather data and use different assumptions for future electricity prices to produce a range of forecasts to better understand the risks associated with them.

2. KPIs for 2022/23

Appendix 2 summarises the performance to the end of May.

Most indicators are on target (green) and the performance is reflected in the RAG rating and commentary. There is one red indicator on turnaround times which is a result of a combination of one off factors including a fire at a transfer station and a crane failure. There is one amber KPI on food waste. As reported previously, food waste tonnages should increase as the year goes on and projects progress and we will continue to monitor this indicator.

It is worth noting that from time to time the performance for a particular indicator may slip into amber or red, but the performance will be managed and actions undertaken to bring the indicator back to standard during the year. Additionally, given the cumulative nature of each individual indicator, an indicator is more likely to slip into amber or red in the early months.

3. Delegated decisions

To provide further transparency of operational arrangements, this standard section of the report summarises any significant financial decisions made since those reported to the last Authority meeting and not reported elsewhere in the agenda.

The Green Waste and Transport Contracts have been procured as detailed in the Contracts and Operations Report.

4. Impact on Joint Waste Management Strategy – Improvements to financial management in the Authority will continue to ensure that the Authority addresses policies of the JWMS.

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Appendix 1

Pay As You Throw	2022-23 YTD Period 2				2022-23 Full Year Forecast			
	Budget	**Actual**	**Variance**	**Commentary**	**Budget**	**Estimate**	**Variance**	**Commentary**
	£ 000s	**£ 000s**	**£ 000s**		**£ 000s**	**£ 000s**	**£ 000s**	**Full year forecast is based on 2 months actual and 10 months budget**
Waste - Residual	6,480	6,622	143	Collected waste volume is 6% less than budgeted, rates are slightly higher than budgeted due to indexation, and more waste has gone to Lakeside than budgeted.	38,877	39,036	159	
Waste - Food	65	57	(9)	YTD 5.2k tonnes of collected food waste	392	384	(9)	
Waste - Mixed Organic	0	0	0		0	0	0	
Waste - Green	311	269	(42)	Green waste savings against budget is expected to increase due to seasonality	1,866	1,824	(42)	
Waste - Other	126	90	(37)	Waste collected for Wood, Mattresses, Rubble	758	672	(86)	
Depreciation	1,399	1,450	51	Higher costs in line with revaluations.	8,396	8,700	304	Higher costs in line with revaluations.
Financing	188	188	0		1,129	1,129	0	
Premises	232	232	0		1,392	1,392	0	
Concession Accounting Adjustment	(640)	(640)	0		(3,838)	(3,838)	0	
Levy Income	(8,405)	(8,405)	0		(50,430)	(50,430)	0	
PAYT Net Expenditure	**(243)**	**(137)**	**106**		**(1,458)**	**(1,132)**	**326**	

Fixed Cost Levy	2022-23 YTD Period 2				2022-23 Full Year Forecast			
	Budget	**Actual**	**Variance**	**Commentary**	**Budget**	**Estimate**	**Variance**	**Commentary**
	£ 000s	**£ 000s**	**£ 000s**		**£ 000s**	**£ 000s**	**£ 000s**	**Full year forecast is based on 2 months actual and 10 months budget**
Employees	441	420	(21)	Savings made on vacancies not filled in budgets.	2,648	2,627	(21)	
Premises	213	228	15		1,280	1,295	15	
Waste - Residual	939	787	(153)	Collected waste volume is 6% less than budgeted	5,637	5,484	(153)	
Waste - Green	46	8	(38)	Costs likely to increase and be in line with budget in line with seasonality.	278	240	(38)	
Waste - Wood	139	83	(56)	Tonnages lower than budgeted but expected to get back to budgeted levels.	835	779	(56)	
Waste - Other	152	138	(14)	Tonnages lower than budgeted but expected to get back to budgeted levels.	915	933	19	
Waste - MRF	358	310	(48)	Nets out with income below.	2,148	2,100	(48)	
Supplies and Services	200	207	8		1,198	1,206	8	
Depreciation	236	267	31	Higher costs in line with revaluations.	1,413	1,600	187	Higher costs in line with revaluations.
Financing	663	663	0		3,976	3,976	0	
Revenue Funding of Debt	160	160	0		962	962	0	
Concession Accounting Adjustment	(106)	(106)	0		(635)	(635)	0	
Trade Waste and Other Income	(355)	(369)	(14)		(2,128)	(2,142)	(14)	
MRF Income	(358)	(310)	48	Nets out with costs above.	(2,148)	(2,100)	48	
Levy Income	(2,354)	(2,354)	(0)		(14,122)	(14,122)	(0)	
Fixed Cost Levy Net Expenditure	**376**	**133**	**(243)**		**2,258**	**2,204**	**(54)**	
(Surplus) / Deficit	**133**	**(4)**	**(137)**		**800**	**1,072**	**272**	
PPP Contract Income and Adjustment	**(133)**	**(133)**	**0**	Notional budget figure.	**(800)**	**(800)**	**0**	
Total Income & Expenditure	**0**	**(137)**	**(137)**		**0**	**272**	**272**	

Appendix 2

Key Performance Indicators 22/23

KPI		22/23 Target	Red Threshold	Description	Commentary about target	Cumulative May-22	Commentary about performance
Keep Waste Moving							
1	Diversion from Landfill %	95.00%	< 95% = Red	Percentage of residual waste collected in month sent to landfill (shows the tonnes of waste Suez have sent to landfill and the cumulative collected asbestos waste collected at Abbey Road).	Suez' contractual target is 3.9% max to landfill.	99.4%	
2	Turnaround times (% above 25 minutes) for borough vehicles	4.5%	> 5% = Red	Average vehicle turnaround times - taking waste to Transport Avenue, Victoria Road and Abbey Road. Total waste loads (cumulative) and over 25 mins	Contract turnaround time is 15 minutes but breach of contract is at 25 minutes and over.	12.6%	• Fire at TA • Crane out of use at VR • Lakeside unplanned outage (more waste to Suez sites during this period) • Some dropped trains Busiest time of the year.
Increase Efficiency							
3	Overall £/tonne	£85.09	> £93.31 (i.e. +5%) = Red	Looks at total tonnes collected cumulatively and the total spend of waste transfer and disposal.	Reflects boroughs budgeted tonnages.	£94.81	
4	Overall £/person	£28.92	> £32.40 (i.e. +5%) = Red	Total spend of waste transfer and disposal divided by total population of 6 boroughs (provided from ONS website).	Reflects boroughs budgeted tonnages.	£29.53	
Divert From Waste							
5	All waste - monthly kg per person	28.34	> 30 kg = Red	Total cumulative waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages.	25.96	
6	Residual waste - monthly kg per person	20.88	> 22 kg = Red	Total cumulative residual waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages. Food within residual should be reducing this figure.	19.93	
7	Food waste - monthly kg per person	1.91	< 1.64 kg = Red	Total cumulative food waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages. The Food waste investment of £500k per borough should drive this up.	1.54	We are expecting the tonnages to increase as the year goes on.
Effective Control							
8	People development	500.00	< 450 = Red	Total number of learning and development activities carried out in financial year (amongst total employees).	Includes monthly team meetings which has driven this to increase in FY23	22.00	
9	Staff turnover	15%	> 20% = Red	Cumulative leavers YTD against total budgeted staff.	Not a large staff number therefore can be skewed by minimal movement.	0.0%	
10	Sickness rate	2.0%	> 3% = Red	Cumulative sick days lost year to date.	In 2020, published figures show that sickness absence rates in public sector stood at at 2.7%. Have left target at 2% after considering the wide gap between the size of our workforce and those of other public sector organisations.	2.0%	
11	Paying suppliers promptly	30	> 32 days = Red	Average number of days to pay suppliers in the month.	Statutory level	13.50	
12	Maintaining cash flow (Minimising trade debt)	8%	> 10% = Red	Debt at end of period (percentage of non levy income excluding borough debt).	Reflects debt at end of period.	0.0%	
13	RIDDOR incidents at Abbey Road	0	> 1 = Red		Average over 3 years is 0.33. Given the fact that we have not had any in the past 2 years, the target is 0.	0.00	
14	Average time taken to complete the entire hazard card process from start to finish	5	> 10 = Red	Time (days) taken from when hazard was raised through to comments from site manager and H&S advisor.	Time (days) taken from when hazard was raised through to comments from site manager and H&S advisor.	0.00	

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