

If you require further information about this agenda please contact: Alison Atherton, Tel: 07825 726493. E-mail: alison.atherton@harrow.gov.uk.

West London Waste Authority

A meeting of the West London Waste Authority will be held in Meeting Room 4, First Floor - Harrow Council Hub, Forward Drive, Harrow on Friday 23 June 2023 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 meetings held on 20 January 2023 and 24 March 2023 (Pages 5 - 10)
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 2023/24

The remaining dates of the Authority in 2023 are:

Friday 22 September 2023 at 10.00am
Friday 1 December 2023 at 10.00am

Members are invited to agree the following dates of meetings of the Authority and Audit Committee for 2024 based on the existing pattern:

Friday 19 January 2024 at 11.00am (Audit Committee at 10.00am)
Friday 22 March 2024 at 10.00am
Friday 21 June 2024 at 10.00am
Friday 20 September 2024 at 10.00am
Friday 6 December 2024 at 10.00am

AUDIT ITEMS

- | | | |
|-----|---|-------------------|
| 6. | Internal Audit Report Procurement and Expenditure | (Pages 11 - 26) |
| 7. | Annual Internal Audit Report | (Pages 27 - 30) |
| 8. | 2021/22 External Auditors Report | (Pages 31 - 82) |
| 9. | Final 2021-22 Statement of Accounts | (Pages 83 - 136) |
| 10. | Draft Statement of Accounts for the year ending 31 March 2023 | (Pages 137 - 194) |
| 11. | Assurance Statements for the year ending 31 March 2023 | (Pages 195 - 212) |
| 12. | Risk Register | (Pages 213 - 216) |

AUTHORITY ITEMS

- | | | |
|-----|---------------------------------|-------------------|
| 13. | 2022/23 Business Plan | (Pages 217 - 224) |
| 14. | 2023/24 Business Plan | (Pages 225 - 236) |
| 15. | Contracts and Operations Update | (Pages 237 - 242) |
| 16. | Programmes Update | (Pages 243 - 250) |
| 17. | Finance Update | (Pages 251 - 258) |
| 18. | Human Resources Services Update | (Pages 259 - 260) |

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

Nil

Useful Information

Joining the Meeting virtually

The meeting is open to the public and can be viewed online at [London Borough of Harrow webcasts](#)

Attending the Meeting in person

The venue is accessible to people with special needs. If you have specific requirements, please contact the officer listed on the front page of this agenda.

You can access the agenda online at [Browse meetings - West London Waste Authority](#)

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

This page is intentionally left blank

At a meeting of the West London Waste Authority - Audit Committee held on Friday 20 January 2023 at 10.00 am at the Meeting Room 3, Fourth Floor - Harrow Council Hub.

Present:

Councillor Deirdre Costigan, Councillor Katherine Dunne, Councillor Eddie Lavery, Councillor Anjana Patel, Councillor Krupa Sheth and Councillor Julia Neden Watts

Robin Pritchard – Independent Member

1. Apologies for absence

There were no apologies of absence.

2. Declarations of interest

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

3. Minutes of the meeting held on 24 June 2022

RESOLVED: That the minutes of the meeting held on 24 June 2022 be taken as read and signed as a correct record.

4. Internal Audit HR and Payroll

Members received a report which set out details of an audit undertaken as part of the Authority's 2022/23 Internal Audit Plan.

Mike Pinder, Internal Auditor, outlined the content of the report which explained that the purpose of the audit was to review the robustness of the Authority's controls in place in relation to Human Resources and Payroll processes.

Whilst recognising that it was clear that there had been no authorised payments made, a Member questioned what checks were in place and sought clarification on the £5,000 payment request and completion of Disclosure Barring Service (DBS) checks. Mr Pinder advised that whilst some payment forms had been sent by HR to Payroll without the necessary manager authorisation the Payroll team had been diligent and spotted the error and stopped payment being made. In terms of DBS checks, Members were advised that there was a new provider and that all employees would be checked under the new system by the end of March 2023.

In response to a question about the review of policies and procedures, the Internal Auditor advised that this ideally should be done on an annual basis and also if there was a change in legislation. It was good practice to carry out such reviews.

Jay Patel, Finance Director, advised the Committee that in terms of reported gaps in the HR recruitment process whilst it had taken a few months controls were now in place.

RESOLVED: That the report be noted.

5. Internal Audit Abbey Road

Members received a report which set out details of an audit undertaken to review the robustness of the Authority's controls in place in relation to the Abbey Road processes with a focus on Administration and Asset Management.

The Independent Member suggested that there needed to be discussions between the officers and the Internal Auditor about some of the terminology as there appeared to be a disparity as to what was 'high risk' in both this and the previous report. Mike Pinder, Internal Auditor indicated that whilst he would not wish to have separate definitions he would discuss this with the Authority's Finance Director.

RESOLVED: That the report be noted.

6. External Audit Update

The Committee received a report which provided an update on the external audit arrangements. Andrew Brittain and Larisa Midoni, Ernst Young, were in attendance via MS Teams.

Jay Patel, Finance Director, introduced the report and advised that it was now expected that the external audit would be completed in March 2023 and he also provided an update on the issue of audit fees. He added that KPMG would be the Authority's auditors for the 5 year accounts from 2023/24 and would present their audit plans to a future meeting.

In response to a question from the Treasurer, Andrew Brittain explained that the delay in the completion of the audit was due to a combination of factors and constraints across the sector. There were delays in the 2021/22 audit which had had a knock on impact on 2022/23 but he advised that there had been substantial investment in resources to resolve this issue prior to the hand over to KPMG.

RESOLVED: That the report be noted.

7. Risk Register

The Committee received a report which provided the Authority's updated Risk Register.

Jay Patel, Finance Director, introduced the report and highlighted the key points.

RESOLVED: That the content of the Risk Register, set out in Appendix 2 to the officer report, be noted.

The meeting finished at 10.28 am.

The minute taker at this meeting was Alison Atherton.

At a meeting of the West London Waste Authority held on Friday 24 March 2023 at 10.00 am at the Meeting Room 4, First Floor - Harrow Council Hub, Forward Drive, Harrow.

Present:

Councillor Deirdre Costigan, Councillor Katherine Dunne, Councillor Anjana Patel and Councillor Julia Neden Watts

Apologies for Absence

Councillor Eddie Lavery and Councillor Krupa Sheth

53. Apologies for absence

Apologies for absence were received from Councillor Eddie Lavery and Councillor Krupa Sheth.

46. Declarations of interest

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

47. Minutes of the meeting held on 20 January 2023

RESOLVED: That the minutes of the meeting held on 20 January 2023 be taken as read and signed as a correct record.

48. Contracts and Operations Update

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

Beth Bayley, Contracts Manager, outlined the contents of the report and advised that the SERC contract was running well and that the impacts of the recent rail strikes had been minimal due to contingency arrangements. She reported that the improvement projects were being delivered at all Boroughs' HRRCs and that the Environment Directors had recommended that unspent HRRC improvement funding was rolled over into the next financial year to enable the completion of projects.

A Member welcomed the receipt of timely information if an incident occurred and stated that it was pleasing to hear that contingencies were holding up well. Following the incident involving batteries in the shredder, Peter Tilston, Projects Director, advised that there would be a focus on communications in relation to batteries, barbecues and fires in general.

In response to a question about the Electricity Generators Levy, Jay Patel, Finance Director, advised that the contractor had indicated that pricing over the last quarter only applied January to March so there would not be any impact in the current financial year.

Members noted that, following the letters from waste authorities to the Treasury in relation to this potential tax, the guidance was currently being drafted and it was hoped that there may be a positive outcome in that the Authority's income would not be affected.

RESOLVED: That the carry-over of unspent HRRC Improvement funding into the next financial year (2023/24) be approved.

49. Food Recycling Projects Update

Members received a report which provided an update on the Authority's Food Waste Investment in Borough Business Cases that had been approved in September 2020.

Peter Tilston, Projects Director, outlined the content of the report and, in response to a question, confirmed that Harrow had the highest capture of waste as the service had been running for longer than in other boroughs. Both Brent and Richmond had been impacted by contractual arrangements whilst Harrow and Hillingdon were the majority of the way through the investment. Hillingdon and Hounslow had achieved over and above the returns they had been looking to deliver.

A Member commented that it was challenging to read the latest position given the amount of effort put in to reduce food waste and also food waste being placed in residual waste. Progress appeared to be slow and there were challenges being faced by the Authority which may not be clear to an observer. Emma Beal, Managing Director, advised that there were potential opportunities but that legislation may provide some consistency across boroughs.

RESOLVED: That the report be noted.

50. Annual Procurement Plan 2023/24

Members received a report which provided details of the Authority's Annual Procurement Strategy for the year 2023/24.

Beth Bayley, Contracts Manager, introduced the report and drew attention to Tables 1 and 2 which provided details of the anticipated procurements requiring Chief Officer and Member approval and the circular economy procurements that fell under the Authority's Social Value and Reuse Programme.

RESOLVED: That the Annual Procurement Plan for 2023/24 be approved.

51. Finance Update January 2023

Jay Patel, Finance Director, introduced the report which provided an update on financial and operational matters. He reported that the financial performance was strong and that operational performance was reasonably good.

In response to a question as to why the commercial site had been closed, the Members were advised that whilst the detail was not known there was a planning application and therefore the site might not continue as a waste site which could be good for the Authority. A number of waste sites in the region were being targeted for development and were only protected within the remit of the waste plan. The level of protection may require review,

RESOLVED: That (1) the financial position and forecast for 2022/23 be noted;
(2) a reserve to carry forward unspent HRRC funding so that it remained available for boroughs to use in 2023/24 be approved;
(3) the Key Performance Indicators be noted;
(4) the delegated decisions be noted.

52. Exclusion of the Press and 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 item(s) for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
8.	SERC Capacity Increase Update	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

54. SERC Capacity Increase

Emma Beal, Managing Director, introduced a confidential report which provided an update on the SERC capacity increase.

RESOLVED: That the report be noted.

The meeting finished at 10.56 am.

The minute taker at this meeting was Alison Atherton.

This page is intentionally left blank

Internal Audit Report 2022/23

West London
Waste Authority

Final Report
April 2023

Procurement and Expenditure

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



Executive summary (1 of 2)

Summary of findings

This audit has been undertaken as part of the West London Waste Authority (WLWA) 2022/23 Internal Audit Plan.

The purpose of the audit was to review the robustness of the WLWAs controls in place in relation to Procurement and Expenditure. The audit focused on procurement policies, procedures and legislation, selection of contractors to invite to tender / quote, authorisation /approvals, expenditure policies, procedures and legislation, suppliers, delegated authority limits and segregation of duties, transaction process and supporting documents, payment terms, credit cards, reconciliations, and management reporting / monitoring.

We found weaknesses in relation to contracts in place / signed, setting up of suppliers and amending supplier details along with segregation of duties issues when ordering and authorising payments.

We have raised actions to mitigate one High Risk finding, two Medium Risk finding and one Low Risk finding.

Key findings

High Risk

- **Contracts** – None of the procurement cases examined had signed contracts in place.

Medium Risk

- **Suppliers** – Weak evidence to demonstrate checks performed and a lack of instruction on amendments to supplier details.
- **Segregation of Duties** – Managers can and do make orders and authorised their own purchases.

Low Risk

- **Credit Cards** - Credit card expenditure is not monitored by line managers.

Executive summary (2 of 2)

- 1 **Contracts**
- 2 **New and Amendments to Supplier Details**
- 3 **Segregation of Duties**
- 4 **Credit Card Checks**

High

Medium

Medium

Low

By Scope Area

	Critical	High	Medium	Low	Advisory
Policies, procedures and legislation (Procurement)	0	1	0	0	0
Selection of contractors to invite to tender/ quote.	0	0	0	0	0
Tender and evaluation	0	0	0	0	0
Authorisation / approvals	0	0	0	0	0
Policies, procedures and legislation (Expenditure)	0	0	0	0	0
Suppliers	0	0	1	0	0
Delegated authority limits and segregation of duties	0	0	1	0	0
Transaction process and supporting documents	0	0	0	0	0
Payment terms	0	0	0	0	0
Credit Cards	0	0	0	1	0
Reconciliations	0	0	0	0	0
Management reporting / monitoring	0	0	0	0	0
Total	0	1	2	1	0

Background and scope (1 of 2)

Background

The WLWA have large contracts in place for all elements of the waste and recycle operations. There is a procurement policy in place and an annual procurement plan which is presented to the Board each year. Purchasing outside of the operational contracts (purchases not featured in the waste system) are managed separately and are relatively small in comparison. It is estimated that this side of the accounting receives around a 1000 invoices per year.

The purpose of this audit is to assess the management of Procurement and Expenditure.

Background and scope (2 of 2)

Scope

The audit work focused on the following areas –

- **Procurement including –**

- Policies, procedures and legislation.
- Selection of contractors to invite to tender or quote.
- Tender invitation and evaluation.
- Authorisation / approvals.

15

- **Expenditure including –**

- Policies, procedures, and legislation.
- Suppliers.
- Delegated Authority limits and segregation of duties.
- Transaction process and supporting documents.
- Payment terms.
- Credit cards.
- Reconciliations.
- Management reporting / monitoring.

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)

Formalising Contracts Delay

Control Design

1

High

Finding and root cause

We examined the procurement process for the following contracts –

- West London Composting (Green Waste)
- Matt UK (Mattresses)
- Circom (Mattresses)
- DSSL (CCTV)

The CCTV procurement was not a contract but involved the WLWA purchasing equipment and installation by the supplier chosen via procurement exercise. The WLWA have contracted with DSSL for maintenance of the cameras but the contract is has yet to be provided.

The Matt UK and Circom contracts are with HB Law and have been with them to pull together since September 2022. We were provided with evidence that the WLWA have been asking for the contracts to be completed.

We were advised on the 27th February 2023, that the West London Composting contract was almost ready and needed some information added. This was also sent to HB Law in September 2022.

Implications

- Unplanned costs to the WLWA
- Disagreements which are difficult to resolve without a signed contract
- The retraction of service without notice.

Action plan

- 1) We will consult with HB Law to ensure that there are appropriate legal cover /arrangements in place to mitigate the WLWA's risk in the absence of signed contracts and SLA's being in place.
- 2) We will review the Legal Service arrangements to determine if the current service is fit for purpose or if improvements can be agreed with HB Law.
- 3) We will meet monthly with HB Law to ensure work is being progressed as agreed.

Responsible person/title

Beth Baylay (Contracts Manager)

Target date

30th June 2023

Current year findings (2 of 4)

New Set Up and Amended Supplier Details

Control Design

2

Medium

Finding and root cause

Instances of fraud or attempts to commit fraud are common in the supplier set up or amendment to supplier bank details.

New suppliers are set up by Finance once details are verified. The checklist used covers three validation topics including -

- Supplier Contact Details – this includes questions such as VAT and company registration information as well as contact details.
- Vendor Details – this includes payment terms and basic company details.
- Supporting Documents – This is where checks are made for headed paper letters, banking, tax and NI information and the sign off from the Head of Service.

We found that there was clear instructions for new suppliers but nothing for amendments to supplier details. We were informed that the same process is followed but it does not inform staff to verify amendment request via a telephone call using the existing telephone information and not the telephone noted on the amendment request which is a key control to prevent fraud.

We examined the checklists for five new supplier set ups and found the following issues –

- 3/5 did not have the Head of Service sign off on the checklist.
- 1/5 was a sole trader but the National Insurance Number was not provided as per policy notes on checklist.
- 1/5 showed no evidence of paying tax yet the checklist is ticked to show tax information was checked. There was nothing in the information on file to show the suppliers tax position.
- 1/5 required CIS confirmation but this was not checked off the checklist. The information was requested.
- 5/5 did not note who requested the supplier to be set up.
- The checks made and results are not noted or evidenced with screen prints or summary conclusions.

We examined five amendments to suppliers which were selected randomly and were all bank detail changes –

- None of the cases checked did not note if verification / confirmation telephone calls were made using the existing details to ensure the request came from a genuine officer from the supplier. No notes on who contacted were provided.
- A request to change bank details from the London Borough Brent was on headed paper but included a link to the back details which did link to Brent but not to a working page.

We would like to note that improvements were immediately put in place and the risk score has been reduced to reflect this.

Implications

- Successful fraud attempts due to flawed verification process.
- Inconsistency due to a lack of instructions for amendments to supplier details
- Tax liability where the tax position of suppliers is not verified.
- Lack of ownership if fraud is found but no evidence of original request to set up or amend supplier details.

Action plan

- 4) The New Supplier Set Up Instructions are updated to include instructions on what to do if a supplier amendment request is made.
- 5) Supporting documents and screen shots showing checks from the checklist have been performed and the outcome of the successful checks.
- 6) Confirmation calls are noted giving details of what number was used and who the call was made to.
- 7) Requestors for new suppliers are noted on file.
- 8) Requests are not accepted unless fully signed off by the requestor and Head of Service.
- 9) The Finance Manager signs the checklist to confirm checks performed by a different office

Responsible person/title

Sapna Dhanani (Finance Manager)

Target date

31st March 2023

Current year findings (3 of 4)

Segregation of Duties

Operational Effectiveness

3

Medium

Finding and root cause

The WLWA expenditure outside of the main waste business transactions is relatively small. We were informed that under 1,000 invoices were received each year. However, there still needs to be robust controls in place to control the workflow to reduce the risk of fraud and error.

We examined a sample of 17 transactions from the previous 12 months and found the following –

- There was no formalised segregation of duties process which meant that budget holders could order and approve their own expenditure. We found two examples of this in the sample with a value of £3000. The authorisation limits for invoices range from £5000 to £1,000,000.
- One of the Managers approving the transaction within our sample, is also the person who makes the orders. Within our testing, the three purchases were in this Managers area were all approved by SLT as they were companywide purchases such as a facilitator for leadership meeting. As this Manager works on her own, there would be no segregation of duties in other purchases. This was proven when I enquired about one of the transactions listed in the budget report which appeared to be questionable. The line Manager confirmed that this was not authorised expenditure and should not have been made without permission.
- Another Officer ordered IT equipment and authorised the invoice.

Implications

- Unauthorised or fraudulent transactions are made due to a lack of segregation of duties.
- Payments are made without adequate backing papers on file to complete an audit trail.

Action plan

1) Purchase orders are introduced to ensure that segregation of duties is in place to ensure that individuals are not ordering and authorising payments.	Responsible person/title Sapna Dhanani (Finance Manager)
2) Managers / budget holders are reminded to retain documents to support any orders / expenditure to complete	Target date 30 th June 2023

21

the audit trail.

- 3) Line Managers of budget holders should check the expenditure on budget monitoring reports to deter financial abuse.
-

Current year findings (4 of 4)

Credit Card Checks

Control Design

4

Low

Finding and root cause

Credit cards are in place for four officers within the WLWA staffing structure. Each officer has signed an agreement that agrees to use the cards responsibly.

Card Holder Job Title
Strategic Development Lead
Finance Project Manager
Finance Director
Finance Manager

We examined the card statements and receipts / invoices for the above card holders for a random five months and found the expenditure to be business related in all cases. We also checked the journals to ensure the card expenditure was placed in the correct budget.

The statements are checked by a finance officer during the reconciliation process and would highlight unusual purchases. However, we did note that none of the statements are checked by the cardholder's line management to ensure each transaction is valid, authorised and a genuine business expense.

Implications

Financial misuse if card expenditure is left unchecked.

Action plan

- 1) At least quarterly, line managers are provided with statements from card users under their management to check and challenge if necessary.

Responsible person/title

Sapna Dhanani (Finance Manager)

Target date

30th June 2023

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

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

High

A finding that could have a:

- **Significant** impact on client's operational performance; or
- **Significant** impact on client's monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequence for the clients; or
- **Significant** impact on the reputation or brand of the client.

Medium

A finding that could have a:

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

Low

A finding that could have a:

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

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.

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 2022/23.

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 Apr 22 to Mar 23.

2. Background

This report outlines the performance of Internal Audit from Apr 2022 until March 2023 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 2022/23.
- An overview of the WLWA's risk exposure and overall system of internal control.
- The work undertaken by internal audit in 2022/23.
- 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 2022/23 Plan. 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 2021/22 opinion which was also reasonable.

Internal Audit performed audits on three areas, Abbey Road Processes, Procurement and Expenditure and HR and Payroll. Two of the three reports received Reasonable Assurance and one report received Limited Assurance. The assurance levels for each report are summarised in the table below:

Substantial	0
Reasonable	1. Abbey Road Processes 2. Procurement and Expenditure
Limited	1. HR and Payroll
Nil	0

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

<u>Assurance Level</u>	<u>Definition</u>
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 2022/23. 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	Procurement and Expenditure	A review of procurement processes running through to actual expenditure.	Finalised (Reasonable)	June 2023
2	HR/Payroll (WLWA Side)	A review of HR and payroll controls operated by WLWA.	Finalised (Limited)	January 2023
3	Abbey Road Processes	To consider operational controls for the site and financial controls such as procurement cards, income and assets management.	Finalised (Reasonable)	January 2023

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	4	
Number of medium risk findings	7	
Number of low-risk findings	1	
Number completed	5	46%
Number in progress	2	18%
Not implemented	1	9%
Not yet due	3	27%

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	HR and Payroll	Missing Documentation / Non-Compliance	High Risk	31 st December 22. An extension was agreed to 31 st March 23 and then to the end of April 23.	The service recently transferred to a new line manager. They are reviewing the progress and have asked for a further
2	HR and Payroll	DBS and Qualification Checks	High Risk	31 st December 22. An extension was agreed to 31 st March 23	

				and then to the end of April 23.	extension to Dec 2023
3	HR and Payroll	Policies and Procedures	Medium Risk	31 st March 23	
4	Procurement and Expenditure	Formalising Contracts Delay	High Risk	30 th June 23	Not yet due
5	Procurement and Expenditure	Segregation of Duties	Medium Risk	30 th June 23	Not yet due
6	Procurement and Expenditure	Credit Card Checks	Low Risk	30 th June 23	Not yet due

**West London Waste
Authority
Draft audit results
report**

Year ended 31 March 2022

23 June 2023

31

Agenda Item 8
Pages 31 to 82

EY

Building a better
working world

Private and Confidential

31 May 2023

West London Waste Authority Audit Committee
Unit 6, Britannia Court, The Green
West Drayton
UB7 7PN

Dear Audit Committee Members

We are pleased to attach our draft audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of West London Waste Authority for 2021/22. We will present our draft report at the Audit Committee and Authority meetings scheduled for 23 June 2023.

We have substantially completed our audit of the Authority for the year ended 31 March 2022.

Subject to the adequate resolution of the outstanding matters listed in our report, we confirm that we anticipate being in a position to issue an unqualified audit report on the financial statements in the form stated at Section 03. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. This draft report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee and Authority meetings on 23 June 2023.

Yours sincerely

Andrew Brittain

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

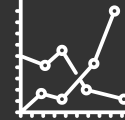
01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money



06 Other Reporting Issues

07 Assessment of Control Environment

08 Data Analytics

09 Independence

10 Appendices

33

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of West London Waste Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of West London Waste Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of West London Waste Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 21 January 2022 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.37m (Audit Planning Report – £1.28m). This results in updated performance materiality, at 75% of overall materiality, of £1.02m (Audit Planning Report – £0.96m), and an updated threshold for reporting misstatements of £0.07m (Audit Planning Report – £0.06m).

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.



Executive Summary

Status of the audit

Our audit work in respect of the Authority opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Assessment of the impact of the Triennial Valuation on the pension liability as accounted for in terms of IAS 19. Refer to page 13
- ▶ Signed Management Representation letter on Authority letterhead
- ▶ Completion of the Whole of Government Accounts return once the group instructions have been received and all other audit tests are complete
- ▶ Completion of subsequent events assessment

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion. Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Narrative Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that some key disclosures remain to be finalised and audited.



Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

37

Status of the audit - Value for Money

We have previously reported to the Committee the changes in the arrangements to the VFM code. We updated the committee with the results of our risk assessment work in the update provided at the June 2022 meeting, assessing one potential risk of significant weakness in the arrangements in place against the Informed Decision Making criteria.

As at the date of this report we are not reporting any significant weakness in arrangements although we cannot formally conclude and issue an audit certificate until we have completed all procedures on the Authority's value for money arrangements for the year ended 31 March 2022. This includes the reporting of the outcome of our work in our VfM commentary on those arrangements within the Auditor's Annual Report. We have communicated to you that the NAO has allowed for the Auditor's Annual report to be provided up to three months after signing the accounts. Please refer to Section 05.



Executive Summary

Audit differences

As at the date of this report, we are reporting three audit adjustments greater than our reporting threshold of £1.02m, which has been amended by management in the statement of accounts. These adjustments relates to:

- Property valuation amendments as per updated report sent by Vail Williams
- Disbursement of excess revenue share from WLERL to Boroughs
- CIES Actuarial Gain(loss) on Pension Liability - Pension Adjustment as per updated IAS19 report
- Prior year misstatement as a result of netting off within the revaluation reserve relating to Land & Buildings

Please see further details on Section 04 of the report.

There are currently no uncorrected misstatements greater than our reporting threshold for uncorrected misstatements of £0.7m.

There have been a number of presentational and disclosure amendments which we have identified and these have been corrected by management. See Section 04 of this report for further details of the misstatements.

38

Objections

We have received no objections to the 2021/22 accounts from members of the public.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission due to the delays in the central guidance. This work will be completed once the financial statements are finalised and will be completed in line with NAO's timeline.

We have no other matters to report.



Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of West London Waste Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

69

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. During the audit, we did not identify any significant deficiencies in the internal control environment.

Independence

In our Audit Plan presented at the 21 January Audit Committee meeting we did not identify any independence issues.

Please refer to Section 09 for our update on Independence.



40

02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

As a result, there is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

We identify and respond to this fraud risk on every audit engagement.

4

What did we do?

- ▶ Assessed fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Obtained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the design effectiveness of management's controls to address the risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, reviewing accounting estimates for evidence of management bias and evaluating the business rationale for significant unusual transactions.

What are our conclusions

Our risk assessment has not revealed any significant fraud risks.

Our testing has not identified any material uncorrected misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.



Areas of Audit Focus

Significant risk

Valuation of Property, Plant and Equipment

What is the risk?

The current value of Property, Plant and Equipment represent a significant balance in the Authority's accounts, totalling approximately £240m and it is subject to valuation changes, impairment reviews and depreciation charges. There is a risk that even a small movement in valuation could have a material impact on the Comprehensive Income and Expenditure Statement and on asset carrying values.

The approach undertaken by management is to revalue all PPE assets at least every five years and to review the residual value, useful life and depreciation method as well as to identify any indicators of impairment at least at each financial year-end. The Authority undertook a full valuation of assets during the financial year-end 31 March 2022.

42

What did we do?

In order to address this risk we have carried out a range of procedures including:

- ▶ considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ assessed the reasonableness of the valuer's valuation approach and assumptions applied including any change to useful economic lives and the completeness and accuracy of the source data used in the valuation models;
- ▶ considered the sufficiency of Authority's challenge of valuer's work
- ▶ assessed accounting estimates for evidence of management bias;
- ▶ identified whether management has performed an appropriate impairment review and the results have been appropriately considered in the account balances and financial statements disclosures; and
- ▶ considered the potential impact of Covid-19 on valuation uncertainties while also evaluating the need to involve our internal specialist valuations team; and
- ▶ tested that the accounting entries have been correctly processed in the financial statements.
- ▶ ensured that appropriate and sufficient disclosures regarding the assets valuation are included in the financial statements

What are our conclusions

Based on the procedures we have performed, we have reached a conclusion that Property, Plant and Equipment is fairly stated at £240m in the year end accounts and that management have fairly reflected the fluctuation in the value of the Severn Energy Recovery Centre that is estimated to have occurred during the year. We have however, identified a material misstatement in the accounting entries processed relating to the revaluation of property, plant and equipment.

Please see further details on Section 04 of the report.



Areas of Audit Focus

Significant risk

Miscellaneous Income

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. Revenue in this context has been modified by Practice Note 10 which states that auditors should also consider the risk that material misstatements due to fraudulent financial reporting may arise for the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). This may arise due to the audited body manipulating expenditure to meet externally set targets.

Included in the accounts of the Authority is Miscellaneous Income which relates to WLWA's share of SERC capacity increase and is recognised as an accrual. We have presumed revenue recognition risk due to error or fraud related to calculating and determining the amount to be accrued. In addition, rising electricity price since Jan 2022 will potentially increase the income sharing slice under PPP contract, this benefit will possibly be shared with its commissioning councils.

What did we do?

In order to address this risk we have carried out a range of procedures including:

- We held discussions with management to gain an understanding with regards to method of calculating the miscellaneous income and challenge managements judgement
- obtained and inspected supporting evidence (e.g., executed contract, cash receipts, invoice) and determine whether revenue was accounted for correctly.
- Reviewed and tested the treatment/disclosure of potential liability occurred from sharing benefit with councils.

What are our conclusions

Based on the procedures we have performed, we identified that at the financial year end, there should be a possible obligation for the excess share which is to be paid to the commissioning council and therefore, a provision should be raised in terms of IAS 37. A finding was raised which was subsequently corrected by management. Refer to page 24.



Areas of Audit Focus

Other areas of audit focus and inherent risk

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<p><u>Pension Liability Valuation</u></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the London Pensions Fund Authority (LPFA) Pension Fund.</p> <p>The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on Authority's balance sheet. At 31 March 2022 this totalled £8.0 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the London Pensions Fund Authority (LPFA). Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Our work includes:</p> <ul style="list-style-type: none"> ▶ Liaising with the auditors of the LPFA, to obtain assurances over the information supplied to the actuary in relation to Authority; ▶ Assessing the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▶ Reviewing and testing the accounting entries and disclosures made within the West London Waste Authority's financial statements in relation to IAS19. <p>At the time of issuing our report, our work in this area remains outstanding as we are still reviewing the impact of the 2022 Triennial Valuation. This requires preparers and auditors of accounts to consider the recently completed triennial valuation and whether this has an impact on the pension valuations currently stated within accounts, and make adjustments if appropriate. We will update the Audit Committee at the meeting on 23 June.</p>



Areas of Audit Focus

Other areas of audit focus and inherent risk

What is the risk/area of focus?

What did we do?

Public-Private Partnership (PPP)

The Authority has a PPP arrangement with WLER. This is a PPP for the construction and operation of the Severn Energy Recovery Centre (SERC). The total value of the investment was estimated to be £104.6 million as at 31 March 2022.

We have:

- ▶ included a review of the assumptions used in the PPP accounting model to assess whether there have been any changes since our initial review;
- ▶ commented on adjustments, if any, by the Authority;
- ▶ reviewed the planned entries and disclosures for the Authority's 2021/22 accounts and ensured that they are reported in line with the standards.

We have concluded in our testing that the liability from the PPP has been correctly recorded in the accounts.

45 IFRS 16 preparedness note and disclosure requirement

IFRS 16 does not come into effect for the majority of LG financial statements until 1 April 2022. However, Local Government finance teams should be acting now to assess authority's leasing positions and secure the required information to ensure compliance with the 2022/23 Code of practice on local authority accounting.

The new leases standard for local government has now been deferred until 24/25 thus we did not add an inherent risk with respect to IFRS 16.



Areas of audit focus

Other areas of audit focus and inherent risk

What is the risk/area of focus?

Assessment and disclosures on Going Concern

Covid-19 has created a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources.

There remains a presumption that the Authority will continue as a going concern for the foreseeable future. However, the Authority is required to carry out a going concern assessment that is proportionate to the significant risks it faces. In light of the continued impact of Covid-19 on the Authority's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Authority to ensure its going concern assessment is thorough and appropriately comprehensive.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Authority's assessment will also need to cover this period. The Authority is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

What did we do?

We are required to meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Authority's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Authority's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.

We discussed the detailed implications of the revised auditing standard with finance staff and noted the information provided in the committee papers, budget and the Medium Term Financial Strategy (MTFS) in support of the going concern disclosure.

At the time of writing this report, our going concern procedures are substantially complete and we have not identified any material uncertainties with regards to going concern and the going concern disclosures in the statement of accounts are deemed reasonable.



47

03 Audit Report



Audit Report

Draft audit report

NB This is a draft report - our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST LONDON WASTE AUTHORITY

Opinion

We have audited the financial statements of West London Waste Authority (the 'Authority') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of West London Waste Authority as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of

Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGNO1, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.



Audit Report

NB This is an draft report - our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

Other information

The other information comprises the information included in the Narrative Report set out on pages 2 to 8 , other than the financial statements and our auditor’s report thereon. The Treasurer is responsible for the other information contained within the Narrative Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended);
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended);
- ▶ we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.



Audit Report

NB This is a draft report - our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

Responsibility of the Treasurer

As explained more fully in the Statement of the Treasurer’s Responsibilities set out on page 9 , the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Treasurer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor’s responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.



Audit Report

NB This is a draft report - our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- ▶ Local Government Act 1972,
- ▶ Local Government Act 2003,
- ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 ,2020 and 2022,
- ▶ Waste and Emissions Trading Act 2003,
- ▶ The Local Audit and Accountability Act 2014 (as amended), and
- ▶ The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

▶ We understood how the West London Waste Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority's policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

▶ We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

▶ To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue and expenditure, we obtained the Authority's manual year end income accruals, challenging assumptions and corroborating the income and expenditure to appropriate evidence.

▶ To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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



Audit Report

NB This is a draft report - our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether West London Waste Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West London Waste Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the West London Waste Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

We will report the outcome of our work on the Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of West London Waste Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading, UK



53

04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

During the audit, we identified the following misstatements with an impact on the face of the financial statements greater than £1.02m that was adjusted by management.

54

Title	Error type	Account Line	Balance Sheet		Movement in Reserves Statement	
			Debit	Credit	Debit	Credit
Pension Adjustment to agree to the IAS 19 report (before triennial adjustment)	Known	Actuarial Gain (loss) on Pension Liability			£1.1m	
		Pension Liability		£1.1m		
Disbursement of excess revenue share from WLERL to Boroughs which was not provided for	Known	Other supplies and payments			£6.5m	
		Creditors		£6.5m		
Revaluation of PPE based on the full valuation exercise performed by the expert valuers (this was not recorded in the initial set of accounts)	Known	General fund account			£30m	
		Depreciation				£1.8m
		Capital Adjustment account				£20m
		Revaluation Reserve			£1.8m	
		Reversal of loss on revaluation (I&E)				



Audit Differences (continued)

Summary of adjusted differences (continued)

During the audit, we identified the following misstatements with an impact on the face of the financial statements greater than £1.02m that was adjusted by management.

Title	Error type	Account Line	Balance Sheet		Movement in Reserves Statement	
			Debit	Credit	Debit	Credit
Revaluation of PPE - Difference between PPE note and FAR	Factual	Revaluation Reserve				£9.942m
		Capital adjustment account			£9.939m	
		Property, Plant and Equipment	£0.003m			
			£0.003m	£7.6m	£49.3	£41.7
				£7.6		£7.6

55

In addition, a prior year misstatement of £9.7 million between Usable and Unusable Reserves was identified as disclosed in note 31. The land and building revaluation gains and losses were netted off instead of being accounted separately for land and separately for buildings. This resulted in prior losses on land being reversed against the revaluation surplus instead of through the income statement. As a result, the Revaluation Reserve was understated by £9.7 million and the General Fund being overstated by £9.7million.

We note that various disclosure adjustments to the accounts were proposed and accepted by management over the course of the audit. The following disclosure notes were adjusted by management from the initial version of the accounts presented to us:

- 1) Narrative report (various)
- 2) Note 31 - the addition of a Prior period error disclosure note

Summary of unadjusted differences

As at the date of this report there was one unadjusted mis-statement of £162k which is above our reporting threshold of £68k which we need to bring to the attention of the Audit Committee. This related to an overstatement of pension fund liability due to the timing of IAS19 report issuance. This amount will updated after the outcome of the review of the updated assumptions relating to the triennial valuation and its impact on the Pension Liability and the related disclosure.

We will provide an update at the Audit Committee meeting.



56

05 Value for Money





Value for money

The Authority's responsibilities for value for money (VfM)

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide a commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

In the performance of our risk assessment procedures, we identified one risk of a significant weakness in the Authority's VfM arrangements relating to the Informed Decision Making reporting criteria:

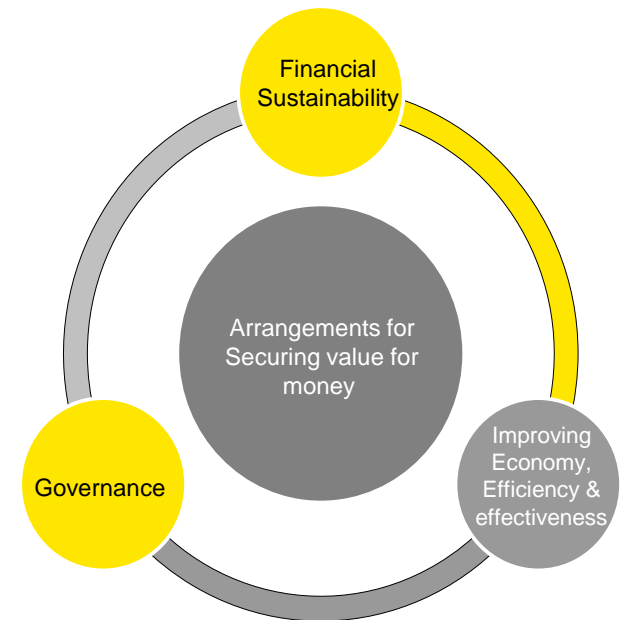
- In relation to the SERC waste process volume increase

57 What we did:

- Established the current status of the SERC contract with third party
- Obtained an understanding of the negotiation process in relation to revenue sharing under the increased waste process volume.
- Obtained evidence of the 2021/22 governance arrangements and evaluate the process of decision making on allowing for increased waste process volume
- Reviewed the outcomes of negotiation and comment on how management has responded to the issues raised and mitigated the risks identified

Status of our VfM work

In summary, no significant weakness in arrangements were identified for the Authority although we cannot formally conclude and issue an audit certificate until we have completed all procedures on the Authority's value for money arrangements for the year ended 31 March 2022. We are satisfied this does not have a material effect on the financial statements. We will report of the outcome of our work in our VfM commentary on those arrangements within the Auditor's Annual Report. We have communicated to you that the NAO has allowed for the Auditor's Annual report to be provided up to three months after signing the accounts. We will then also be able to certify the completion of the audit at that time.





06 Other reporting issues

Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

59

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are yet to commence our work in this area due to delays in the central guidance and will report any matters arising to the Audit Committee.

Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report in connection with the above.



61

07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. Based on our procedures performed, we did not identify any significant deficiencies in internal controls.

We also note that in previous audits there was one recommendation made which was as follows below:

- During previous audits we identified one observation in relation to management's financial processes and controls: management has taken an approach to revalue its land and buildings on a five-year basis. As per CIPFA Code of practice on local authority accounting, assets are normally revalued once every five years for each class of assets, provided that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. Thus, we would recommend that sufficient due care and level of detail is applied by the Authority in assessing the appropriateness of valuation of its land and buildings at each reporting date. The changes in the operating environment due to Covid-19 reinforce this need.

The Authority undertook a full valuation of assets during the financial year-end 31 March 2022 and as a result no other issues were noted during our 21/22 audit work with respect to the recommendation raised above.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



03

08 Data Analytics



Journal Entry Testing

What is the risk?

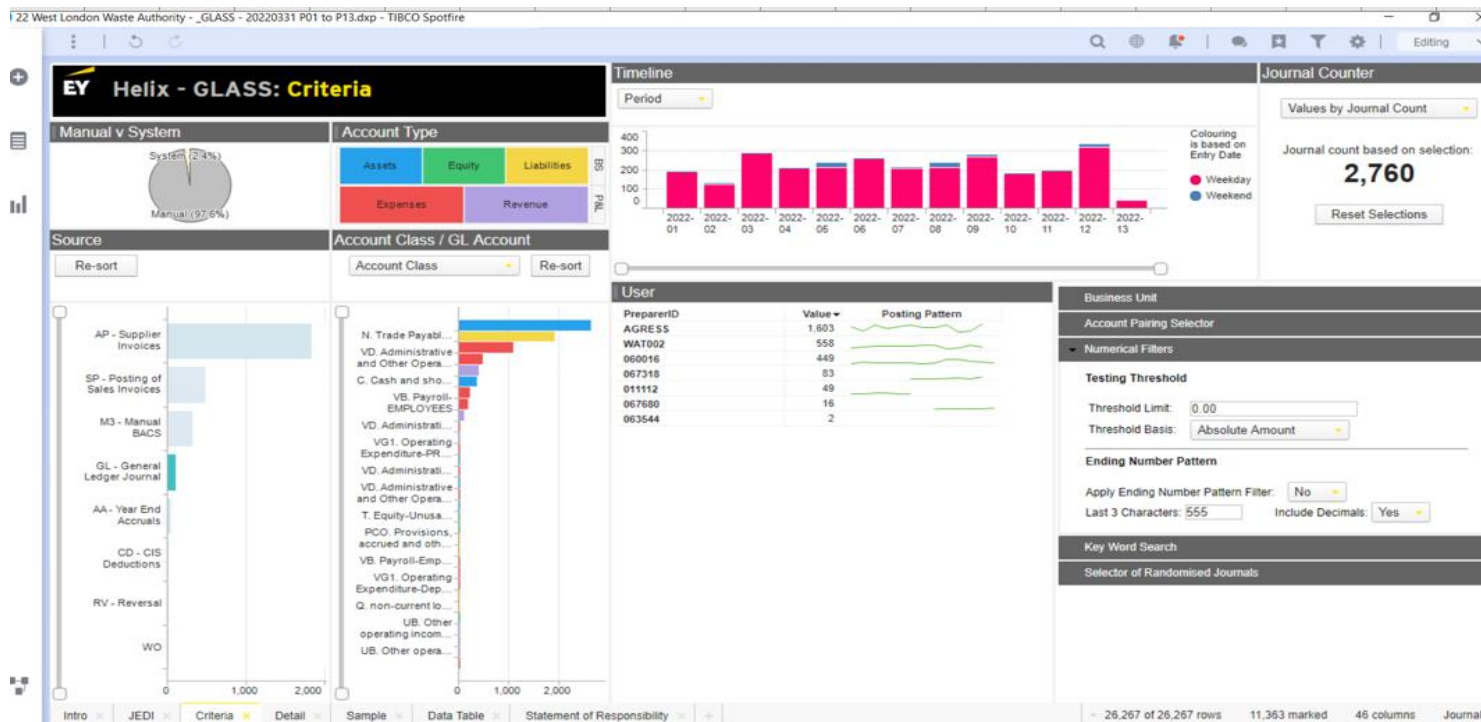
In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those posted outside the normal course of business and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

Journal entry data criteria – 31 March 2022



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

64

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



05

09

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. Further detail of all fees has been provided to the Audit Committee with measurement against pre-approved limits.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken non-audit work.

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Scale Fee - Code work	15,223**	15,223**	33,946*
Proposed resetting of the scale fee	40,100**	40,100**	
Scale fee updated	TBD	TBD	
Additional work required in 21/22:			
NAO Code revision with respect to Value for Money Conclusion	5,042		
Impact of Revised ISA 540 - Estimates	4,532		
Prior year adjustment of PPE revaluation	TBD		
Additional Value for Money risk	TBD		
Work required on the 21/22 triennial pension valuation	TBD		
Total	TBD		

*The 20/21 Code work includes an additional fee of £18,723, which relates to additional procedures to address the significant risk around PPE valuation, including EY valuation specialists input, additional procedures on pensions valuations, required incremental work under the revised NAO code in relation to our Value for Money conclusion, specific procedures to address the risk relating to the PFI and its disclosures, the impact of the revised ISA 540 on Estimates, additional specific one-off work required for Covid-19 considerations including additional work in relation to Going Concern and professional consultations and additional time spent as a result of the broader change in the regulatory environment and the quality of audit evidence required. This was the final amount determined by PSAA.

**The scale fee for 21/22 is set by PSAA as indicative and in light of factors previously communicated, does not reflect the actual costs of undertaking the audit, to address all audit risks identified and to meet current regulatory standards. We set out the key areas of focus of our work in Section 02. We have previously communicated to the Committee that our estimate of the fee to reflect those underlying costs was of £55,323. We have also incurred additional costs in addressing the changes in scope and increased risks in 21/22 as listed above. We will finalise these once the audit is concluded, discuss this proposed with management and submit to PSAA for their approval and determination, and communicate the outcome to the Audit Committee.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

[EY UK 2022 Transparency Report | EY UK](#)



69

10 Appendices



Appendix A





Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix A

Balance sheet category 	Audit Approach in current year 	Audit Approach in prior year 	Explanation for change 
Short term debtors	Substantively tested all assertions	Substantively tested all assertions	No change
Short term creditors	Substantively tested all assertions	Substantively tested all assertions	No change
Property, plant and equipment	Substantively tested all assertions	Substantively tested all assertions	No change
Cash and cash equivalents	Substantively tested all assertions	Substantively tested all assertions	No change
Borrowing	Substantively tested all assertions	Substantively tested all assertions	No change
PPP liabilities	Substantively tested all assertions	Substantively tested all assertions	No change
Pensions liability	Substantively tested all assertions	Substantively tested all assertions	No change

Appendix B





Summary of communications

Date 	Nature 	Summary 
7 January 2022	Report	The audit planning report, including confirmation of independence, was issued to the audit committee.
January 2022	Meetings	The audit team continued to liaise with the core finance team to conclude on a number of outstanding and ongoing areas of the audit.
21 January 2022	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the audit planning report.
May 2022 -May 2023	Meetings	The audit team continued to liaise with the core finance team to conclude on a number of outstanding and ongoing areas of the audit. Meetings were held weekly to facilitate quicker resolution of issues.
June 2023	Report	The draft audit results report, including confirmation of independence, was issued to the Audit & Governance Committee.
23 June 2023	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, are planning to meet with the Audit & Governance Committee and senior members of the management team to discuss the draft audit results report.

Appendix C




Required communications with the Audit Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:





 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report on 21 January 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report on 21 January 2022
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report on 23 June 2023

73





Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report on 23 June 2023
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report on 23 June 2023
74 Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have not identified any subsequent events that might affect the financial statements.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance. We have not identified any instances of fraud.

Appendix C

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report on 23 June 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report on 21 January 2022 and Audit Results Report on 23 June 2023
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	▶ Significant deficiencies in internal controls identified during the audit.	Audit Results Report on 23 June 2023
Written representations we are requesting from management and/or those charged with governance	▶ Written representations we are requesting from management and/or those charged with governance	Audit Results Report on 23 June 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report on 23 June 2023
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report on 23 June 2023

Management representation letter

Management Representation Letter

RE Letter of representations

Ernst & Young
R+
2 Blagrave Street
Reading
RG1 1AZ

This letter of representations is provided in connection with your audit of the financial statements of West London Waste Authority (“the Authority”) for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of West London Waste Authority as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [\[specify reasons for not correcting misstatement\]](#).

Management representation letter

Management Representation Letter

6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

- ▶ involving financial improprieties;
- ▶ related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- ▶ related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- ▶ involving management, or employees who have significant roles in internal controls, or others; or
- ▶ in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- ▶ Additional information that you have requested from us for the purpose of the audit; and
- ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Authority and the Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [24 March 2023](#).

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year-end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Management representation letter

Management Representation Letter

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From 7 October 2021 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. There are no liabilities related to litigation and claims, either actual or contingent, and there are no guarantees that we have given to third parties.

E. Going Concern

1. The accounting policies section of the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Estimates

1. We confirm that the significant judgments made in arriving at the valuations of the defined benefit pension liability and of the land and buildings have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in arriving at the valuations of the defined benefit pension liability and of the land and buildings.

3. We confirm that the significant assumptions used in arriving at the valuations of the defined benefit pension liability and of the land and buildings appropriately reflect our intent and ability to carry out valuations on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the valuations, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in arriving at the valuations of the defined benefit pension liability and of the land and buildings.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

Management representation letter

Management Representation Letter

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we involved to evaluate the valuation of the defined benefit pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

2. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

H. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

I. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

J. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered; including the impact resulting from the commitments made by the Authority and reflected in the financial statements.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

Ian O'Donnell, Treasurer

Councillor Krupa Sheth , Chair of the Audit Committee

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

This page is intentionally left blank

Final 2021-22 Statement of Accounts

SUMMARY

This report provides the 2021-22 Statement of Accounts for approval

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Delegate authority to the WLWA Chair to approve the 2021/22 financial statements once the audit is finalised by EY

1. 2021/22 Statement of Accounts

At its meeting in June 2022, the Audit Committee considered:

- The draft Statement of Accounts for 2021/22
- A summary of the out-turn position compared to budget
- The Annual Internal Auditors assurance report
- The risk register highlighting the mitigation and controls in relation to key risks

There have been delays in the external audit (sector wide issue), meaning that the original plan to bring the 2021/22 accounts for approval at a subsequent Authority meeting once the audit was close to completion was also delayed. EY have now substantially completed their work and their report can be found elsewhere on today’s agenda This confirms the Statement of Accounts provide a true and fair view of the Authority’s finances for the year ending 31 March 2022.

The only notable changes from the draft accounts reported in June 2022 relates to the accounting of the valuation of properties in previous years, as well as the already reported PPP income received for 2021/22 and the subsequent disbursement of this in October 2022.

Contact Officers	<p>Jay Patel, Finance Director 01895 54 55 10 jaypatel@westlondonwaste.gov.uk</p> <p>Ian O'Donnell, Treasurer ianodonnell@westlondonwaste.gov.uk</p> <p>Emma Beal, Managing Director emmabeal@westlondonwaste.gov.uk</p> <p>Sapna Dhanani, Finance Manager sapnadhanani@westlondonwaste.gov.uk</p>
------------------	--

This page is intentionally left blank

West London Waste Authority

Statement of Accounts

For the year ended 31 March 2022

West London Waste
Treating waste as a valuable resource

Contents

1	Narrative Report	2
2	Statement of Responsibilities for the Statement of Accounts	9
3	Comprehensive Income and Expenditure Statement	11
4	Movement in Reserves Statement	12
5	Balance Sheet	13
6	Cash Flow Statement	15
7	Notes to the Core Financial Statements	17
8	Annual Governance Statement	48
9	Independent Auditor’s Report to the Members of West London Waste Authority	51

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 £71.5 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	2020-21
	Tonnes	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	2020-21
	Tonnes	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
	<hr/>	<hr/>
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 £62.9 million, a decrease from £63.4 million in 2020-21. During the year, there has been a decrease of net cost of services to £36.7 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 £16.8 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 £35.2 million. An increase of actuarial gain on the pension liability valuation of £3.9million (£2.7 million loss in the previous year) resulted in total comprehensive income for the year of £55.9 million (total comprehensive expenditure of £3.2 million in the previous year).

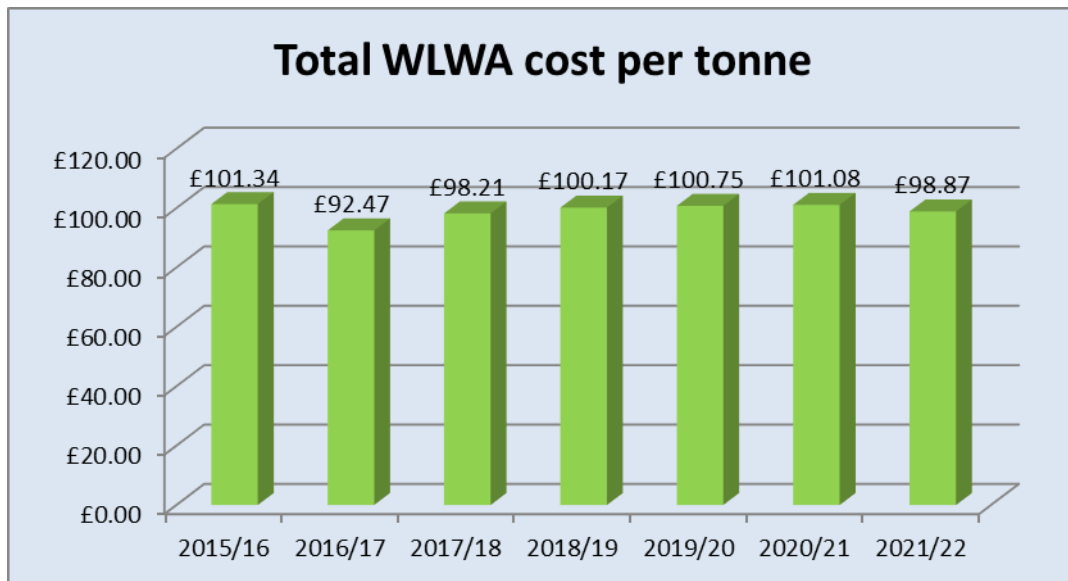
The Authority is entitled to a share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, which is included within Miscellaneous income of £13.8 million. The recent high electricity prices have resulted in £10.7 million of PPP income which makes 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 £221.0 million and have been funded by loans from constituent boroughs and the Public Works Loans Board with combined total balances of £85.9 million and a capital contribution balance from the Suez consortium of £104.6 million for the construction of the energy recovery centre.

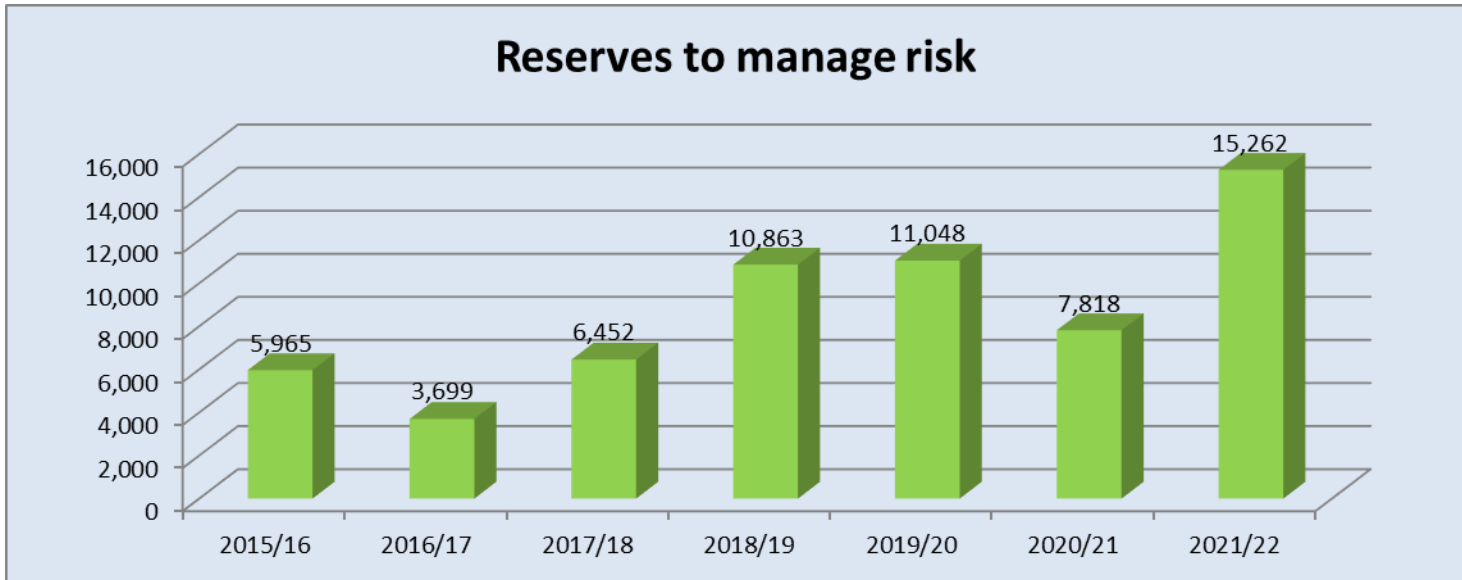
Looking ahead into the longer term, the Authority has a healthy reserve position to manage any risks in relation to continuing and indeed extending its service offering to constituent boroughs. The Authority's long term financial plans and finance strategy incorporate sensitivity analysis to reflect 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 £10.7 million has been excluded as well as the provision of the share of this income to be disbursed to the Boroughs, totalling £6.5 million which has been included in Other Supplies and Payments . 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 2.44% less than it was in 2015/16 with a 2.19% decrease on the previous year. This measure is calculated without recognising any valuation gains or losses, to reflect a fair picture. The decrease in cost per tonne 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, and 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 £10.7million. The provision of the share of this income to be disbursed to the Boroughs, totalling £6.5 million which has been included in Other Supplies and Payments has also been excluded. 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.

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 June 2023

Authority

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

Signed on behalf of West London Waste Authority
Councillor Deirdre Costigan (Chair)
23rd June 2023

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		(3,073)	(2,433)
Premises		(2,508)	(2,572)
Waste transport and disposal		(40,647)	(40,855)
Other supplies and payments		(7,854)	(4,405)
Reversal of prior year losses recognised in the CIES		9,956	
Depreciation	13	(8,943)	(8,934)
Total		(53,069)	(59,199)
Gross income			
Trade waste		2,160	1,724
Agency	25	373	373
Miscellaneous income	30	13,810	2,552
Total		16,343	4,649
Net cost of services		(36,726)	(54,550)
Net financing and investment income and expenditure	12	(9,377)	(9,400)
Levies on constituent councils	24	62,890	63,391
Total		53,513	53,991
(Deficit)/Surplus on provision of services		16,787	(559)
Gain / (loss) from revaluation of property		35,246	0
Actuarial (loss) / gain on pension liability	28	3,927	(2,672)
Other comprehensive income and expenditure		39,173	(2,672)
Total comprehensive income and expenditure		55,960	(3,231)

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	3,509	12,077	15,585
Surplus/(deficit) on provision of services (accounting basis)	16,787	0	16,787
Other comprehensive income/(expenditure)	0	39,173	39,173
Total comprehensive income/(expenditure)	16,787	39,173	55,960
Adjustments between accounting basis and funding basis under regulations (Note 11)	12,475	(12,475)	0
Increase/(Decrease) in year	29,262	26,698	55,960
Balance at 31 March 2022	32,771	38,775	71,546

	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2020	3,012	15,640	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 11)	1,055	(1,055)	0
Increase/(decrease) in year	496	(3,727)	(3,231)
Balance at 31 March 2021	3,509	12,077	15,585

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 are authorised for issue on 20th January 2023 .

		2021-22	2020-21 *restated	As at 01/04/2020 *restated
		£'000	£'000	£'000
Property, plant and equipment	13	240,159	203,797	212,216
Capital work in progress	14	83	83	375
Long Term Assets		240,242	203,880	212,591
Cash and cash equivalents	16	29,045	22,209	17,949
Short term debtors	17	16,588	8,436	4,691
Current Assets		45,632	30,645	22,640
Total Assets		285,874	234,525	235,231
Short term creditors	18	(15,788)	(11,079)	(5,663)
Short term borrowing	19	(2,354)	(2,233)	(2,119)
Current PPP liability	15	(4,166)	(4,080)	(4,001)
Current Liabilities		(22,308)	(17,392)	(11,783)
Long term borrowing	15	(83,586)	(85,940)	(88,172)
Other long term liabilities	27	(100,413)	(104,579)	(108,661)
Pension fund liability	28	(8,022)	(11,028)	(7,799)
Long Term Liabilities		(192,021)	(201,547)	(204,632)
Net Assets		71,546	15,586	18,816
Usable Reserves	20	32,771	3,509	3,012
Unusable reserves	21	38,775	12,077	15,804
Total Reserves		71,546	15,586	18,816

* 2020/21 Balance Sheet was restated with a movement of £9.7 million between Usable and Unusable Reserves. This relates to the reclassification of reserves resulting from the 2018/19 PPE valuation. In 2018-19, the land and building property valuation gains and losses had been

netted off, meaning the Revaluation Reserve had been incorrectly understated by £9.7 million, and the General Fund overstated by £9.7million.

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		16,787	(559)
Adjustments to net surplus		5,842	20,562
Net cash generated from operating activities		22,629	20,003
<i>Investment activities</i>			
Payments for capital work in progress	13	0	0
Payments for property, plant and equipment	14	(102)	(223)
Interest received	12	19	69
Net cash used in investment activities		(83)	(154)
<i>Financing activities</i>			
Interest paid	12	(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	2020-21
		£'000	£'000
Adjustments to net surplus for non-cash movements			
Depreciation and impairments	14	8,943	8,934
Property valuation (gain)/losses		(9,956)	
IAS 19 non-cash pension entries		921	557
(Increase)/decrease in short term debtors	17	(8,151)	(3,746)
(Decrease)/increase in short term creditors	18	4,709	5,417
Sub Total		3,535	11,162
Adjustments for items included in financing/investing activities			
Interest received	12	(19)	(68)
Interest paid	12	9,396	9,468
Total Adjustments		5,842	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* restated				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	(17,133)	(19,592)	(36,726)
45,739	8,252	53,991	Other income and expenditure	46,395	7,117	53,513
496	(1,055)	(559)	Surplus or (deficit)	29,262	(12,475)	16,787
<hr/>				<hr/>		
3,014			Opening General Fund Balance	3,509		
496			Surplus or (deficit)	29,262		
3,509			Closing General Fund Balance	32,771		

2. 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 it's 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 £9.2 million was approved by the Authority in December 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 £14.5 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. 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 2021-22.

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.

Within Miscellaneous Income, the Authority has recognised £10.7 million of income which is from the Public Private Partnership (PPP), and determined by the increase in electricity prices. This is a

new source of income in financial year 2021-22 and not part of business as usual activities. The Authority is entitled to a share of the income (above certain thresholds). The additional income is due to be paid to the Authority in financial year 2022-23.

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".

3. Accounting standards that have been issued but not yet adopted

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

4. 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.

5. 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 2022- 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.
Fair Value of Long Term Borrowing/ PPP Liability estimated by Arlingclose	Independent professional fair value valuations take place every year by an external independent valuer, Arlingclose. The valuations are undertaken in accordance with relevant rules and regulations and use of a variety of information and the judgement of valuers in relation to market conditions, components and lifecycles.	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.

6. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 20th January 2023. 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.

7. Material Items of Income and Expense

The majority of income is comprised of levies charged to the six constituent boroughs. Details of this is within the Related Parties Transaction note. The Authority is also 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 £13.8 million. The recent high electricity prices have resulted in £10.7 million of PPP income which makes up the majority of this total.

A material expense which makes up the majority of the Authority’s expenses are the waste transport and disposal costs. These are outlined in the Comprehensive Income and Expenditure Statement. Within Other Supplies and Payments, £6.5 million relates to the payment of the above income to the six constituent boroughs. This will be paid to the boroughs within the financial year 2022-23.

8. Segmental Income

The majority of income is comprised of levies charged to the six constituent boroughs. Details of this is within the Related Parties Transaction note. This is agreed at the start of the financial year and paid monthly by the boroughs to the Authority.

There are no other material segmental income to disclose.

9. Expenditure and Income Analysed by Nature

All material expenditure and income has been analysed within the Comprehensive Income and Expenditure Statement, Related Parties Transaction note, and Material Items of Income and Expense note.

10. Provisions

Within Short Term Creditors, a provision of £6.5 million has been made which has been charged to Other Supplies and Payments. This relates to the payment to the six constituent boroughs of the additional PPP income driven by an increase in electricity prices. This will be paid to the boroughs within the financial year 2022-23.

11. Adjustments between Accounting Basis and Funding Basis under Regulations

	2021-22 £'000	2020-21 £'000
Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:		
Depreciation* (note 13)	8,943	8,934
Impairments and revaluation gains/(losses)*	9,956	0
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	921	557
	19,820	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 21)	(7,226)	(7,932)
Revenue expenditure funded from capital under statute (note 21)	(102)	(515)
	(7,328)	(8,447)

Transfer (from)/to general reserves

Accumulated Absences Account (note 21)	(17)	11
	(17)	11
Net additional amount to be credited to general balances for the year	12,475	1,055

* Adjustments impact capital adjustment account (unusable reserve)

12. 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

13. 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 increases/(decreases) recognised in Revaluation Reserve	8,798			8,798
Revaluation increase/(decrease) recognised in comprehensive income and expenditure statement	9,956	0	0	9,956
Gross book value at 31 March 2022	239,984	0	530	240,514
Accumulated depreciation at 1 April 2021	(17,553)	0	(307)	(17,860)
Depreciation charge for the year	(8,895)	0	(48)	(8,943)

Depreciation written out to Revaluation Reserve	26,448	0	0	26,448
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	239,984	0	175	240,159

Land and buildings include assets under PPP arrangement with net book value of £175.1 million. A full valuation exercise valued properties at 31 March 2022.

Within depreciation charge for the year, £359k 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

14. 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

15. 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	(7,841)	(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 19)	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 1.90% 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.

16. 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

17. Short Term Debtors

	2021-22	2020-21
	£'000	£'000
Other Local Authorities	414	2,330
Central Government Bodies	2,399	3,716
Other Entities and Individuals	63	60
Prepayments and Accrued Income	13,712	2,330
Total	16,588	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

18. Short Term Creditors

	2021-22	2020-21
	£'000	£'000
Other Entities and Individuals	(6,678)	(9,102)
Other Local Authorities	(9,110)	(1,978)
Total	(15,788)	(11,080)

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

19. 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.

	2021-22	2020-21
Analysis by maturity	£'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.

	2021-22	2020-21
Analysis by maturity	£'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)

20. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

21. Unusable Reserves

	2021-22	2020-21
	£'000	£'000
Revaluation reserve	(52,732)	(17,486)
Capital adjustment account	5,910	(5,661)
Pensions reserve	8,022	11,028
Accumulated absences account	25	42
	(38,775)	(12,077)

(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 reserve.

(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	8,943	8,934
Statutory provision for repayment of debt	(7,226)	(7,932)
Impairment and revaluation	9,956	0
Amounts written out of Revaluation Reserve	0	0
Net written out amount of the cost of non-current assets consumed in the year	6,012	(5,146)
Revenue financing to capital	(102)	(515)
Balance at 31 March	5,910	(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	(3,927)	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	710	747
Employer's pensions contributions and direct payments to pensioners payable in the year	211	(190)
	<hr/>	<hr/>
Balance at 31 March	8,022	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	42	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
	<hr/>	<hr/>
Balance at 31 March	25	42

22. 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	170,798
Clerk	11,179	11,014	1,509	1,487	12,688	12,501
Technical Advisor (till April 21)	918	11,014	0	248	918	11,262
Technical Adviser (from May 21)	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:

Remuneration Band including exit packages	2021-22	2020-21
	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.

23. 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

24. 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	9,311	10,438	7,006	9,215	8,324	5,791	50,085
Fixed Cost Levy	2,176	2,588	1,931	2,255	1,900	1,955	12,805
Total Levies	11,487	13,026	8,937	11,470	10,224	7,746	62,890
Agency and other income	373	2,642	0	0	0	0	3,015
Total 2021-22	11,860	15,668	8,937	11,470	10,224	7,746	65,905
Total 2020-21	11,773	15,233	8,823	11,841	10,523	7,812	66,005

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	160	0	3	85	0	263
Debtors 2020-21	13	1,591	0	0	717	9	2,330
Creditors 2021-22	792	622	157	179	679	180	2,610
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

25. Agency Services

This can be found under the Related Parties Transaction note.

26. Leases

The Authority does not hold any finance or operating leases.

27. 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
	£'000	£'000
Energy from waste facility:		
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.

On early termination or expiry, West London Waste Authority is placed in a position broadly equivalent to if the main treatment facility was constructed on an Authority site and the PPP contract provides WLWA with a variety of options as follows (which it may exercise at its discretion):

- WLWA may walk away on expiry of the contract without having to bear decommissioning risks and SUEZ must pay WLWA the Residual Life Rebate;
- WLWA may extend the contract for 5 years after which WLWA may walk away without having to bear decommissioning risks but SUEZ then do not pay WLWA the Residual Life Rebate; or
- WLWA may exercise its right to take a lease of SERC (Conditional Lease) for 25 years post expiry to allow WLWA to secure the site and retender the operation of the facility. With this option, WLWA would have to pay rent and bear decommissioning risks at the end of the term and SUEZ do not pay WLWA the Residual Life Rebate.

28. 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	(31,419)	(31,734)
Fair value of Scheme Assets (bid value)	23,560	20,882
Net Liability	(7,859)	(10,852)
Present value of unfunded obligations	(163)	(176)
Net Liability in Balance Sheet	(8,022)	(11,028)

Comprehensive Income and Expenditure Statement

	2021-22	2020-21
	£'000	£'000
Service costs	883	529
Net interest on defined liability	211	195
Administrative expenses	27	23
	1,121	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	883	529
Interest cost	612	627
Change in financial assumptions	(1,057)	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	(1,123)	(1,264)
Past service costs including curtailments	0	0
Contributions by scheme participants and other employers	290	285
Unfunded pension payments	(14)	(14)
	<hr/>	<hr/>
Closing balance as at 31 March	31,582	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	2,951	3,921
Other actuarial gains	0	0
Administration expenses	(27)	(23)
Employer contributions	200	190
Contributions by scheme participants and other employers	290	285
Benefits paid	(1,137)	(1,278)
Settlement prices received/(paid)	0	0
	<hr/>	<hr/>
Closing balance as at 31 March	23,560	20,882

Assumptions as at	31 March 2022	31 March 2021	31 March 2020
	p.a.	p.a.	p.a.
Discount rate	2.60%	1.95%	2.55%
Pension increases	3.30%	2.80%	1.90%
Salary increases	4.30%	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	31,042	31,582	32,132
▪ Projected service cost	789	812	836
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	31,619	31,582	31,546
▪ Projected service cost	812	812	812
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	32,091	31,582	31,081
▪ Projected service cost	835	812	789
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	33,165	31,582	30,078
▪ Projected service cost	849	812	776

Re-measurements in other comprehensive income	2021-22	2020-21
	£'000	£'000
Return on plan assets in excess of interest	2,951	3,921
Other actuarial gains on assets	0	0
Change in financial assumptions	1,057	(7,197)
Change in demographic assumptions	0	260
Experience gain on defined benefit obligation	(81)	344
Total	3,927	(2,672)

Projected pension expense for next year	2022-23
	£'000
Service cost	812
Net interest on the defined liability	205
Administration expenses	31
Total	1,048

Employer contributions	195
-------------------------------	------------

Assets by Class	2021-22	2020-21
	£'000	£'000
Equities	13,411	11,874
Target Return Portfolio	5,074	4,878
Infrastructure	2,400	1,732
Property	2,114	1,894
Cash	561	504
Total	23,560	20,882

Analysis of 2021-22 Assets	% Quoted	% Unquoted
Equities		
Real Estate	1%	
Consumer Discretionary	4%	
Consumer Staples	8%	
Energy	0%	
Financials	6%	
Health Care	4%	
Industrials	6%	
Information Technology	13%	
Materials	1%	
Communication Services	2%	
Utilities	0%	
Fixed Income & Other	0%	
Trade Cash/Pending	2%	
Synthetic Equity	0%	
Private Equity		9%
Fixed Income	3%	
Total Return		
Investment/Hedge funds and unit trusts	11%	
Credit		8%
Infrastructure		10%
Real Estate		9%
Cash		
Cash	2%	
LDI	0%	
Currency Hedge (Forward Contracts)		-0%
Total	64%	36%

29. Contingent Assets and Liabilities

At 31 March 2022 there was a contingent asset relating to additional income from waste plants generated by increasing third party waste volumes and rising electricity prices. The amount is subject to risk and requires negotiation and legal agreement. Although not determined an estimate of the value is £389,000 (31 March 2021: nil).

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

30. Miscellaneous Income and Other Supplies and Payments

This year income from the Severnside Energy Recovery Centre (SERC) has been recognised within Miscellaneous Income, and totals £10.7 million. It principally relates to income resulting from high electricity prices and current levels of activity. The disbursement to the boroughs of £6.5 million has been recognised within Other Supplies and Payments.

The remaining income within Miscellaneous Income is 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 amounts to £2.6 million. Other minor items make up a further £0.3 million of miscellaneous income.

Over the longer term there may also be opportunities to secure income by increasing third party waste volumes processed at the 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). When 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.

31. Prior Period Errors

In 2020/21, the Balance Sheet was restated with a movement of £9.7 million between Usable and Unusable Reserves. This relates to the reclassification of reserves resulting from the 2018/19 PPE valuation. In 2018-19, the land and building property valuation gains and losses had been netted off, meaning the Revaluation Reserve had been incorrectly understated by £9.7 million, and the General Fund overstated by £9.7million.

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 Deirdre Costigan
 Chair to the Authority
 23rd June 2023

Hugh Peart,
 Clerk
 23rd June 2023

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

The external audit of the draft statement of accounts for the year ended 31 March 2022 has not yet been completed by our external auditor, EY LLP, due to the planned phased approach to delivering the 2021/22 audits in light of a variety of complex factors contributing to audit delays in the current and previous years. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See attached link: <http://www.legislation.gov.uk/uksi/2015/234/regulation/10/made>). Therefore, this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2021/22 final statement of accounts in line with the deadline of 30 November 2022, as per paragraph (1). The Audit Committee will consider the final results of the 2021/22 audit, after which we will publish the final audited accounts.

Draft Statement of Accounts for the year ending 31 March 2023

SUMMARY

This report presents the draft 2022/23 Statement of Accounts

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Note the **Draft** Statement of Accounts for 2022/23 (Appendix 1)
- 2) Approve the disbursement of PPP contract income totalling £12.7 million (section 13)
- 3) Approve the disbursement of excess reserves totalling £3.3 million (section 24)

Introduction

1. The draft 2022/23 accounts were produced as usual in April and were ready for audit by EY, our external auditors from May. EY's audit work yet to commence as they have just finalised their audit work on 2021/22 accounts.
2. A summary of the draft statement of accounts is provided below. It should be noted that at the end of April 2022, the auditors had requested for an updated IAS19 report in relation to pensions for 2021/22. This was due to the triennial valuations taking place after March 2022 and the audit standard ISA540 requiring further information to see whether the revaluation may indicate a material difference or error.

Due to this request, and the Pension providers finalising an updated FY22 report, there has been a delay in the 2022/23 pension scheme valuation, and these figures have not been included in the draft accounts.

Statement of Accounts

3. The Statement of Accounts can be found in Appendix 1. The key sections of the draft accounts are explained below:
4. Narrative Statement (page 2) – This section provides background about the Authority's operations. It also summarises the financial position and performance for the year.
5. Statement of Responsibilities for the Statement of Accounts (page 9) - 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.

6. Comprehensive Income and Expenditure Statement (page 11) – 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 £5.587 million. We are awaiting the pension valuation to verify if there is a gain or loss on the pension liability, so as it stands, there is a total comprehensive income and expenditure of £5.587 million.
7. Balance Sheet (page 13) – 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 £77.133 million. Continuing the healthy trend, this means the Authority has more assets than liabilities.
8. Notes to the Core Financial Statements (pages 16-45) – these provide details, breakdown and analyses in accordance with various disclosure requirements for most of the items identified in the above 2 core statements.
9. Accounting Policies (page 17) – 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
10. Annual Governance Statement (page 46) – 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.
11. Independent Auditors Report (page 49) – 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 2022/23

12. The financial performance during 2022/23 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 2022/23	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Employees	2,648	2,640	(8)
Premises	2,672	2,479	(193)
Waste, Transport and Disposal	49,558	45,128	(4,430)
MRF Waste Transport and Disposal	2,148	2,705	557
Other supplies	1,198	1,673	(474)

Depreciation	9,809	10,465	655
Financing	6,067	5,589	(478)
Concession Adjustment	(4,473)	(4,473)	0
	69,628	65,606	(3,423)
Income			
Levies	(64,552)	(62,654)	1,898
MRF Service Charge	(2,148)	(2,705)	(557)
Trade and Other	(2,128)	(3,594)	(1,466)
	(68,828)	(68,953)	(125)
(Surplus) on provision of services	800	(3,347)	(3,548)
HRRC Fund	1,200	265	(935)
PPP Contract Income	(2,000)	(19,094)	(17,094)
PPP Contract Income Disbursed	0	12,729	12,729
FY22 Excess Reserves to Boroughs	0	3,261	3,261
Net (Surplus) / Deficit	0	(5,587)	(5,587)
Actuarial gain on pension liability	0	0	0
Property valuation gains	0	0	0
Contribution to reserves	0	(5,587)	(5,587)

13. The operational performance above delivered a surplus of £5.6 million. The major component of this (£19.1 million) relates to the Authority's share of income generated by the energy from waste plant (PPP income), principally electricity income. Two thirds of this (£12.7 million) will be passed through to boroughs in accordance with our Finance Strategy as agreed with Boroughs Directors. The other notable operational variance as reported in previous months relates to lower volumes of waste arising during the year and contributing towards a significant favourable variance of £4.43 million.

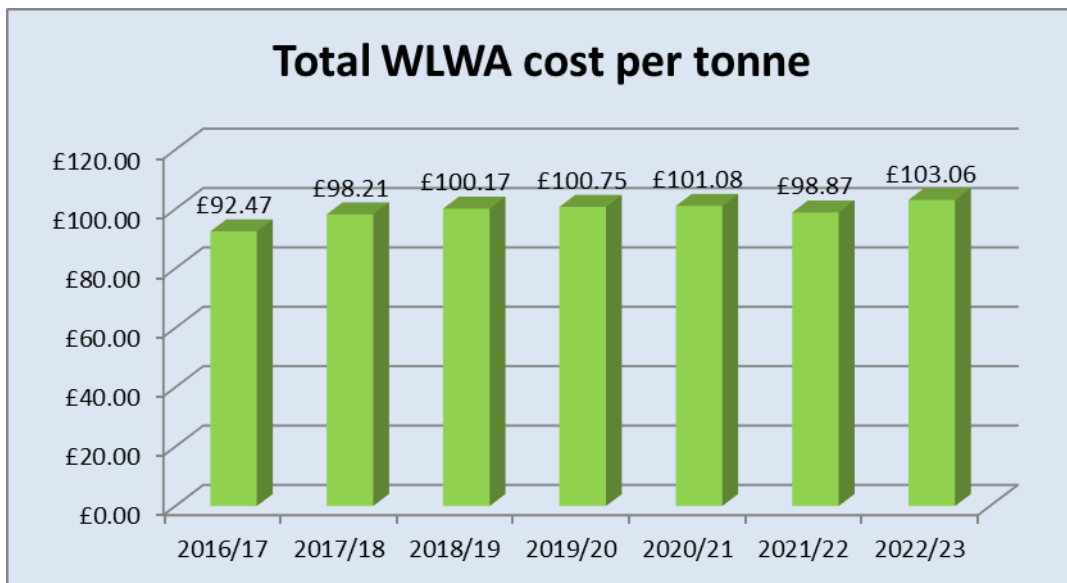
Post draft account production adjustments

14. As mentioned previously, the pension valuations for 2022/23 have not yet been received and the figures have not been included in the statement of accounts.

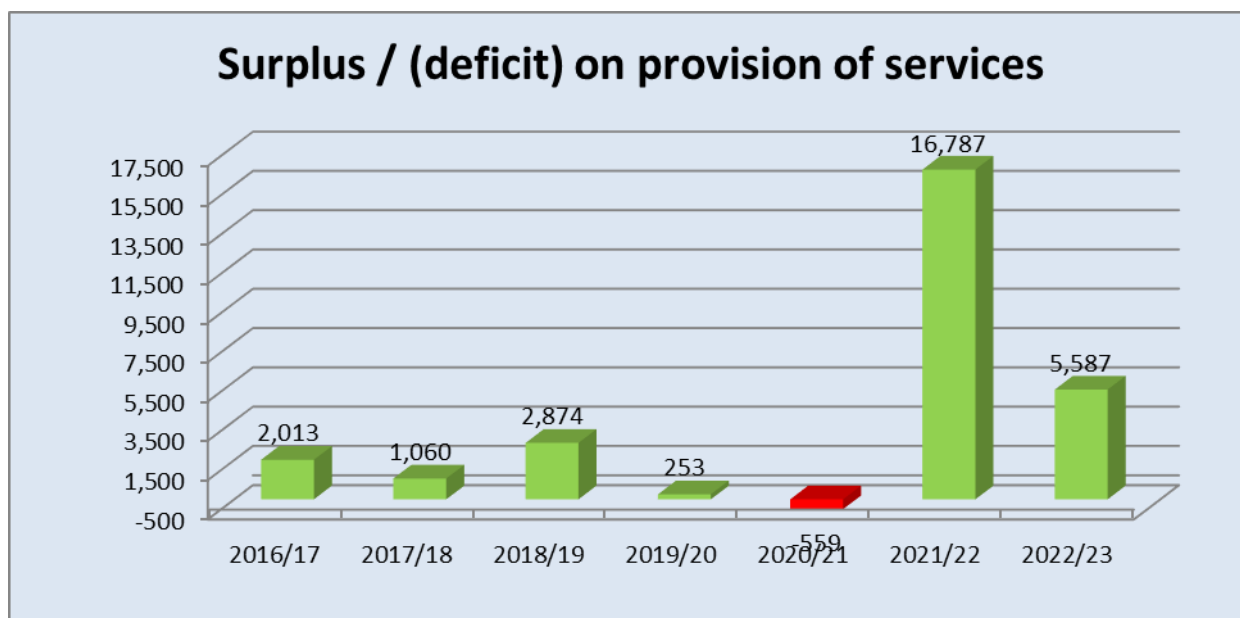
15. These adjustments will be applied to the final accounts and EY will naturally audit these post draft account production changes and refer to them in their final report.

Strategic Perspective

16. 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.
17. The key feature illustrated by this chart is that the Authority’s operating cost per tonne is 11.86% more than it was in 2016/17. Over the same period cumulative inflation amounted to 39.42%. Whilst there is a small increase year on year, the chart reflects the continuous operational efficiencies the Authority makes whilst delivering on their services. 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.



18. 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.



19. 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.

20. 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

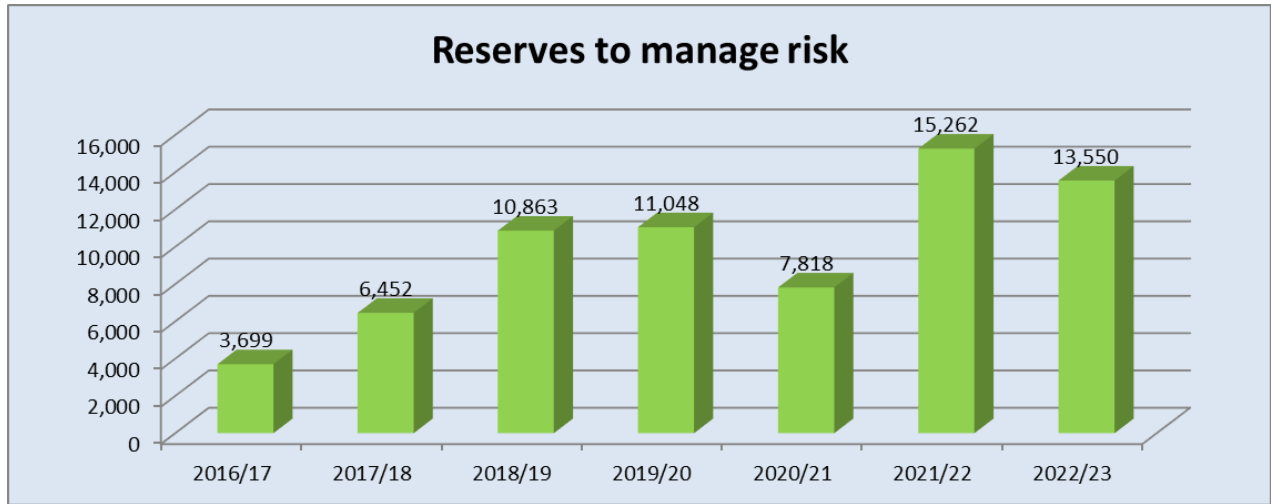
Reserves b/f	71,546
Contribution to reserves	5,587
Reserves c/f	77,133

21. However, property valuation gains are notional and a result of valuation exercises. Furthermore as proposed in the draft Finance Strategy 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. Also the investment made to Boroughs in 2022/23 for HRRC Improvements has not been fully utilised, and the balance has been earmarked from reserves to be disbursed in 2023/24. Therefore by excluding these we have a more realistic picture of the level of reserves available to the Authority for managing risks.

Reserves	77,133
Exclude property revaluation gains	(52,732)
PPP income retained by WLWA from FY22 and FY23	(9,917)
HRRC funding to be spent in FY24	(935)
Reserves available to manage risks	13,550

22. 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.



23. 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

24. The 2023/24 budget highlighted that £10.3 million was needed to manage risks. At the end of 2022/23 they totalled £13.6 million. This means there are excess reserves of £3.3 million.

25. Therefore as done annually, the Authority will disburse back the excess reserve amount of £3.3 million to boroughs. This will be apportioned using the council tax base as in previous years and will appear as a rebate of levies in the 2023/24 budget monitoring reports and accounts. Note that the Authority’s forecasts of spending and levies will show an under-recovery of £3.3 million in 2023/24 to reflect this disbursement.

Disbursement to boroughs

26. The boroughs share of PPP income plus the excess reserves will be paid to boroughs by the end of July following receipt of sums from the contractor. The table below provides a breakdown of the payments.

Borough	Approved Council Tax Base	PPP Income (£000s)	Excess Reserves at end of 2022/23 (£000s)	Total payments to boroughs (£000s)
Brent	101,187	2,163	562	2,725
Ealing	121,613	2,600	676	3,275
Harrow	89,085	1,904	495	2,399
Hillingdon	103,625	2,215	576	2,791
Hounslow	89,309	1,909	496	2,405
Richmond	89,289	1,909	496	2,405
Total	594,108	12,700	3,300	16,000

Year-end valuations

27. The latest pension valuation by the LPFA's actuaries have not yet been provided as the auditors (EY) had requested FY22's valuations to be calculated again post the triennial valuation. This has resulted in a delay from LPFA for FY23.

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.

Contact Officers	Jay Patel, Finance Director jaypatel@westlondonwaste.gov.uk Ian O'Donnell, Treasurer ianodonnell@westlondonwaste.gov.uk Sapna Dhanani, Finance Manager sapnadhanani@westlondonwaste.gov.uk	01895 54 55 10
------------------	---	----------------

This page is intentionally left blank

West London Waste Authority

Statement of Accounts

For the year ended 31 March 2023

West London Waste
Treating waste as a valuable resource

Contents

1	Narrative Report	2
2	Statement of Responsibilities for the Statement of Accounts	9
3	Comprehensive Income and Expenditure Statement	11
4	Movement in Reserves Statement	12
5	Balance Sheet	13
6	Cash Flow Statement	14
7	Notes to the Core Financial Statements	16
8	Annual Governance Statement	46
9	Independent Auditor’s Report to the Members of West London Waste Authority	49

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

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

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. Examples of this include improving existing reports and creating further reports on our self-service hub for boroughs, which enables them to have access to management information reports and data visualisation to enable trend analysis and discussions around areas of concern.

In 2020-21 the Authority provided £3.0 million funding to its constituent boroughs to increase access to food waste recycling services to over 100,000 households. Throughout 2021-22 and 2022-23, there has been a significant improvement, with total food waste reduction.

In 2021-22, the Authority invested £1.2 million in the borough's household reuse and recycling centres and support in improving diversion from residual waste. This was to enable boroughs to reduce residual waste and thus provide cost benefits overall. The Authority monitored performance throughout 2022-23, and provided assistance where needed to improve diversion from residual waste at each household reuse and recycling centre.

During the financial year, the Authority also strengthened its strategic priorities for the coming years. We believe in a carbon neutral West London and our mission - in pursuit of that vision - is to create the new accepted model for how waste and resources are managed; we are going to redefine how people perceive and understand waste.

The Authority routinely reviews business risks and has concluded that the current level of reserves at £77.1 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 table below shows a 5.0% decrease in the volume of borough collected waste being received by the Authority to 578,000 tonnes for the year. This is indicative of both efficiencies made by the Authority’s investments in waste reduction as levels are lower than pre Covid-19 pandemic, as well as the impact of less people working from home due to the pandemic. 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.

	2022-23	2021-22
	Tonnes	Tonnes
Recycling and reuse	89,000	91,000
Composting	78,000	88,000
Energy recovery	407,000	426,000
Landfill	4,000	4,000
Total waste	578,000	609,000

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 81,000 tonnes. Of this, householders deposited 32,000 tonnes; 28,000 tonnes was trade waste and 21,000 tonnes was borough collected waste. A breakdown follows.

	2022-23	2021-22
	Tonnes	Tonnes
Household residual waste	32,000	46,000
Household recycle and re-used waste	11,000	7,000
Household composted waste	10,000	11,000
Trade residual waste	28,000	23,000
Borough residual street cleansing waste	21,000	17,000
Total Household Re-use and Recycling Centre waste	102,000	104,000

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 £62.7 million, just slightly short of the £62.9 million in 2021-22. During the year, there has been an increase of net cost of services to £48.5 million, from the previous year’s £36.7 million. However 2021-22 had a property valuation gain of £9.9 million recognised from prior years. Therefore, without this gain recognised, the year on year increase on net cost of services would be £1.9 million. Net financing costs are at £8.5 million and the overall result shows a surplus on provision of services of £5.6 million, a decrease on the surplus of £16.8 million in the previous year a result of valuation gains recognised. Without the valuation gains, the year on year movement in surplus on provision of services would be £1.5 million.

The Authority is entitled to a share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties. In 2021-22, the Authority received £10.7 million which was included within Miscellaneous Income. This financial year, WLWA received £19.1 million again shown under Miscellaneous Income largely driven by high electricity prices. Two thirds of this is disbursed to boroughs.

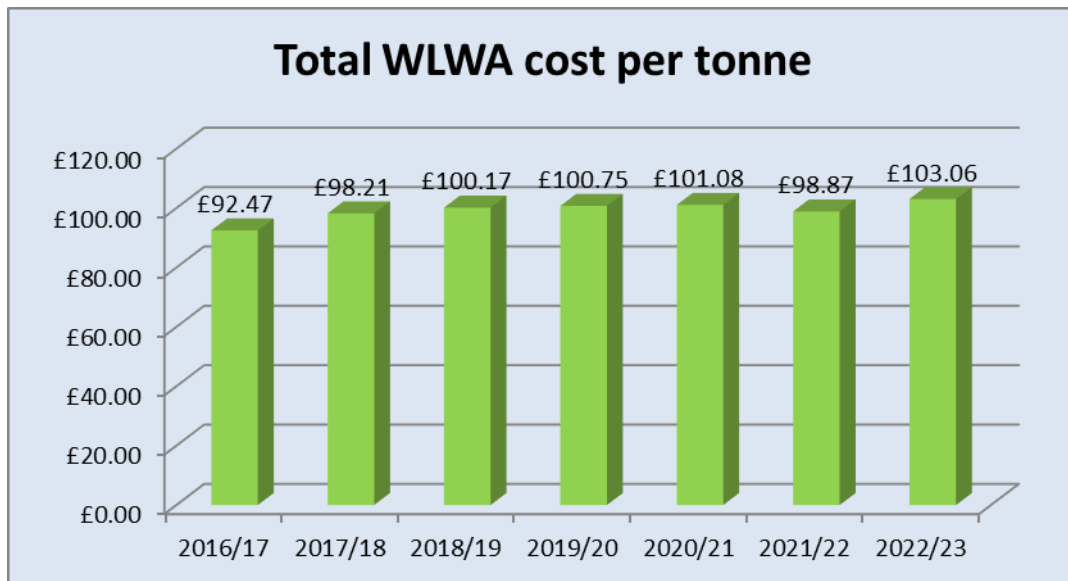
Another large component within Miscellaneous Income is £2.7 million in relation to a service to the London Borough of Ealing for the disposal of dry mixed recyclable waste. This contract is a related party transaction and outside of the PPP scheme mentioned previously.

The Authority continues to aim to deliver 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 £85.9 million and a capital contribution balance from the Suez consortium of £104.6 million for the construction of the energy recovery centre.

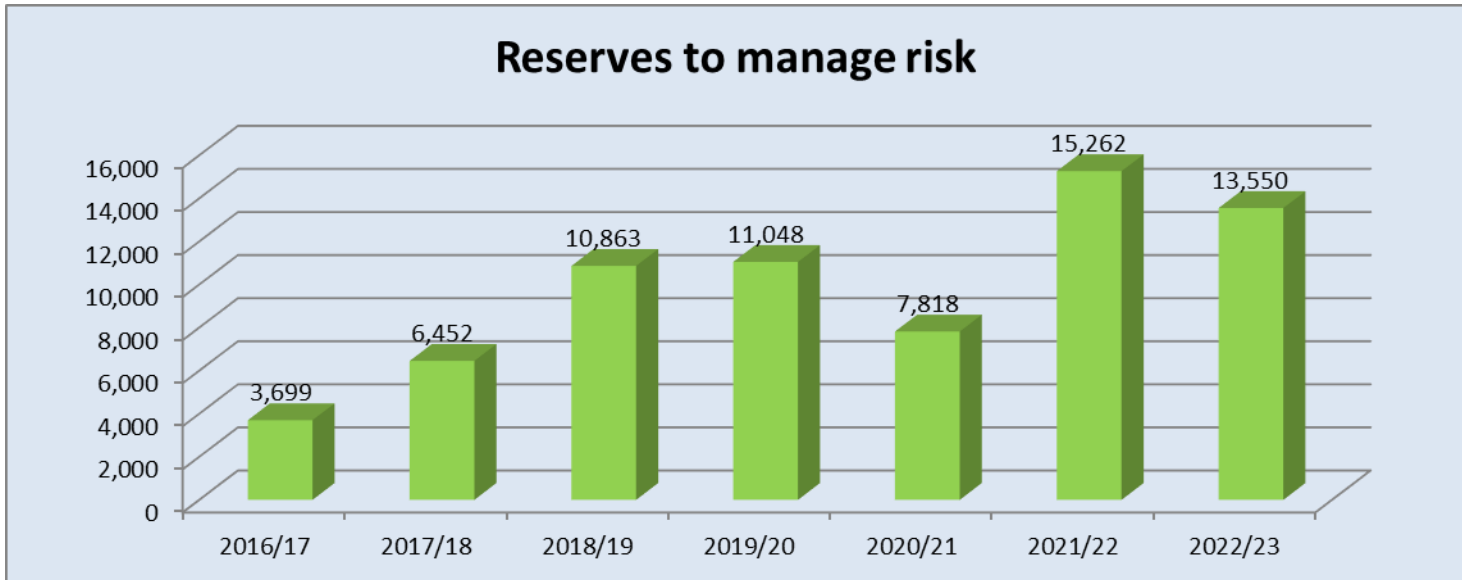
Looking ahead into the longer term, the Authority has a healthy reserve position to manage any risks in relation to continuing and indeed extending its service offering to constituent boroughs. The Authority's long term financial plans and finance strategy incorporate sensitivity analysis to reflect 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 Costs) 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 £19.1 million has been excluded. So has the provision of the share of this income to be disbursed to the Boroughs, totalling £12.7 million which has been included in Other Supplies and Payments and an adjustment of disbursement to boroughs (principally of excess reserves) accrued from 2021/22 which totalled £3.9 million. This measure reflects our real operating efficiency and has been plotted over seven years in the chart that follows.



The key feature illustrated by this chart is that the Authority’s operating cost per tonne is 11.846% more than it was in 2016/17, with a 4.25% increase on the previous year (which excludes any valuation gains/losses recognised in the Comprehensive Income and Expenditure Statement). Whilst there is a small increase year on year, the chart reflects the continuous operational efficiencies the Authority makes whilst delivering on their services. The increase in costs is in line with inflationary increases that have impacted the Authority. 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, and the earmarked reserves (accumulated WLWA share of the PPP income and investment in improving Borough’s diversion rate from residual waste) set aside for delivering on the Authority’s strategic priorities. 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.

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 2023 and the Authority's financial position as at 31 March 2023.

Ian O'Donnell
Treasurer
XXXXX

Authority

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

Signed on behalf of West London Waste Authority
Councillor Deirdre Costigan (Chair)
xxxxxx

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	2022-23 £'000	2021-22 £'000
Gross expenditure			
Employees		(2,640)	(3,073)
Premises		(2,479)	(2,508)
Waste transport and disposal		(40,317)	(40,647)
Other supplies and payments	30	(17,663)	(7,854)
Reversal of prior year revaluation losses recognised in the CIES			9,956
Depreciation	13	(10,465)	(8,943)
Total		(73,563)	(53,069)
Gross income			
Trade waste		2,334	2,160
Agency	25	373	373
Miscellaneous income	30	22,315	13,810
Total		25,022	16,343
Net cost of services		(48,541)	(36,726)
Net financing and investment income and expenditure			
	12	(8,526)	(9,377)
Levies on constituent councils	24	62,654	62,890
Total		54,128	53,513
(Deficit)/Surplus on provision of services		5,587	16,787
Gain / (loss) from revaluation of property		0	35,246
Actuarial (loss) / gain on pension liability	28	0	3,927
Other comprehensive income and expenditure		0	39,173
Total comprehensive income and expenditure		5,587	55,960

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 2022	32,382	39,164	71,546
Surplus/(deficit) on provision of services (accounting basis)	5,587	0	5,587
Other comprehensive income/(expenditure)	0	0	0
Total comprehensive income/(expenditure)	5,587	0	5,587
Adjustments between accounting basis and funding basis under regulations (Note 11)	2,684	(2,684)	0
Increase/(Decrease) in year	8,271	(2,684)	5,587
Balance at 31 March 2023	40,653	36,480	77,133

	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2021	3,509	12,077	15,585
Surplus/(deficit) on provision of services (accounting basis)	16,787	0	16,787
Other comprehensive income/(expenditure)	0	39,173	50,885
Total comprehensive income/(expenditure)	16,787	39,173	55,960
Adjustments between accounting basis and funding basis under regulations (Note 11)	12,086	(12,086)	0
Increase/(Decrease) in year	28,873	27,087	55,960
Balance at 31 March 2022	32,382	39,164	71,546

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 11 May 2023 and the audited accounts are authorised for issue on xxxx.

		2022-23	2021-22
		£'000	£'000
Property, plant and equipment	13	229,766	240,159
Capital work in progress	14	83	83
Long Term Assets		229,848	240,242
Cash and cash equivalents	16	33,202	29,045
Short term debtors	17	25,991	16,588
Current Assets		59,193	45,632
Total Assets		289,041	285,874
Short term creditors	18	(19,150)	(15,788)
Short term borrowing	19	(2,483)	(2,354)
Current PPP liability	15	(4)	(4,166)
Current Liabilities		(21,638)	(22,308)
Long term borrowing	15	(81,102)	(83,586)
Other long term liabilities	27	(101,146)	(100,413)
Pension fund liability	28	(8,022)	(8,022)
Long Term Liabilities		(190,270)	(192,021)
Net Assets		77,133	71,546
Usable Reserves	20	40,653	32,382
Unusable reserves	21	36,480	39,164
Total Reserves		77,133	71,546

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:

		2022-23 £'000	2021-22 £'000
Net surplus/(deficit) on the provision of services		5,587	16,787
Adjustments to net surplus		12,950	5,842
Net cash generated from operating activities		18,573	22,629
<i>Investment activities</i>			
Payments for capital work in progress	13	0	0
Payments for property, plant and equipment	14	(71)	(102)
Interest received	12	554	19
Net cash used in investment activities		483	(83)
<i>Financing activities</i>			
Interest paid	12	(9,080)	(9,396)
Loans repaid		(5,783)	(6,314)
Net cash generated (used in)/from financing activities		(14,863)	(15,710)
Net movement in cash and cash equivalents		4,157	6,836
Opening balance		29,045	22,209
Cash and cash equivalents at end of year		33,202	29,045

Cash Flow Statement

		2022-23	2020-21
		£'000	£'000
Adjustments to net surplus for non-cash movements			
Depreciation and impairments	14	10,465	8,943
Property valuation (gain)/losses		0	(9,956)
IAS 19 non-cash pension entries		0	921
(Increase)/decrease in short term debtors	17	(9,403)	(8,151)
(Decrease)/increase in short term creditors	18	3,362	(4,709)
Sub Total		4,424	3,535
Adjustments for items included in financing/investing activities			
Interest received	12	(554)	(19)
Interest paid	12	9,080	9,396
Total Adjustments		12,950	5,842

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.

2021-22				2022-23		
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
(17,133)	(19,592)	(36,726)	Net Cost of Services	(38,068)	(10,473)	(48,541)
46,006	7,506	53,513	Other income and expenditure	46,339	7,789	54,128
28,873	(12,086)	16,787	Surplus or (deficit)	8,271	(2,684)	5,587
<hr/>				<hr/>		
3,509			Opening General Fund Balance	32,382		
28,873			Surplus or (deficit)	8,271		
32,382			Closing General Fund Balance	40,653		

2. 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 it's 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 £9.2 million was approved by the Authority in December 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 £14.5 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. 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 2021-22.

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.

Within Miscellaneous Income, the Authority has recognised £19.1 million of income which is from the Public Private Partnership (PPP). The Authority is entitled to a share of the income (above

certain thresholds) earned by the Public Private Partnership (PPP) from third parties, and from the increase in electricity prices. The additional income is due to be paid to the Authority in financial year 2023-24.

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".

3. Accounting standards that have been issued but not yet adopted

The standards introduced by the 2022/23 Code where disclosures are required in the financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

4. 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.

5. 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 2022- 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.
Fair Value of Long Term Borrowing/ PPP Liability estimated by Arlingclose	Independent professional fair value valuations take place every year by an external independent valuer, Arlingclose. The valuations are undertaken in accordance with relevant rules and regulations and use of a variety of information and the judgement of valuers in relation to market conditions, components and lifecycles.	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.

6. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on **xxxx 2023**. 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 2023 they have been taken into account.

7. Material Items of Income and Expense

The majority of income is comprised of levies charged to the six constituent boroughs. Details of this is within the Related Parties Transaction note. The Authority is also 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 £22.3 million.

A material expense which makes up the majority of the Authority’s expenses are the waste transport and disposal costs. These are outlined in the Comprehensive Income and Expenditure Statement. Within Other Supplies and Payments, £12.7 million relates to the payment of the above income to the six constituent boroughs. This will be paid to the boroughs within the financial year 2023-24.

8. Segmental Income

The majority of income is comprised of levies charged to the six constituent boroughs. Details of this is within the Related Parties Transaction note. This is agreed at the start of the financial year and paid monthly by the boroughs to the Authority.

There are no other material segmental income to disclose.

9. Expenditure and Income Analysed by Nature

All material expenditure and income has been analysed within the Comprehensive Income and Expenditure Statement, Related Parties Transaction note, and Material Items of Income and Expense note.

10. Provisions

Within Short Term Creditors, a provision of £12.7 million has been made which has been charged to Other Supplies and Payments. This relates to the payment to the six constituent boroughs of the additional PPP income driven by an increase in electricity prices. This will be paid to the boroughs within the financial year 2022-23.

11. Adjustments between Accounting Basis and Funding Basis under Regulations

	2022-23 £'000	2021-22 £'000
Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:		
Depreciation* (note 13)	10,465	8,943
Impairments and revaluation gains/(losses)*	0	9,956
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	0	921
	10,465	19,820
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 21)	(7,718)	(7,615)
Revenue expenditure funded from capital under statute (note 21)	(71)	(102)
	(7,789)	(7,717)

Transfer (from)/to general reserves

Accumulated Absences Account (note 21)	8	(17)
	8	(17)
Net additional amount to be credited to general balances for the year	2,684	12,086

* Adjustments impact capital adjustment account (unusable reserve)

12. Financing and Investment Income and Expenditure

	2022-23	2021-22
	£'000	£'000
Interest payable and similar charges	5,181	5,304
Pensions interest and expected return on pensions assets		211
PPP financing interest	3,308	3,393
PPP contingent rents	591	488
Interest receivable and similar income	(554)	(19)
	8,526	9,377

13. 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 2022	239,984	0	530	240,514
Additions	27	0	44	71
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	0	0	0
Revaluation increase/(decrease) recognised in comprehensive income and expenditure statement	0	0	0	0
Gross book value at 31 March 2023	240,011	0	574	240,585
Accumulated depreciation at 1 April 2022	0	0	(355)	(355)
Depreciation charge for the year	(10,400)	0	(65)	(10,465)

Depreciation written out to Revaluation Reserve	0	0	0	0
Accumulated depreciation at 31 March 2023	(10,400)	0	(420)	(10,820)
Net book Value at 01 April 2022	239,984	0	175	240,159
Net book Value at 31 March 2023	229,611	0	155	229,766

Land and buildings include assets under PPP arrangement with net book value of £175.1 million. A full valuation exercise valued properties at 31 March 2022.

Within depreciation charge for the year, £359k 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 2021	221,173	0	484	221,657
Additions	57	0	46	103
Revaluation increases/(decreases) recognised in Revaluation Reserve	8,798			8,798
Revaluation increases/(decreases) recognised in Comprehensive income and expenditure statement	9,956	0	0	9,956
Gross book value at 31 March 2022	239,984	0	530	240,514
Accumulated depreciation brought forward	(17,553)	0	(307)	(17,860)
Depreciation charge for the year	(8,895)	0	(48)	(8,943)
Depreciation written out to Revaluation Reserve	26,448	0	0	26,448
Accumulated depreciation carried forward	0	0	(355)	(355)
Net book Value at 31 March 2022	239,984	0	175	240,159
Net book Value at 01 April 2021	203,620	0	177	203,797

14. Capital Work in Progress

	2022-23	2021-22
	£'000	£'000
Opening balance	83	83
Expenditure in year	0	0
Recognised in long term assets	0	0
	<hr/>	<hr/>
Closing balance	83	83
	<hr/>	<hr/>

15. Financial Instruments

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

	Long term		Current	
	2022-23	2021-22	2022-23	2021-22
	£'000	£'000	£'000	£'000
Financial Assets – Amortised Cost				
Cash and cash equivalents	0	0	33,202	29,045
Trade debtors and prepayments	0	0	23,245	13,126
Financial Liabilities – Amortised Cost				
Trade creditors	0	0	(7,493)	(7,841)
Long term borrowing	(81,102)	(83,586)	(2,483)	(2,354)
PPP liability	(96,155)	(100,412)	(4,257)	(4,166)

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 2023
- 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

	2022-23		2020-21	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Long term borrowing (note 19)	83,586	72,800	85,940	86,481
PPP liability	100,412	89,314	104,579	111,349

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 2023 (same methodology used in previous year). The discount rates range between 5.40% and 9.56% (previous year: 1.90% and 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. Due to higher inflation, policy makers have been raising interest rates to control the impact and this in turn is driving the higher discount rate for financial year 2022/23.

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 2023 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.

16. Cash and Cash Equivalents

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

	2022-23	2021-22
	£'000	£'000
Bank balance (HSBC)	5,202	6,045
Deposit placed with the London Borough of Ealing	28,000	23,000
	<hr/>	<hr/>

17. Short Term Debtors

	2022-23	2021-22
	£'000	£'000
Other Local Authorities	987	414
Central Government Bodies	2,360	2,399
Other Entities and Individuals	60	63
Prepayments and Accrued Income	22,583	13,712
Total	25,991	16,588

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	2022-23	2021-22
	£'000	£'000
< 90 days	307	317
90 – 180 days	0	0
> 180 days	0	0
Total	307	317

18. Short Term Creditors

	2022-23	2020-21
	£'000	£'000
Other Entities and Individuals	(5,649)	(6,678)
Other Local Authorities	(13,499)	(9,110)
Total	(19,148)	(15,788)

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

19. 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%.

	2022-23	2021-22
	£'000	£'000
Opening balance	(85,940)	(88,172)
Loans in year	0	0
Repayments	2,354	2,233
	(83,586)	(85,940)
Closing balance	(83,586)	(85,940)

At 31 March 2023 £146,000 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.

	2022-23	2021-22
	£'000	£'000
Analysis by maturity		
Short term element	(2,483)	(2,354)
Between 2 and 4 years	(11,416)	(10,803)
Between 5 and 10 years	(18,465)	(17,424)
10 years or more	(51,222)	(55,359)
Long term element	(81,102)	(83,586)
Total liability	(83,586)	(85,940)

The table below shows the loans split by maturity including interest into short term and long term elements.

	2022-23	2021-22
	£'000	£'000
Analysis by maturity		
Short term element	(7,517)	(7,521)
Between 2 and 4 years	(30,021)	(30,040)
Between 5 and 10 years	(37,393)	(37,426)
10 years or more	(66,858)	(74,322)
Long term element	(134,272)	(141,789)
Total liability	(141,789)	(149,310)

20. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

21. Unusable Reserves

	2022-23	2021-22
	£'000	£'000
Revaluation reserve	(52,732)	(52,732)
Capital adjustment account	8,197	5,521
Pensions reserve	8,022	8,022
Accumulated absences account	33	25
	(36,480)	(39,164)

(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.

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

(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.

	2022-23	2021-22
	£'000	£'000
Balance as at 1 April	5,521	(5,661)
Depreciation	10,465	8,943
Statutory provision for repayment of debt	(7,718)	(7,615)
Impairment and revaluation	0	9,956
Amounts written out of Revaluation Reserve	0	0

Net written out amount of the cost of non-current assets consumed in the year	8,268	5,624
Revenue financing to capital	(71)	(102)
Balance at 31 March	8,197	5,521

(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.

	2022-23	2021-22
	£'000	£'000
Balance as at 1 April	8,022	11,028
Actuarial gains or losses on pension assets and liabilities	0	(3,927)
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	0	710
Employer's pensions contributions and direct payments to pensioners payable in the year	0	211
Balance at 31 March	8,022	8,022

(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.

2022-23	2021-22
£'000	£'000

Balance as at 1 April	25	42
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	8	(17)
Balance at 31 March	33	25

22. Officers' Remuneration

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

	Salary and Termination Benefits (£)		Pension Contributions (£)		Total (£)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	Director	150,667	150,990	20,612	19,808	171,279
Clerk	11,316	11,179	1,528	1,509	12,843	12,688
Technical Advisor (till April 21)	0	918	0	0	0	918
Technical Adviser (from May 21)	11,316	10,157	0	617	11,316	10,774
Treasurer	11,316	11,179	1,528	1,509	12,843	12,688

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:

Remuneration Band including exit packages	2022-23 No of employees	2021-22 No of employees
£50,000 to £54,999	5	3
£55,000 to £59,999	3	2
£60,000 to £64,999	1	1
£65,000 to £69,999	0	0
£70,000 to £74,999	2	0
£85,000 to £89,999	1	1
£90,000 to £94,999	0	0
£125,000 to £129,999	1	1

Members Allowances

£5,400 allowance to members was paid for attending Authority meetings 22-23.

£1,500 allowance was paid to Audit committee member for meetings in 22-23.

23. External Audit Fees

The audit fees reflected in the accounts are as follows:

	2022-23	2021-22
	£'000	£'000
Audit of the Authority	62	57
Other services	2	2
Total Fees	64	59

24. 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	8,804	9,618	6,957	9,9195	7,948	4,626	47,147
Fixed Cost Levy	2,396	2,847	2,175	2,493	2,083	1,773	13,767
Total Levies	11,200	12,465	9,132	11,687	10,031	6,400	60,915
Agency and other income	359	2,705	0	0	0	0	3,063
Total 2022-23	11,559	15,170	9,132	11,687	10,031	6,400	63,978
Total 2021-22	11,860	15,668	8,937	11,470	10,224	7,746	65,905

Interest expense 2022-23	1,164	1,164	1,164	0	0	1,164	4,655
Interest expense 2021-22	1,189	1,189	1,189	0	0	1,189	4,758
Expenditure							
Waste Transport and Disposal Costs	0	165	0	0	0	0	165
Rent and Rates	102	0	0	416	0	0	518
Support Services	0	35	8	0	0	0	43
Other	(26)	(52)	(49)	0	(106)	(31)	(265)
Total 2022-23	76	148	(41)	416	(106)	(31)	460
Total 2021-22	102	29	15	396	0	0	542
	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debtors 2022-23	35	385	0	0	0	0	420
Debtors 2021-22	15	160	0	3	85	0	263
Creditors 2022-23	271	841	227	213	233	59	1,844
Creditors 2021-22	792	622	157	179	679	180	2,610
Borrowings 2022-23	15,145	15,145	15,145	0	0	15,145	60,579
Borrowings 2021-22	15,493	15,493	15,493	0	0	15,493	61,971
Cash / equivalents 2022-23	0	28,000	0	0	0	0	28,000
Cash / equivalents 2021-22	0	23,000	0	0	0	0	23,000

25. Agency Services

This can be found under the Related Parties Transaction note.

26. Leases

The Authority does not hold any finance or operating leases.

27. 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	2021-22
	£'000	£'000
Energy from waste facility:		
Opening balance	104,578	108,659
Developer's contribution	0	0
Reduced through unitary payments	(4,165)	(4,081)
Closing balance	100,413	104,578

PPP liability repayments	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	1,489	2,768	4,257
Two to five years	6,986	11,072	18,085
Six to ten years	11,600	13,840	25,441
Eleven to fifteen years	15,878	13,840	29,719
Sixteen to twenty years	13,701	9,238	22,938
Twenty to twenty five years	0	0	0
Long term liability	48,165	47,990	96,156
Total repayments	49,654	50,758	100,413

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	23,553	13,840	37,374
Sixteen to twenty years	23,533	13,840	37,374
Twenty to twenty five years	15,703	9,237	24,940

Long term liability	81,595	47,990	129,586
Total repayments	86,302	50,758	137,060

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.

On early termination or expiry, West London Waste Authority is placed in a position broadly equivalent to if the main treatment facility was constructed on an Authority site and the PPP contract provides WLWA with a variety of options as follows (which it may exercise at its discretion):

- WLWA may walk away on expiry of the contract without having to bear decommissioning risks and SUEZ must pay WLWA the Residual Life Rebate;
- WLWA may extend the contract for 5 years after which WLWA may walk away without having to bear decommissioning risks but SUEZ then do not pay WLWA the Residual Life Rebate; or

WLWA may exercise its right to take a lease of SERC (Conditional Lease) for 25 years post expiry to allow WLWA to secure the site and retender the operation of the facility. With this option, WLWA would have to pay rent and bear decommissioning risks at the end of the term and SUEZ do not pay WLWA the Residual Life Rebate.

28. 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	2022-23	2021-22
	£'000	£'000
Present value of funded obligation		(31,419)
Fair value of Scheme Assets (bid value)		23,560
Net Liability		(7,859)
Present value of unfunded obligations		(163)
Net Liability in Balance Sheet		(8,022)

Comprehensive Income and Expenditure Statement

	2022-23	2021-22
	£'000	£'000
Service costs		883
Net interest on defined liability		211
Administrative expenses		27
		1,121

Reconciliation of the present value of the scheme liabilities:

	2021-22	2021-22
	£'000	£'000
Opening balance as at 1 April		31,910

Current service cost	883
Interest cost	612
Change in financial assumptions	(1,057)
Change in demographic assumptions	0
Experience (gain)/loss on liabilities	81
Liabilities assumed/extinguished on settlements	0
Estimated benefits paid net of transfers in	(1,123)
Past service costs including curtailments	0
Contributions by scheme participants and other employers	290
Unfunded pension payments	(14)
	<hr/>
Closing balance as at 31 March	31,582

Reconciliation of fair value of the scheme (plan)

assets:	2022-23	2021-22
	£'000	£'000
Opening balance as at 1 April		20,882
Interest on assets		401
Return on assets less interest		2,951
Other actuarial gains		0
Administration expenses		(27)
Employer contributions		200
Contributions by scheme participants and other employers		290
Benefits paid		(1,137)
Settlement prices received/(paid)		0
		<hr/>
Closing balance as at 31 March		23,560

Assumptions as at	31 March 2023	31 March 2022	31 March 2021
	p.a.	p.a.	p.a.
Discount rate		2.60%	1.95%
Pension increases		3.30%	2.80%
Salary increases		4.30%	3.80%

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 2023	31 March 2022
Retiring today	Males		22.2

	Females	23.7
Retiring in 20 years	Males	22.7
	Females	26.0

Sensitivity analysis on major assumptions	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation			
▪ Projected service cost			
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation			
▪ Projected service cost			
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
▪ Present value of total obligation			
▪ Projected service cost			
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation			
▪ Projected service cost			

Re-measurements in other comprehensive income	2022-23	2021-22
	£'000	£'000
Return on plan assets in excess of interest		2,951
Other actuarial gains on assets		0
Change in financial assumptions		1,057
Change in demographic assumptions		0
Experience gain on defined benefit obligation		(81)
Total		3,927

Projected pension expense for next year	2023-24
	£'000
Service cost	812
Net interest on the defined liability	205
Administration expenses	31
Total	1,048

Employer contributions	195
-------------------------------	------------

Assets by Class	2022-23	2021-22
	£'000	£'000
Equities		13,411
Target Return Portfolio		5,074
Infrastructure		2,400
Property		2,114
Cash		561
Total		23,560

Analysis of 2021-22 Assets	% Quoted	% Unquoted
Equities		
Real Estate	1%	
Consumer Discretionary	4%	
Consumer Staples	8%	
Energy	0%	
Financials	6%	
Health Care	4%	
Industrials	6%	
Information Technology	13%	
Materials	1%	
Communication Services	2%	
Utilities	0%	
Fixed Income & Other	0%	
Trade Cash/Pending	2%	
Synthetic Equity	0%	
Private Equity		9%
Fixed Income	3%	
Total Return		
Investment/Hedge funds and unit trusts	11%	
Credit		8%
Infrastructure		10%
Real Estate		9%
Cash		
Cash	2%	
LDI	0%	
Currency Hedge (Forward Contracts)		-0%
Total	64%	36%

29. Contingent Assets and Liabilities

At 31 March 2022 there was a contingent asset relating to additional income from waste plants generated by increasing third party waste volumes and rising electricity prices. The amount is subject to risk and requires negotiation and legal agreement. Although not determined an estimate of the value is £389,000 (31 March 2022: £389,000).

At 31 March 2023 there was no contingent liability (31 March 2022: nil)

30. Miscellaneous Income and Other Supplies and Payments

This year income from the Severnside Energy Recovery Centre (SERC) has been recognised within Miscellaneous Income, and totals £19.1 million (31 March 2022: £10.7 million). It principally relates to income resulting from high electricity prices and current levels of activity. The disbursement to the boroughs of £12.7 million (31 March 2022: £6.5 million) has been recognised within Other Supplies and Payments.

The remaining income within Miscellaneous Income is 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 amounts to £2.7 million (31 March 2022: £2.6 million).

Over the longer term there may also be opportunities to secure income by increasing third party waste volumes processed at the 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). When 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.

Annual Governance Statement 2022-23

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:

- Abbey Road Processes
- HR and Payroll
- Procurement and Expenditure

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 reasonable assurance for two reported areas and limited assurance for HR and Payroll. They identified no critical risk items/recommendations, 3 high risk and mostly medium and low risk recommendations which 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 Deirdre Costigan
 Chair to the Authority
 Xxx

 Hugh Peart,
 Clerk
 xxxx

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

WEST LONDON WASTE AUTHORITY
AUDIT COMMITTEE

Report of the Clerk

23 June 2023

Assurance Statements for the year ending 31 March 2023

SUMMARY

The attached Assurance Statements from the Authority’s Chief Officers and Senior Managers form part of the overall governance framework and support the approval of the annual Statement of Accounts.

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Note the Assurance Statements in Appendix 1

1. Introduction

Assurance statements are a self-assessment tool for senior managers to annually review and demonstrate ownership for the quality of governance arrangements around service areas for which they are responsible.

They form an integral part of the Authority’s Code of Corporate Governance to support the Board’s approval of the Annual Governance Statement contained in the Annual Statement of Accounts.

2. Assurance Statements

The Senior Managers responsible for financial management, projects and contracts/operations are responsible for the substantive majority of activity and transactions so have produced self-assessment statements for their area of activities. These have been subject to review by the Managing Director and subsequently reported to and considered by Chief Officers.

An overarching Chief Officers Statement affirms the Senior Managers’ assessments and affirms the effectiveness of the overall control environment.

3. Financial Implications – Provides assurance about the financial position and performance reported in the Statement of Accounts.

4. Legal Implications – External audit of financial statements is a legal requirement.

Contact Officers	Jay Patel, Finance Director jaypatel@westlondonwaste.gov.uk Hugh Peart, Clerk Hughpeart@westlondonwaste.gov.uk	01895 54 55 10
------------------	--	----------------

Appendix 1

Assurance statement from Chief Officers

The Senior Managers' Assurance Statements for the financial year ending 31 March 2023 were reviewed by the Managing Director and accompany this Chief Officer's Statement. Annual Manager's Assurance Statements provide an important element of the corporate governance arrangements and are an integral part of the framework that supports the production of the Annual Governance Statement.

The Assurance Statements take the form of a standard template. The templates identify each Senior Manager's area of responsibility. The Manager's review of their area includes a schedule of the key activities in place which provide assurance about the overall effectiveness of internal controls.

The Senior Managers' assurance statements indicate that a sound system of internal control was and is in place with no significant issues or indeed any requiring disclosure in the Annual Governance Statement.

No significant areas of operational improvement have been identified by Senior Managers in their assurance statements.

On the basis of the opinions of the Senior Managers and our ongoing oversight of action plans and operations, we are satisfied that the Authority's financial, governance, and operational assurance arrangements are adequate and are operating effectively and that the improvements identified will further enhance our assurance arrangements.

Hugh Peart, Clerk and Monitoring Officer

Ian O'Donnell, Treasurer

Victoria Lawson, Chief Technical Officer

Emma Beal, Managing Director

Chief Officers meeting dated 9 June 2023

Assurance Statement – Finance: Jay Patel

The table below identifies the key areas of responsibility within Finance and Performance operations and the main activities to ensure the effectiveness of the internal control environment within these areas.

FINANCE and GOVERNANCE	
Key areas of responsibility	Activities
Payment of invoices	<ul style="list-style-type: none"> • Supplier set up procedures • Invoice processing and payment procedures • Restricted system access for approval of invoices • Segregation of duties between spending managers and invoice processors • Delegated authorisation limits • Recording and reconciliation of payments • Restricted access to banking facilities • Restricted number of bank account signatories and dual signatory requirements for payments > £50k • Monthly bank reconciliation, treasury reconciliation, accounts receivables reconciliation and accounts payable reconciliation with review and authorisation • Reporting of accounts payable and debtor KPIs
Salary management	<ul style="list-style-type: none"> • LBE payroll service provider • Defined policies and procedures • Restricted system access for viewing, approval etc of payroll information • Monthly salary budget monitoring and reporting • Payroll reports checking and approval before processing • Adhering to Single Status guidelines • Applying NJC and Chief Officer pay scales • Auto enrolment processes in place • Use of professional independent advice for payroll related matters including job evaluations • Establishing a contact at the pension provider to help expedite pension processing on employees behalf
Income collection	<ul style="list-style-type: none"> • Invoicing procedure • Debt monitoring and collection • Debt recovery and chasing processes • Use of professional legal advice to pursue debts through court

	<ul style="list-style-type: none"> • Checks trade customers before opening credit accounts • Checks against weighbridge data • Monthly bank reconciliation and accounts receivable reconciliation with review and authorisation to ensure completeness and up to date • Reporting accounts receivable KPIs • PPP Income checks and controls
Anti bribery counter fraud	<ul style="list-style-type: none"> • Overall Policy cascading into procedures • Controls/checks in place across business throughout a range of processes e.g. approval limits, requirement for at least two people to be involved in financial decisions. • Whistle blowing policy and independent reporting service
Budgets	<ul style="list-style-type: none"> • Budgets built from the bottom up using detailed service data • Budget holders detailed involvement preparing annual budgets • Using Boroughs provided data for budget setting and monitoring • Budget Challenge session • Budget approval by Officers and WLWA including levies and charges • Borough consultation on budget • Monthly budget monitoring and reporting to Authority as standing agenda item
Financial planning	<ul style="list-style-type: none"> • Finance Strategy agreed with boroughs • Long term financial models with sensitivity analysis approved by Authority • Operational long term business modelling informing business plan and activities • Treasury Strategy and performance reported to Authority • LB Ealing service provider for Treasury activities under an SLA • Standard forms and authorisations • Cashflow management and forecasting • Ready access to funds at short notice • Treasury processes • Financial guidance document and advice for managers undertaking projects • Use of independent financial advisors to support decision making • Registered with and access to funds through the PWLB

	<ul style="list-style-type: none"> Financial modelling and feasibility analyses of opportunities
Governance	<ul style="list-style-type: none"> Regular review, update and approval of the range of governance policies Administration of governance arrangements through service level arrangements with the London Borough of Harrow Forward planning for the Authority, Chief Officers, Environment Directors, West London Treasurers and Borough Partnership meetings Scrutiny through Chief Officers meetings Regular meetings with members (almost fortnightly) Participating in West London Treasurers meetings
Compliance	<ul style="list-style-type: none"> Production and external audit of annual financial statements Routine submission of regulatory returns Information and expenditure published on WLWA website Disclosure and reporting of Authority meetings and completion of statutory returns to government
Audit	<ul style="list-style-type: none"> Management of internal audit provided by external independent organisations Management of external auditors appointed by the PSAA Audit Committee meetings and Chair briefings

INFORMATION TECHNOLOGY

Key areas of responsibility	Activities
Infrastructure	<ul style="list-style-type: none"> Commercial service provider cloud solution with contractual requirements around service levels, business continuity, security and protocols Service level standards and support desk service Use of managed services Ability to access services and work from anywhere with an internet connection
Business continuity	<ul style="list-style-type: none"> Data on managed servers with comprehensive back-up/business continuity processes Virtualisation – access systems from any location
Applications	<ul style="list-style-type: none"> Full range of functionality Access to IT expertise to develop approach and consider alternatives

	<ul style="list-style-type: none"> • Audit of migration of waste data and finance systems
Strategy	<ul style="list-style-type: none"> • Updating IT strategy with 3 year action plan culminating in new cloud based IT systems • Developing and implementing a data strategy
Data protection	<ul style="list-style-type: none"> • Permission based access to systems with secure login cards • Access to files restricted on the basis of business needs • Using encrypted USB drives • Very low volume of personal data • Specialist GDPR advisor supporting managers across business
HUMAN RESOURCES	
Key areas of responsibility	Activities
Establishment	<ul style="list-style-type: none"> • Establishment agreed during budgeting process each year • Changes to establishment approved by WLWA Officers
Recruitment	<ul style="list-style-type: none"> • Defined policies and procedures • Induction process • Probationary period
Appraisal	<ul style="list-style-type: none"> • Lattice and iTrent systems to support HR activities • Defined policies and procedures • Appraisal conducted annually • Organisation wide training plans developed annually • Training KPI and reporting
HR advice and support	<ul style="list-style-type: none"> • Range of policies regularly reviewed • SLA for provision by Hounslow Council for advice on more complex issues • Professional advice and consultancy
Wellbeing	<ul style="list-style-type: none"> • Wellbeing budgets including activities, facilities and support • Training and guidance for managers • Wellbeing Champions
Staff Liaison	<ul style="list-style-type: none"> • Meetings with recognised trade union
PERFORMANCE	
Key areas of responsibility	Activities
Key Performance Indicators	<ul style="list-style-type: none"> • Defined manager responsibilities for particular KPIs • Regular review and reporting of KPIs and analysis/corrective action where appropriate • Range of indicators tailored for individual user/group needs

	<ul style="list-style-type: none"> Monitoring and reporting of Authority approved KPIs Annual review and update of KPIs and target setting
Compliance	<ul style="list-style-type: none"> Monthly reporting of tonnage information to Boroughs Agreed processes for information flows from Boroughs and service providers Validation procedures and cross checks linking to spending patterns Submission of statutory Waste Data Flow returns

RISK	
Risk	<ul style="list-style-type: none"> Defined Risk Management Strategy with defined roles, responsibilities and activities Maintaining Risk Register and reviewing regularly at Chief Officer meetings and Audit Committee meetings Regular review of risk strategy
Insurance	<ul style="list-style-type: none"> Reviewed and renewed annually for adequacy of cover Professional advice and procurement support from Harrow Council
Contracts	<ul style="list-style-type: none"> Updated and approved procurement and contract regulations

MANAGEMENT STRUCTURES AND REPORTING ARRANGEMENTS

Key areas of responsibility	Activities
Communication processes	<ul style="list-style-type: none"> Regular team meetings ensuring staff are kept informed of management decisions 1-2-1s and support on an individual basis Publication and consultation on changing procedures and policies Cross functional working groups and inter departmental meetings Meetings with staff representatives
Performance management	<ul style="list-style-type: none"> 1-2-1s and appraisals
Training and development	<ul style="list-style-type: none"> Needs evaluated as part of appraisal process Training arranged according to business needs and organisational training plan produced following the annual appraisal process

STRATEGY AND PLANNING

Key areas of responsibility	Activities
------------------------------------	-------------------

Operational business plans	<ul style="list-style-type: none"> • Contributing to Joint Waste Management Strategy • Delivering the approved Medium Term Business Plans and long term financial model • Annual Budgeting process • Annual Procurement Plans

Key actions to improve the effectiveness of the internal control environment


Improvement of HR services
Continue developing and adapting to increasing range of needs resulting from wide ranging projects being delivered

Assurance Statement

As a Senior Manager, I have responsibility for maintaining a system of sound internal controls within my areas of responsibility that support the achievement of WLWA's objectives and for reviewing their effectiveness.

I have reviewed the effectiveness of the system of internal control and summarised the key areas of responsibility and activities in the table above. I am satisfied that a sound system of internal control has been in place throughout the financial year and is ongoing.

Jay Patel
Finance Director


Sign: 

Date: 6th June 2023

Managing Director's Statement

I have considered the list of areas of responsibility and activities set out above and from meetings of the Senior Management Team and Chief Officers together with my knowledge of day to day activities, risk register and reporting during the year am satisfied with the accuracy of the statement above.

Emma Beal
Managing Director

Sign: 

Date: 6th June 2023

Assurance Statement – Contracts & Operations: Tom Beagan

The table below identifies the key areas of responsibility within Contracts & Operations and the main activities considered to ensure the effectiveness of the control environment within these areas.

AUTHORITY MANAGEMENT	
Key areas of responsibility	Activities
Deputise for Managing Director	<ul style="list-style-type: none"> • Stand-in for Director/MD as needed • Delegations • Authority representative on NAWDO
General Management	<ul style="list-style-type: none"> • Authority Reports • WLWA Officer Meetings • Senior Management Team meetings • Contracts and Operation team meetings • Agresso • iTrent • Various working groups • Risk owner in risk register • Development of Corporate Business Plan • Organisational development (i.e. people) • Procurement Review Board
WASTE DISPOSAL	
Key areas of responsibility	Activities
Waste Disposal	<ul style="list-style-type: none"> • Ensure suitable arrangements in place for all waste streams. • Management of operational processes • On-going monitoring • Review performance
Borough liaison	<ul style="list-style-type: none"> • Develop JMWMS • Regular meetings • Notify service changes • Assist with collection arrangements/contracts • Direct when necessary • Manage and assist with service changes • Liaise and interface with borough contractors • Partner for mutual benefits • Green recovery • Directing services


Budgets	<ul style="list-style-type: none"> • Assess financial requirements • Develop projected spending profiles • Ensure budgets approved and in place • Profile ongoing expenditure • Monitor expenditure v budget • Adjust budgets • Provide reports and feedback • Delegating and oversight
Forward planning	<ul style="list-style-type: none"> • Track short term and long-term future needs and requirements • Development of Waste Management Plans and Policies • Business Plan • Review future service requirements • Management of change
Contingency/Business Continuity Provisions	<ul style="list-style-type: none"> • Determine potential need • Arrangements in place • Keep options under review • Implement as required
Tonnage and related data	<ul style="list-style-type: none"> • Review accuracy of data • Review data and data analysis • Disseminate information • Monitor trends • Weekly waste reporting • Respond to information • Developing MI
Outside Agencies	<ul style="list-style-type: none"> • Liaison with outside agencies – i.e. Mayor of London, GLA, EA, WIDP, LWARB, WRAP. • Partner in new initiatives • Co-operate and collaborate.
CONTRACT MANAGEMENT	
Key areas of responsibility	Activities
Market testing	<ul style="list-style-type: none"> • Investigating options • Review market • Market Intelligence • Develop contacts • Interviews and meetings • Benchmarking • Focus groups • Networking

Procurements	<ul style="list-style-type: none"> • Assess requirements • Market Review • Procurement strategy development • Documentation compilation • Initiate, control and manage procurement process • Compliance with Standing Orders, Financial Regulations etc. • Compliance with legislative and regulatory requirements • UK and EU Contract requirements met • Tender enquiries monitored and managed • Safe Tender receipt and opening • Tender Evaluation and assessment • Reporting • Recommendations • Contract preparations • Variations • Regular review of procurement rules • Engage borough / participation in procurement • Reviews with SMT / planning/prioritising procurements
Contract Implementation	<ul style="list-style-type: none"> • Arrange and authorise Orders/contracts • Review Permits, Licences, permissions, etc. • Check Insurances • Pre-contract meetings • Legal advice
Contract Monitoring & Management	<ul style="list-style-type: none"> • Contractor liaison • Contract Management meetings • KPI review/performance management • Regular contract meetings internal and external • Record changes, variations etc. • Verify invoice data v weighbridge records • Authorise verified invoices and payments • Legal advice
Contract/Procurement Register	<ul style="list-style-type: none"> • Compile • Review and monitor regularly • Amended and update • Seek Authority approval

SITE & OPERATIONS MANAGEMENT & HR	
Key areas of responsibility	Activities
Management of Health & Safety	<ul style="list-style-type: none"> • Monitor Health and Safety performance of all contracts • Management of Health and Safety for the Authority waste sites including: <ul style="list-style-type: none"> ○ Risk assessment ○ Policy review • Use of Health and Safety advisors • Regular review of procedures and communication
Site & Operations Management & staffing	<ul style="list-style-type: none"> • Agree staffing levels • Review staffing needs to meet future requirements • Job descriptions and Person Specifications • Recruitment • Performance management • Monitor and authorise annual leave • Monitor and manage sickness absence • Monitor and authorise expense claims • Annual appraisals & performance management • Training needs and plans • Staff development • Staff Briefings • Trade Union liaison • Site security • Wellbeing
Plant & equipment	<ul style="list-style-type: none"> • Planning • Agree requirements • Option reviews • Maintenance • Contracts and lease management • Suitable skills/training • Budget provisions • Procurement process • Lease and purchase agreements • Servicing & maintenance provision • Operational performance • Weight & Measures compliance • Site inspections • Risk assessments
Repairs & maintenance	<ul style="list-style-type: none"> • Annual & Forward planning • Managing improvements work • Prioritising • Compile and agree budgets • Responsive maintenance management

Public Interface	<ul style="list-style-type: none"> • Information dissemination accuracy • Payments • Access (inc. DDI) • Fol responses • Enquiry & complaint management and recording • Contracts register
INFORMATION TECHNOLOGY	
Key areas of responsibility	Activities
Site Infrastructure	<ul style="list-style-type: none"> • Needs analysis • Provision of suitable & operationally competent and compliant equipment • Suitable software systems / upgrades • Back-up systems • Security • Reliability monitoring • Electronic Payment transactions • Reconciliations
Applications	<ul style="list-style-type: none"> • Use of outside expertise • Training • Procedure documentation
Data protection	<ul style="list-style-type: none"> • Personal discrete log-ins • Access restrictions • Encryption as suitable • Data storage
Website	<ul style="list-style-type: none"> • Accurate & current information • Regular updates • Fol advice & responses
PERFORMANCE	
Key areas of responsibility	Activities
KPI's	<ul style="list-style-type: none"> • Established structure of reporting • Regular reporting and review for remedial actions
Compliance	<ul style="list-style-type: none"> • Monthly reports to boroughs • On-gong review of data • Regular contract meetings • Remedial actions

RISK	
Risk	<ul style="list-style-type: none"> • Defined strategy outlining roles and responsibilities • Risk register reviewed regularly • Remedial action implementation
Key actions to improve the effectiveness of the internal control environment	
Build wider understanding of the PPP contract with key managers	

Assurance Statement	
<p>As Head of Service Delivery, I have responsibility for maintaining a system of sound internal controls within my areas of responsibility that support the achievement of WLWA's objectives and for reviewing their effectiveness.</p> <p>I have reviewed the effectiveness of the system of internal control and summarised the key areas of responsibility and activities in the table above. I am satisfied that a sound system of internal control has been in place throughout the financial year and is ongoing.</p>	
Tom Beagan Head of Service Delivery	<p>Sign: </p> <p>Date: 6th June 2023</p>

Managing Director Statement	
<p>I have considered the list of areas of responsibility and activities set out above and from meetings of the Contracts and Operations Management Team and Chief Officers together with my knowledge of day to day activities, risk register and reporting during the year am satisfied with the accuracy of the statement above.</p>	
Emma Beal Managing Director	<p>Sign: </p> <p>Date: 6th June 2023</p>

Assurance Statement – Projects Team: Peter Tilston

The table below identifies the key areas of responsibility within the Projects Team and the main activities considered to ensure the effectiveness of the control environment within these areas.

AUTHORITY MANAGEMENT	
Key areas of responsibility	Activities
Deputise for Director	<ul style="list-style-type: none"> • Stand-in for Director/MD as needed • Delegations
General Management	<ul style="list-style-type: none"> • Authority Reports • WLWA Officer Meetings • Member of SMT • Environment Directors meetings • Project and CircEco team meetings • Agresso • iTrent
Programme management	
Key areas of responsibility	Activities
Waste Disposal	<ul style="list-style-type: none"> • Implement suitable efficiency projects for all waste streams. • On-going monitoring • Review performance • Support managing contractor relationships
Borough liaison	<ul style="list-style-type: none"> • Develop JMWMS • Regular meetings with Directors and Heads of Service • Notify service changes • Assist with collection arrangements/contracts • Direct when necessary • Manage and assist with service changes • Liaise and interface with borough contractors • Partner for mutual benefits
Budgets	<ul style="list-style-type: none"> • Assess financial requirements • Develop projected spending profiles and business cases • Ensure budgets approved and in place • Profile ongoing expenditure • Monitor expenditure v budget • Adjust budgets • Provide reports and feedback
Forward planning	<ul style="list-style-type: none"> • Projects Programmes • Track future needs and requirements • Development of Waste Management Plans and Policies

	<ul style="list-style-type: none"> • Business Plan • Review future service requirements • Management of change
Contingency/Business Continuity Provisions	<ul style="list-style-type: none"> • Determine potential need • Arrangements in place • Keep under review options available • Implement as required
Tonnage and related data	<ul style="list-style-type: none"> • Review accuracy of data • Review data and data analysis • Disseminate information • Monitor trends • Respond to information • Develop management information and reporting
Outside Agencies	<ul style="list-style-type: none"> • Liaison with outside agencies – i.e. Mayor of London, GLA, EA, WIDP, LWARB, WRAP. • Partner in new initiatives • Co-operate and collaborate.
MANAGEMENT & HR	
Key areas of responsibility	Activities
Management & staffing	<ul style="list-style-type: none"> • Agree staffing levels • Review staffing needs • Job descriptions and Person Specifications • Recruitment • Performance management • Monitor and authorise annual leave • Monitor and manage sickness absence • Monitor and authorise expense claims • Annual appraisals & performance management • Training needs and plans • Staff development • Staff Briefings • Trade Union liaison • Site security

INFORMATION TECHNOLOGY	
Key areas of responsibility	Activities
Staff hardware	<ul style="list-style-type: none"> • Needs analysis • Provision of suitable & operationally competent and compliant equipment • Suitable software systems • Back-up systems • Security • Reliability monitoring •
Applications	<ul style="list-style-type: none"> • Use of outside expertise • Management of service providers
Data protection	<ul style="list-style-type: none"> • Personal discrete log-ins • Access restrictions • Encryption as suitable • Data storage
Website	<ul style="list-style-type: none"> • Accurate & current information • Regular updates • Fol advice & responses
PERFORMANCE	
Key areas of responsibility	Activities
KPI's	<ul style="list-style-type: none"> • Established structure of reporting • Regular reporting and review for remedial actions
Compliance	<ul style="list-style-type: none"> • Monthly reports to boroughs • On-gong review of data • Regular contract meetings • Remedial actions
RISK	
Risk	<ul style="list-style-type: none"> • Project Reports • Defined strategy outlining roles and responsibilities • Risk register reviewed regularly • Remedial action implementation
Key actions to improve the effectiveness of the internal control environment	
Develop collaborative plans with boroughs.	

Assurance Statement

I have responsibility for maintaining a system of sound internal controls within my areas of responsibility that support the achievement of WLWA's objectives and for reviewing their effectiveness.

I have reviewed the effectiveness of the system of internal control and summarised the key areas of responsibility and activities in the table above. I am satisfied that a sound system of internal control has been in place throughout the financial year and is ongoing.

Peter Tilston

Sign: PT

Date: 6th June 2023

Managing Director Statement

I have considered the list of areas of responsibility and activities set out above and from meetings of the Projects team and Chief Officers together with my knowledge of day to day activities, risk register and reporting during the year am satisfied with the accuracy of the statement above.

Emma Beal
Managing Director

Sign:



Date: 6th June 2023

WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

23 June 2023

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:

- The risk register has been reviewed regularly by Senior Managers and Chief Officers
- The risk register provides focus on strategic and significant risks
- There are no notable (Red) risks

RECOMMENDATION(S)

The Committee is asked to:-

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

1. The Authority's Risk Management Policy reported in January 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 Leadership 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 1 provides the latest risk register which was updated and considered at the latest round of management meetings. In overall terms, the risk register identifies 8 key strategic risks facing the Authority and the mitigating actions to reduce the risk. There are no notable (Red) risks.

Contact Officers	Jay Patel, Finance Director jaypatel@westlondonwaste.gov.uk	01895 54 55 11
------------------	---	----------------

	<p>Emma Beal, Managing Director emmabeal@westlondonwaste.gov.uk</p> <p>Ian O'Donnell, Treasurer lanodonnell@westlondonwaste.gov.uk</p>	<p>01895 54 55 15</p>
--	---	-----------------------

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.	One or more operational shock(s) or long term stress will cause contract or operational poor performance eg a second pandemic, industrial action, increased regulator requirements, change management, projects.	Transfer stations bottlenecks impacting collections. Change / perceived loss of service on HRRC sites for residents. Negative indicators on contract performance. Increased cost of service.	Political	4	4	16	Weekly waste reporting, joint monitoring of KPIs and service monitoring with Boroughs and service partners. Regular communications with government and regulators at a senior level and with national associations. Business continuity planning and regular reviews of contingency arrangements on each contract. Continuity planning with Boroughs including reducing frequency of tipping and rescheduling tipping times at the transfer stations. Emergency / fast procurement capability using dynamic procurement system and ensure key potential off takers are registered on the DPS. £6m investments into cranes, weighbridges and compactors at rail linked sites. Infrastructure investment plans linked to projects and change management. Stay aligned / maintain up to date knowledge of the waste market, waste flow planning.	3	3	9	Head of Service Delivery
2.	Legislative cost pressure eg Carbon tax / Emission trading scheme will be implemented faster than our change programmes to reduce waste. Boroughs may use money needed to invest in change to plug short term funding gaps.	Failure to invest sufficiently in projects to reduce waste. Levy growth over the medium term.	Economic	5	4	20	WLWA medium term strategy review. Savings strategy to reduce waste resulted in projects team, now growing in maturity. Harness additional savings / income for reinvestment in projects (EPR plan, electricity income, energy savings, recyclate income) Collaborative strategy planning with Boroughs, JMWMS, A plan for 2030. Regular reviews of the finance strategy and project KPIs with Environment Directors and Finance Directors. Food waste project to reduce waste, reduce cost and increase recycling rates. Digital twin project to map current services and waste flows and plan future opportunities of service changes/improvements. Social value and reuse project invests in income generation at HRRCs, supports community good growth and positively informs residents about the value of waste. Communications project tests the knowledge of residents against an ideal. Prepare to pro-actively remove plastics from EfW waste at the right time (legislation or to balance removal of food waste).	4	3	12	Finance Director
3.	The economic climate will impact our ability to retain staff. Recruitment will be difficult and / or take a long while due to eg: scarcity or incomplete experience/training..	Additional pressure on HR, Managers and remaining staff. New people need time to be trained in skills for the future. Time lost on projects..	Operational	4	4	16	Monday morning strategic meetings. Monthly team meetings in person to maintain cohesiveness with regular focus on knowledge, purpose, culture and values. Core training on coaching, insights, lean and six sigma and digital skills "the future of work" led and planned by SLT. Leaders and Managers to monitor team turnover, regularly review succession planning, skills gaps analysis, job descriptions and job market. Procure contracts to support the projects and spread the risk. Review the value of operational work in the current market and our ability to attract high quality staff. Offer secondment / staff sharing arrangements to maintain service levels with Boroughs and service partners.	3	3	9	Managing Director
4.	The complexity of the PPP contract payment mechanisms results in unintended consequences.	Less income or saving than expected following the capacity increase variation	Economic	4	3	12	SLT to deliver the variation with support from Sharpe Pritchard using in depth contract knowledge and experience. Thorough checks and testing throughout negotiation and prior to finalising the variation. Financial modelling to support the variation and contract management. Independent audit of payment mechanism. Training and familiarisation with payment mechanisms. Periodic billing file audits.	3	3	9	Finance Director
5.	IT systems will face cyberattack or suffer a major failure.	Loss of data Failure to make statutory reports. Relying on Boroughs or Contractors for invoicing data. Operational shocks or projects delay.	Economic	4	4	16	All weighbridges except Abbey Road are run by third parties so we should investigate their security and systems. Data strategy needed due to the amount of people's / Boroughs data we are holding and the importance of that data to our savings projects. Data policy needed to eg ensure staff only use the cloud based systems / use of hard drive is limited and backed up regularly. Out-sourced cloud based systems subject to a wide range of back-up and security measures inc remote storage and performance to an agreed service level standards. Contractor deploys a range of security measures to prevent unauthorized access to systems including 2 factor authentication, firewalls, antivirus and antispyware. Restricting access to kit, communications and applications to authorised users only. IT strategy is in place and IT requirements are regularly reviewed.	4	3	12	Finance Director
6.	Changes in law or savings projects will affect our operations and contracts (Item 3 above considers	Unanticipated cost for the Authority Contractor claims for QCiL Unanticipated changes to waste flows Needing change from Borough operations to take whole system approach	Operational	4	5	20	WLWA medium term strategy review. Collaborative strategy planning with Boroughs, JMWMS, A plan for 2030. Prepare to pro-actively remove plastics from EfW waste at the right time (legislation or to balance removal of food waste). Low contamination policies for all material streams	3	4	12	Head of Service Delivery

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	
legislation designed to have financial implications)						Risks and opportunity costs identified collaboratively at March '22 strategy day. Network with WNC,NAWDO, LEDNet, JWDAs to stay abreast of national impact of legislative changes and regulator imposed changes and potential funding (e.g. EPR). Analysis of the implications of the Environment Bill. Build costs into finance strategy and budgeting process. Operational support for projects to reduce waste / whole system costs Food waste project - Press Defra for capital funding for new food waste infrastructure. Digital twin project – Build operational digital skills. Social value and reuse project – Build operational Circular Economy skills. Communications project - test the knowledge of WLWA operatives against an ideal.				
7. Environmental regulator will require more use of buildings and structures to prevent environmental damage.	Increased cost Increased cost of repair Potential fines Reputational damage	Operational	5	4	20	Build costs into the costs of Projects, budgeting process and finance strategy. Press Defra for capital funding for all requirements linked to legislative change. Network with WNC,NAWDO, LEDNet, JWDAs to stay abreast of national impact of legislative changes and regulator imposed changes and potential funding (e.g. EPR). Involving operations in the projects, building knowledge and skills. CoTC training, responses to consultations. Range of processes including internal daily and weekly monitoring. Regular review of operational risks and procurement policy. Monitor contractors' environmental performance and reporting.	4	3	12	Operations Manager
8. Pressure of change increases the risk of Health & Safety breaches. Circular Economy partners eg small charities are not as savvy to operational risk as they need to be.	Risk of injury to staff or public visitors to Authority sites. CE Partner organisations have less developed controls and need operational support and careful management. Early termination of CE small scale or trial services.	Operational	5	4	20	Specialist Health and Safety Advice contracted in. Collaborative H&S group set up with Boroughs. Periodic internal audit of contractors included in H&S Advisor contract. Annual Action Plans to continuously improve. Monitor contractors' health and safety performance and reporting. Regularly test and review fire prevention/precaution measures at site including fire risk assessments. Communications project to address batteries and e-waste. Losses are covered by insurance policies. Organise sites to ensure adequate separation between operational areas and public or volunteers. Stress testing of CE partner business cases (financial and environmental). Undertaking appropriate research and vetting of the business and key individuals to properly understand the partner organisation / partnering risks. Leading on the development of processes and controls (including risk assessments) for the CE service offering to ensure appropriate controls are implemented to manage the operation and risk it entails. H&S termination clauses.	4	3	12	Operations Manager

216

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

WLWA 2022-23 Business Plan

SUMMARY

This report provides details of the Authority's Business Plan for 2022-23. The key points are:

- The Business Plan 2022-23 was ambitious and challenging and has driven improvements in how we work. We demonstrated excellence in joint working on net zero, collaborative decision making on waste and resources and joint procurements of services and materials. We reduced waste, demonstrated better methods of measuring recycling and created budgets for three new, three year strategic programmes. We measured the social value of reuse projects, procured a social value calculator and presented waste and resources in the context of decarbonisation and net zero.
- The HR Strategy, Joint Plan for 2030, Infrastructure Investment Plan, and Extended Producer Responsibility Strategy have been rolled forward into 2023-24.
- The food waste programme was extended to allow more time for monitoring due to some delays to starting Borough projects. The HRRC programme was rolled forward and has now been delivered in Q1 2023-24. The virtual and Borough Circular Economy Hubs have rolled forward into 2023-24 all with no impact on budget.
- Lessons learned from the Business Plan 2022-23 are that change at this speed is difficult both internally and to maintain alignment with partners as all change at the same time. Joint planning is needed even if government legislation isn't available yet.
- WLWA can demonstrate progress against the JMWMS agreed framework with reduced waste, reduced total food waste and increased reuse.

RECOMMENDATION(S)

The Authority is asked to:-

- 1) *Approve the conclusion of the 2022 Business Plan and roll over of some activities to the 2023-24 Business Plan.*

1. Background – Since 2019, the Joint Municipal Waste Management Plan has focused on outcomes whilst we wait for clarity on new environmental legislation and regulations and agreed a framework with Boroughs in 2021. The authority has developed and cemented its values of Leadership, Empowerment, Agility and Partnership to create the capacity internally to create these outcomes. In 2021 WLWA published its first annual report, designed to bring together all of the challenges and successes of the previous year. The 2023 annual report will showcase the highlights of the past year as we decarbonise and take climate action.

2. The 2022-23 Business Plan was challenging and ambitious and took steps to meet climate change targets by understanding how we can reshape waste services to meet the future needs of legislation. It was a very unsettled period after the COVID 19 pandemic. The table below highlights the key achievements and lessons learned during the year:

A Resilience and preparation	To be prepared for significant change resulting from legislation and social and economic needs. To remain aligned with our supply chain and Boroughs as all organisations in the resources and waste sector manage significant change.
Key Achievements	<p>West London setting the standard for joint working on net zero. Presenting resources and waste within the context of wider climate and decarbonisation ambitions.</p> <p>Collaborative decision making between WLWA, Borough Finance Directors and Borough Environment Directors.</p> <p>Joint procurement of the Materials collection service and joint selling of paper and card from recycling centres.</p>
Lesson learned	Important to keep pace internally with the technical changes created by the programmes.
B Projects and Investments	Having invested £3m in food waste and £1.2m in HRRC recycling and reuse, to demonstrate the waste reduction and recycling outcomes and build trust in future investment programmes.
Key Achievements	<p>Less waste compared to pre-pandemic, more reuse and recycling and new services for residents.</p> <p>Food waste projects demonstrated the importance of measuring what is captured and what is left behind, which highlights the flaws in the recycling rates metric.</p> <p>Budgets for three new, three year strategic programmes to inform the transformation of services.</p>
Lesson learned	Joint planning on EPR income, infrastructure investment and collection schemes delayed due to legislative delays.
C Communicating the Vision	To ensure the link between waste and climate is understood, build partnerships, articulate what success looks like and discuss the steps and challenges with Boroughs and supply chains along the way.
Key Achievements	<p>Calculated the social value of the furniture projects and procured a social value calculation tool.</p> <p>Industry presentations on social value, reuse and decarbonisation of projects for furniture, bicycles and electricals.</p> <p>Supply chain discussions on business planning for standalone circular economy hub has started.</p>

Lesson learned	More time needed for communication and to develop skills, behaviours and a shared understanding.
----------------	--

Detail on the specific business plan activities can be found in Appendix 1.

3. Financial Implications – The financial aim of the business plan is to reduce waste and reinvest savings in change programmes to mitigate the financial risk of waste growth and the risk of legislation to include energy from waste facilities in the Emissions Trading Scheme (ETS). ETS will increase waste disposal cost per tonne and could be as much as £36pt or £3m per Borough per annum pressure on levies.

Waste has reduced 18,000 tones below the pre-pandemic levels representing a levy saving of c£.2.3min compared to status quo. Trade income and profitability at Abbey Road recycling centre was better than expected due to the amount of sorting that takes place. The business plan was delivered within budget for controllable costs eg employees -£8,000. One off income from the residual waste services contract with West London Energy Recovery Ltd provided a significant disbursement of reserves to Boroughs and £3m to invest in transformation programmes for the following three years.

4. Risk Management – Reinvesting the disbursement of reserves into transformation programmes to mitigate future growth and the risk of ETS tackles decarbonisation at the root. Progress towards this should be monitored over the next 12-36 months.

Specific business plan risks evident at the end of 2022-23 to be addressed in the 2023-24 Business Plan report are:

- Some significant business plan items have been rolled into 2023-24.
- Two of the three teams were under resourced for much of the year. Maintaining the correct level of resource is needed to support delivery.

5. Health and Safety Implications – The amount and scale of change on the sites is recognised as a H&S risk and the Health and Safety Advisor is focused on the change programmes and circular economy as part of the work programme. Lessons are learned and continuous improvement is reported to the senior leadership team. Employee stress and wellbeing is monitored using the sentiment scores in weekly updates in the HR software Lattice. The employee engagement survey is scheduled to take place in early June 2023.

6. Legal Implications – The Plastics Tax (Treasury), The Environment Act (Defra), The Electricity Generators Levy and Persistent Organic Pollutants (Environment Agency Regulations) are already having an impact on waste flows.

The Regulations to follow the Environment Act 2021 are not yet published but are crucial to decision making. Statutory, national and London targets have set the scene for the first few years of our joint municipal waste management strategy whilst we wait for the Regulations that follow the Environment Act 2021:

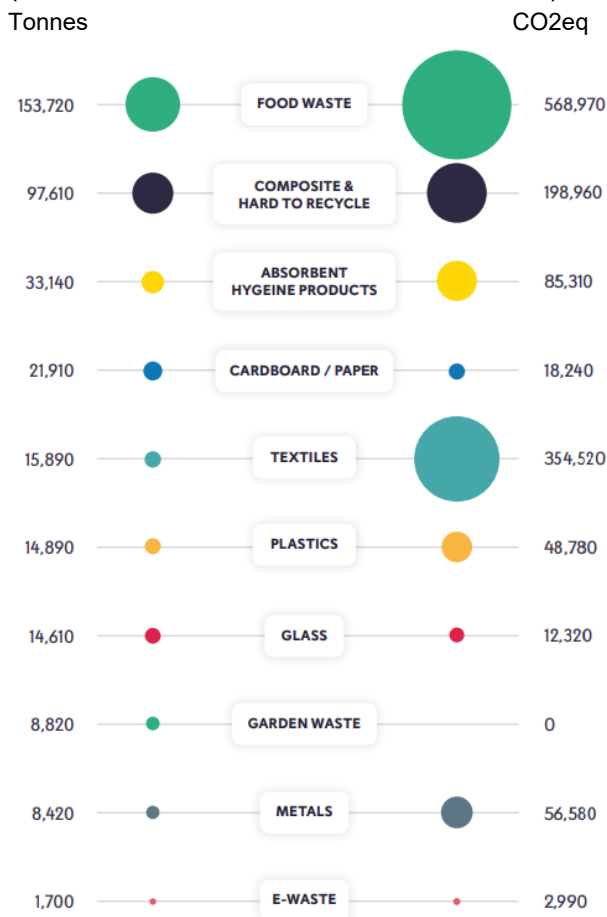
	UK National target	London target	Borough target
1	Call for evidence: Near elimination of biodegradable waste from landfill by 2028	Zero biodegradable or recyclable waste to landfill by 2026	

- 2 Net Zero greenhouse gas emissions by 2050 Net Zero greenhouse gas emissions by 2030 Carbon neutral by 2030
- 3 65% recycling by 2035 65% recycling by 2030
- 4 Zero vehicle emissions by 2050

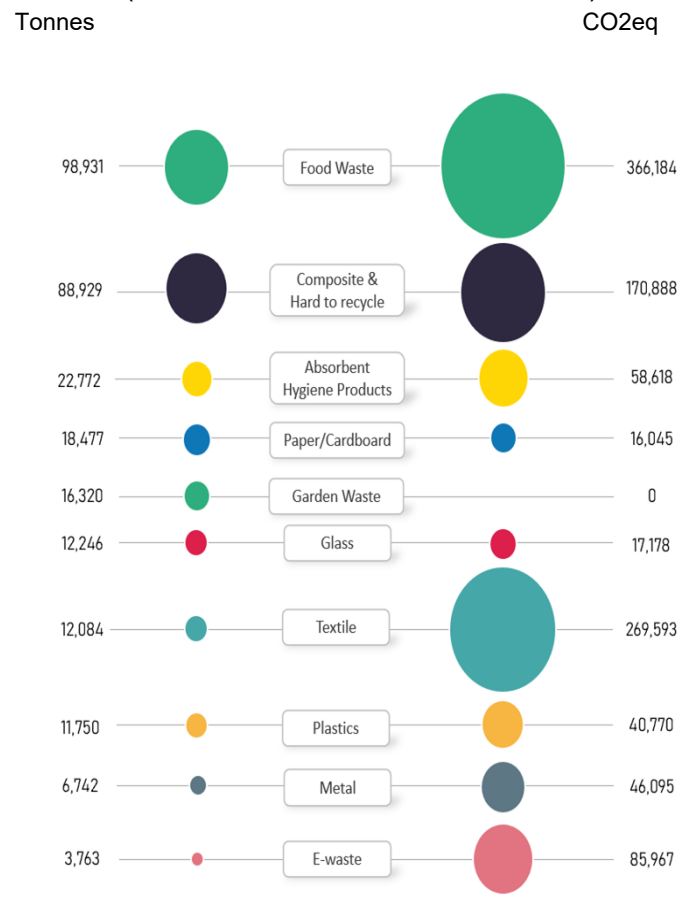
7. Impact on Carbon reduction

Using the waste composition analysis carried out every 15 months we can measure the CO₂eq associate with consumption for waste being burned for energy. Our objective is to reduce this and send the resources to better alternative uses where possible. The two charts are not of a similar scale and the first ever created chart in 2021 had an incorrect formula for 2021. Adjusting for these, we can see that the total carbon emissions associated with consumption reduced in 2022, largely due to less waste and the reduction in total food waste. Reporting will improve for next year and we will consider how the visualisation can be used to support project reports.

WLWA 2021 Waste Composition Analysis
(e-waste had an incorrect formula in 2021)



WLWA 2022 Waste Composition Analysis
(e-waste formula corrected for 2022)



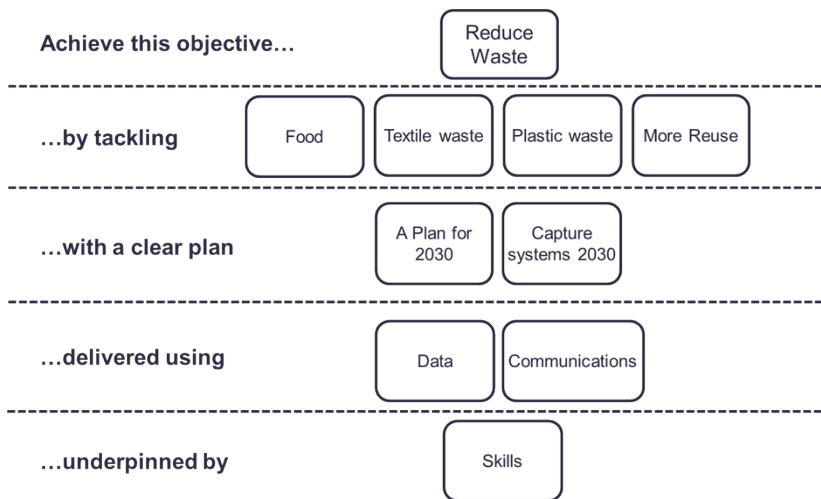
8. Impact on Environment Directors Priorities

The Environment Directors priorities were created in September 2022, the business plan delivers on each of the four pillars, prioritising dealing with the financial challenges whilst delivering on climate change.

<p>Bringing the community with us (inc. behaviour change)</p>	<p>Sustainable decision making (eg Doughnut model) across West London</p>	<p>Climate Adaptation and Decarbonisation</p>	<p>Dealing with financial challenges whilst delivering on climate change</p>
<ul style="list-style-type: none"> •Make it work for everyone •Creating the change needed to meet net zero •Impacts on residents •Green economic development and growth 	<ul style="list-style-type: none"> •Aligning decision making priorities <ul style="list-style-type: none"> •Social value evaluation •Data gathering •Resilience and skills •Carbon credits/tax 	<ul style="list-style-type: none"> •Infrastructure (Energy/Waste) •Energy capacity •Neighborhood decarbonisation •Future proofing •Service reform (Waste/Transport/Parking) 	<ul style="list-style-type: none"> •Cost of delivery crisis •Generating income •Reform services to self finance change •Pilot / test projects •Collaboration

9. Impact on Joint Municipal Waste Management Strategy –

The framework agreed in March 2021 is crucial to maintaining focus during this time of uncertain legislation. Progress against the framework demonstrates:



- 18,000 tonnes less waste than pre-pandemic levels.
- A reduction in total food waste and increased participation in food waste recycling from 21% to 24%.
- Kerbside collected textiles increased by 13%.
- Increased reuse of furniture, bicycles, laptops, smart phones and hospital equipment at Abbey Road recycling centre.

Background Papers		
	<p>Emma Beal Managing Director</p> <p>emmabeal@westlondonwaste.gov.uk</p>	<p>07766 147 978</p>

1. Business Plan 2022/23

A. Resilience and preparation

WLWA must be prepared for significant change resulting from legislation and social and economic needs. We must remain aligned with our supply chain and Boroughs as all organisations in the resources and waste sector manage significant change.

Item	Responsible Owner	Outcome	RAG
Training / development opportunities for core skills are prioritised.	Managing Director	Skills plan updated and delivered. Insights and coaching training for all employees carried out and ongoing. Lean Six Sigma white belt for most employees carried out. Data driven decision making training for Managing Director and Finance Director. Power BI training for MI Team.	Green
Chair West London Climate Emergency Officers Group	Managing Director	Group is developing a new plan for 2023, WLA is considering a net zero post to support coordination of activity in West London. Multiple webinars and conference presentations.	Green
A Joint Plan for 2030	Head of Service Delivery	Legislative matrix and risk assessment created. Hampered by delays to publishing critical Government consultation responses, particularly 'consistency of collections'.	Amber
2022 Develop an HR Strategy	Finance Director	A draft was developed and agreed with the Treasurer and on 17 February reported to the SLT and the HR Manager for finalisation. Recommend roll over into 23-24 plan with HoSD as lead.	Amber
Prioritising Lean Six Sigma and Data driven decision making for HRRC projects	Head of Service Delivery	Lean Six Sigma and Data Driven Decision Making skills/culture roll-out plans developed. Dashboard developed for monitoring HRRC improvements and shared with Borough Heads of Service and Operations Managers. Data visualisation training rolled out internally to all staff.	Green
Attend and present at West London Treasurer meetings	Finance Director	All WLT meetings have been attended and have included WLWA Updates covering a range of strategic and operational information and have fostered good engagement reflected in discussions and questions. Delivered.	Green
Build partnerships through collaborative procurements	Procurements and Contracts Manager	Procurements delivered for waste transport, green waste management and rubble management, all with a strong carbon and social value focus, and leading to savings. Joint procurement delivered for managing paper and card for several Boroughs, leading to increased savings and strengthened partnerships.	Green
Theme lead for pan-London Reducing Consumption Emissions programme	Project Manager (E Hall)	Strategy developed targeting reduction/reuse and phasing London wide Borough uptake of WLWA style TRAIID textiles/e-waste collections.	Green

B. Projects and Investments

WLWA has invested £3m in food waste projects and £1.2m in HRRC recycling and reuse projects. We must demonstrate the waste reduction and recycling outcomes and build trust in future investment programmes.

Item	Responsible Owner	Outcome	
WLWA Finance Strategy.	Finance Director	This was discussed in detail and agreed by both WLT and WLED following a collaborative development process and very successful engagement. This was demonstrated when the Executive Directors recognised and agreed to the Authority retaining a third of PPP income to help deliver wider strategic projects.	Green
Optimise income from the PPP contract	Finance Director	This has involved working closely with both the HoSD and PD to unravel the complex financial implications and relationships between stakeholders. The HoT are now agreed and work on the variation has commenced.	Green
Infrastructure Investment Plan	Finance Director	Identify with partners the range of solutions to upcoming challenges including infrastructure needs. Hampered by legislative delays.	Red
2023 Food Waste Programme	Projects Director	Waste composition completed in Sept 2022. Reported to the March Authority meeting overall food waste arising has dropped from the baseline years and increasing access to more households across the region.	Green
HRRCs waste diversion programme	Operations Manager	Improvements delivered at all Borough sites. Diversion rates are now over 40% at all sites. Key achievements, all saving cost and carbon, include the introduction of rubble recycling at Harrow, separation of bulky and black bag waste at four sites (previously two), an increased reuse offering and introduction of black-bag splitting.	Green
Prepare for EPR, DRS and Consistency impacts on Boroughs	Senior Project Manager	Rerouting and data captured across one borough for collections. Additional data request for the next two boroughs for rerouting. Consistency detail has not been published but will be modelled across the Boroughs once available.	Green
Create a joint Extended Producer Responsibility Strategy with Boroughs	Projects Director	Six Borough agreement in principle on the MTFS for investment and development of infrastructure with additional income. EPR detail not available.	Red

C. Communicating the Vision

WLWA must ensure the link between waste and climate is understood, build partnerships, articulate what success looks like and discuss the steps and challenges with Boroughs and supply chains along the way.

Item	Responsible Owner	Progress to date	RAG
Circular Economy Hub at Abbey Road	Projects Director	Completed for electricals, workshops for bikes and capture of furniture. Additional bikes repaired and sold with Lets Go Southall for delivery back to the community.	Green
Borough Circular Economy Hub	Projects Director	Design and draft business cases. No site available.	Red
Create a virtual circular economy hub	Net Zero Carbon Manager	New website launched in June now has a CE page with local circular economy related information. Draft business directory for website integration/page design outstanding.	Amber
Lead WLWA Strategy Away Days	Head of Service Delivery	First strategy away day delivered on 25 March leading to the framework of a joint plan to 2030.	Green
2024 Procure a communications project to measure baseline and improve levels of understanding in West London of the link between climate emergency, waste and resources.	Net Zero Carbon Manager	Soft market testing completed and options for the procurement model/route and evaluation in draft.	Amber

WLWA 2023-24 Business Plan

SUMMARY

This report provides details of the strategic priorities that will form the basis for the Authority's Business Plan for 2022/23. The key points are:

- The 2022-23 Business Plan was very ambitious, challenging and has improved how we work.
- The joint work with Boroughs to create a Joint Plan for 2030, Infrastructure Investment Plan, and Extended Producer Responsibility Strategy have been rolled over into this year due to legislative delays, but delay represents a financial risk to WLWA and Boroughs if we are not ready to meet legislative demands / carbon taxes.
- The strategic priorities create more ambition and more challenges for us as we change the waste system and change people's perception of the value of waste. This is to mitigate cost increases and ongoing damage to our climate.
- The strategic priorities create a focus for employees to link their objectives to the strategic objectives of the Authority, are relevant to all employees and drive changes in the business as usual activities. All of the individual objectives and key results will be put into the Lattice HR software to be shared and visible to colleagues.

RECOMMENDATION(S)

The Authority is asked to:-

- 1) *Approve the 2023 Strategic Priorities to shape the Business Plan for 2023-24 and for inclusion in the annual report.*

1. Background – Since 2019, the Joint Municipal Waste Management Plan and consequently the West London Waste Authority business plan has focused on outcomes whilst we wait for clarity on new environmental legislation and regulations. The authority has developed and cemented its values of Leadership, Empowerment, Agility and Partnership to support these outcomes and agreed a framework plan with Boroughs in 2021. We are using Lattice HR software to publish objectives and key results for all employees linked to strategic priorities. The empowered approach led to a very ambitious and challenging Business Plan in 2022-23 which has driven big improvements in how we work.

2. Roll over from the 2022-23 Business Plan – The following items have rolled over from the 2022-23 Business Plan: The HR Strategy, Joint Plan for 2030, Infrastructure Investment Plan, and Extended Producer Responsibility Strategy. With the exception of the HR Strategy, these are all joint pieces of work with Boroughs taking a long view of the changes ahead.

3. 2023-24 Strategic Priorities - Over the next 12 months, the period of this business plan, using five strategic priorities we will start to invest in and initiate the change of our waste management model. The strategic priorities for the next 12 months is detailed in Appendix 1. Created by the Senior Leadership team and Managers Group it creates clarity and focus for the organisation to ensure all WLWA colleagues are delivering objectives focused on the same five priorities. The next step is for individual objectives to be put into the HR Lattice software which ensures visibility and alignment.

4. Financial Implications – £2.8m will be invested in programmes over three years with savings made directly by Boroughs over the same period. The budget for 2023-24, the period of this Business Plan is limited to £1m investment. These savings will be realised directly to the Boroughs through e.g. reduced cost of collections through routing efficiency, operational savings at recycling sites, the materials collections service and reducing the cost of contaminated recycling. The detail of the savings is to be negotiated with the Boroughs and relies on strong collaborative working. Additional benefits not yet modelled are: re-routing ability to gain maximum benefit from the packaging reforms as the amount and composition of waste and recycling changes and the social value of reuse and waste minimisation realised directly by residents and businesses.

This business plan supports our financial principles of reducing costs, providing stability around WLWA levies, effective management of financial risk and creating infrastructure and collaborative projects with Boroughs to do so. The aim is to continue providing long term stability and predictability as per the finance strategy.

5. Risk Management – Public and/or Borough resistance to change is the greatest risk because it will slow down the programmes delivery. The strategic priorities are designed to mitigate this risk by: helping us communicate change to citizens who care about the environment but don't see the link with waste and resources, providing new great services in trade off for the changes needed, providing data on how using waste as a resource can alleviate social pressure by creating opportunities for training, skills and jobs, increasing data driven decision making and data visualisation to explain the changes, increasing access to services and helping people and systems to keep up with the technical changes.

Detailed planning and the lessons learned from the 2022-23 Business Plan has identified weaknesses that should be addressed during the course of this business plan: Some priorities have multiple point accountability at a senior level in the organisation, each should have a single point of accountability where possible; The timing of the strategic priorities was post budget setting, work on the strategic priorities for 2024-25 will start now, inform the budget 2024-25 and will overtake this business plan in its current form; Empowerment has been a big focus of culture change in 2022-23, this should continue to improve focus and clarity.

6. Legal Implications – The Regulations to follow the Environment Act 2021 have not yet been published and are crucial to decision making. Statutory, national and London targets have set the scene for the first few years of our joint municipal waste management strategy whilst we wait for the Regulations that follow the Environment Act 2021:

- 1 Call for evidence: Near elimination of biodegradable waste from landfill by 2028 Zero biodegradable or recyclable waste to landfill by 2026
- 2 Net Zero greenhouse gas emissions by 2050 Net Zero greenhouse gas emissions by 2030 Carbon neutral by 2030
- 3 65% recycling by 2035 65% recycling by 2030
- 4 Zero vehicle emissions by 2050

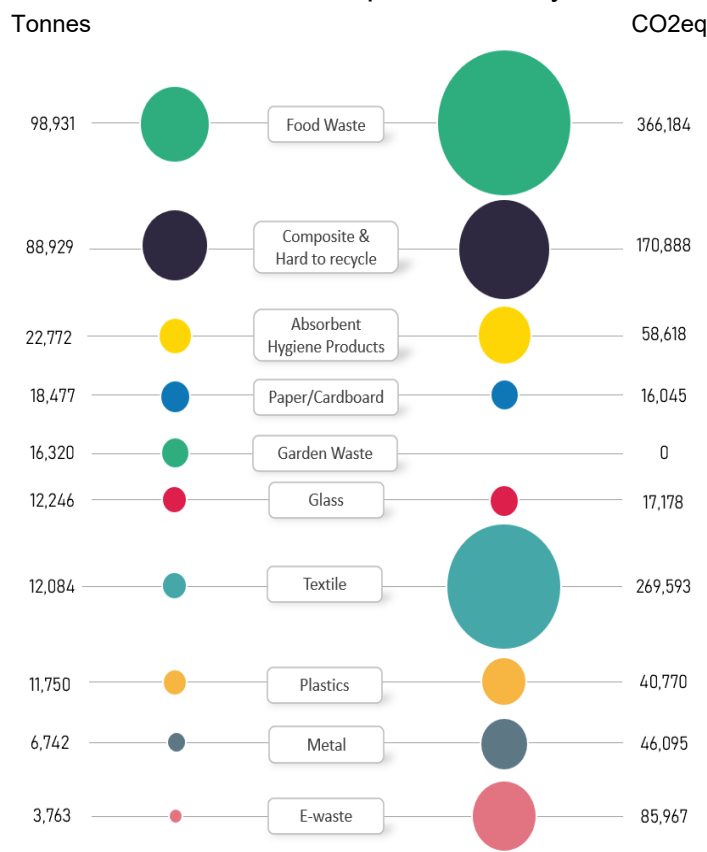
The Plastics Tax (Treasury), The Environment Act (Defra), The Electricity Generators Levy and Persistent Organic Pollutants (Environment Agency Regulations) are already having an impact on waste flows.

The full range of legislation and regulation expected is significant and has been put into a handy graphic by Suez, the operating sub-contractor on the residual waste services contract. This has been added in to the strategic priorities in Appendix 1.

7. Impact upon Carbon reduction

The business plan aims to reduce waste and focuses on the highest carbon materials for projects. Successful food waste projects, the waste reforms especially Extended Producer Responsibility and social value and reuse programme will reduce the carbon impact of consumption emissions and will be compared against the 2022 baseline. In the event of significant population growth a per head analysis can be carried out.

WLWA 2022 Waste Composition Analysis



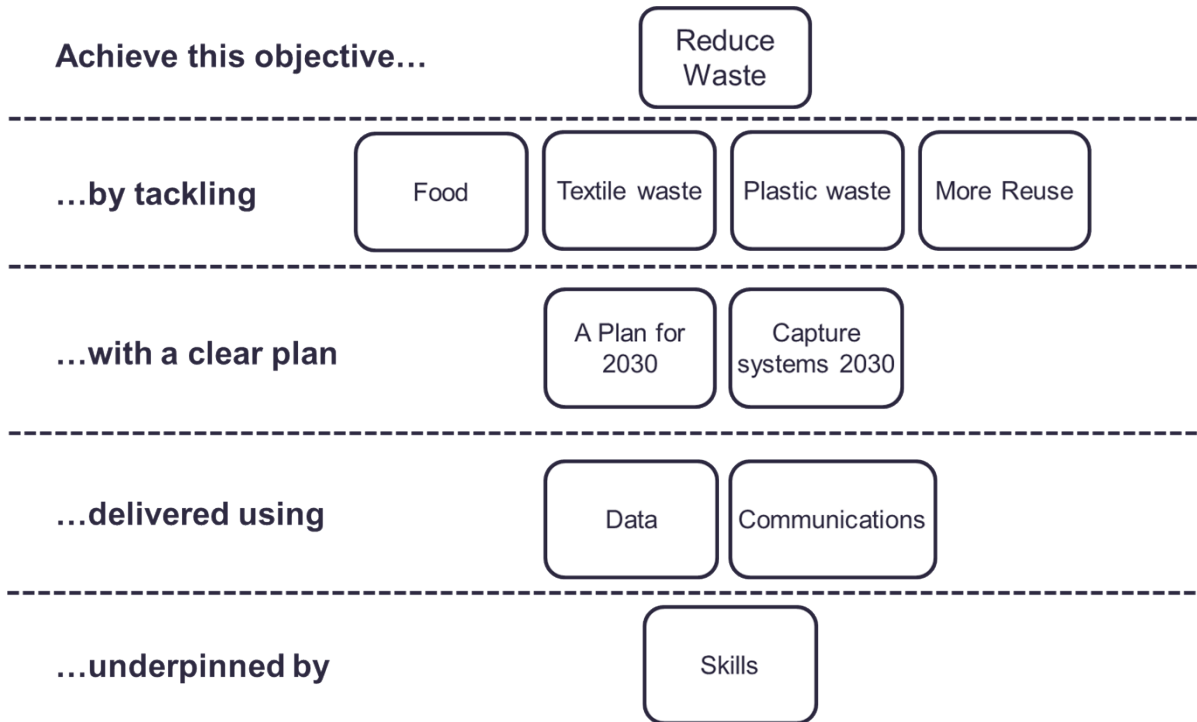
8. Impact upon the Environment Directors priorities

The business plan will deliver on the priorities agreed in September 2022.

<p>Bringing the community with us (inc. behaviour change)</p>	<p>Sustainable decision making (eg Doughnut model) across West London</p>	<p>Climate Adaptation and Decarbonisation</p>	<p>Dealing with financial challenges whilst delivering on climate change</p>
<ul style="list-style-type: none"> •Make it work for everyone •Creating the change needed to meet net zero •Impacts on residents •Green economic development and growth 	<ul style="list-style-type: none"> •Aligning decision making priorities <ul style="list-style-type: none"> •Social value evaluation •Data gathering •Resilience and skills •Carbon credits/tax 	<ul style="list-style-type: none"> •Infrastructure (Energy/Waste) •Energy capacity •Neighborhood decarbonisation •Future proofing •Service reform (Waste/Transport/Parking) 	<ul style="list-style-type: none"> •Cost of delivery crisis •Generating income •Reform services to self finance change •Pilot / test projects <ul style="list-style-type: none"> •Collaboration

9. Impact on Joint Municipal Waste Management Strategy

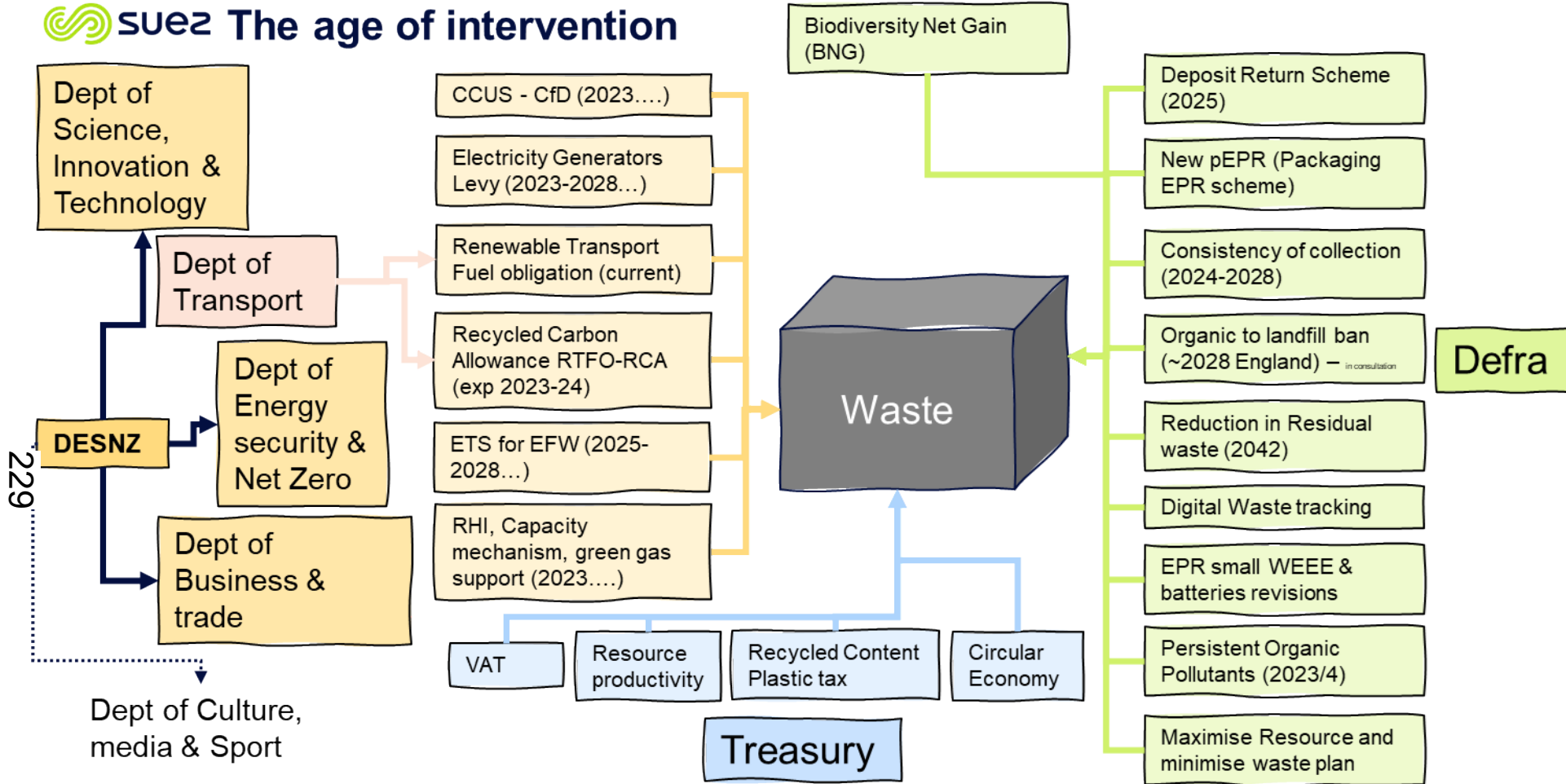
The business plan will deliver on the framework agreed in March 2022.



Background Papers			
	Emma Beal	Managing Director emmabeal@westlondonwaste.gov.uk	07766 147 978

Appendix 1

 **SUEZ The age of intervention**



THE STRATEGIC PYRAMID

COMPANY
PURPOSE

We exist to be **leaders in 'treating waste as a valuable resource'**

COMPANY
VISION/MISSION

We believe in **a carbon neutral West London** and our mission - in pursuit of that vision - is to **create the new accepted model for how waste and resources are managed; we are going to redefine how people perceive and understand waste.**

COMPANY GOAL

Long-term (5-10 years): **A carbon neutral West London**

Medium-term (3-5 years): **Deliver and prove a repeatable model that changes people's understanding of waste, increases access to waste management services, and improves the perceived value of waste amongst citizens.**

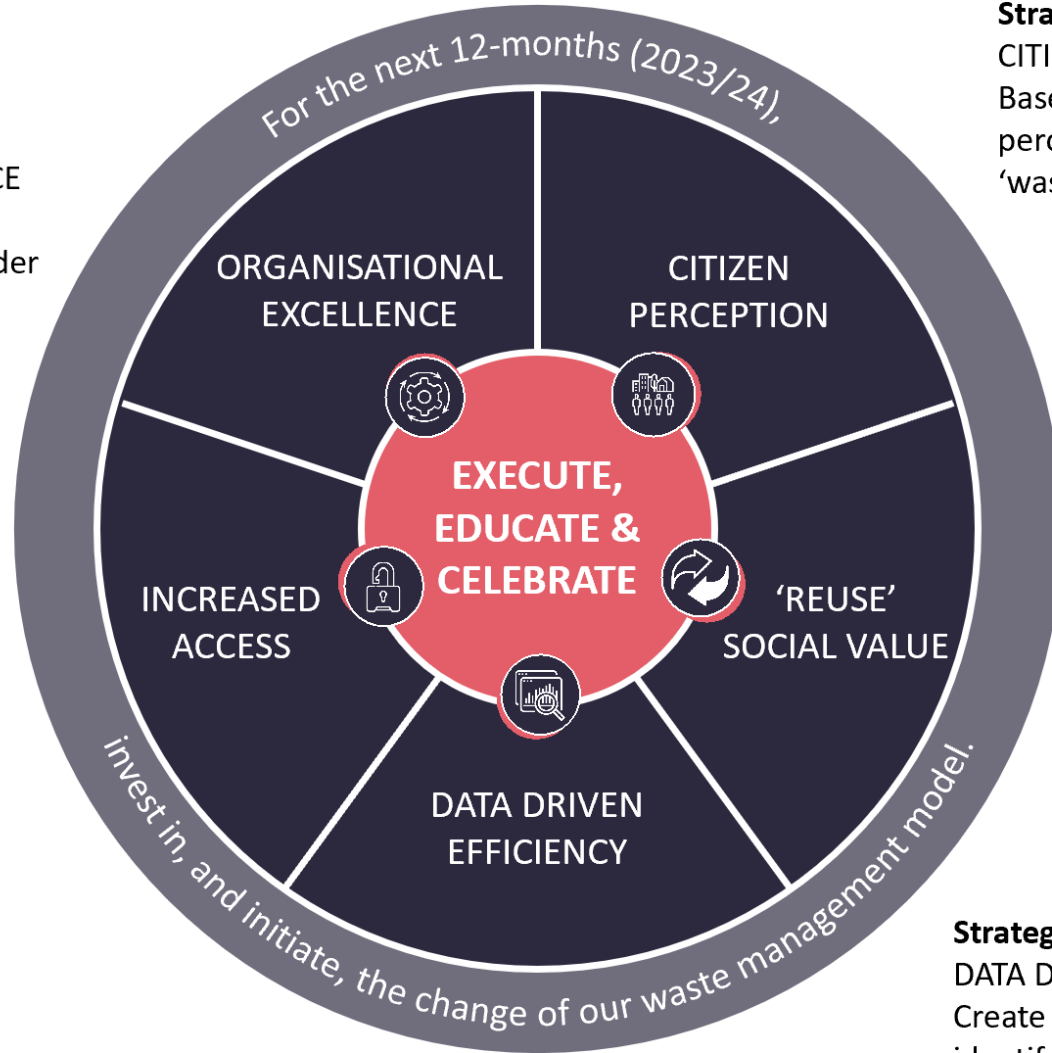
COMPANY
STRATEGIC
PRIORITIES

Short-term (12 months): **Invest in, and initiate, the change of our waste management model.**

1. **Citizen perception;** Baseline West London citizen's perception of the value of 'waste'.
2. **Reuse;** Measure and scale up the 'social value' of 'reuse' in order to maximise value and educate more effectively.
3. **Data driven efficiency;** Create a digital twin of waste services to identify and implement improvements.
4. **Access to services;** Expand food, reuse, e-waste and textile waste capture to include more of West London.
5. **Organisational excellence;** Invest in, and improve, our people and our systems in order to drive greater outcomes.

THEMATIC GOAL

Execute, Educate and Celebrate!



Strategic Priority 5;
ORGANISATIONAL EXCELLENCE
Invest in, and improve, our people and our systems in order to drive greater outcomes.

Strategic Priority 1;
CITIZEN PERCEPTION
Baseline West London citizen's perception of the value of 'waste'.

Strategic Priority 2;
'REUSE' SOCIAL VALUE
Measure and scale up the 'social value' of 'reuse' in order to maximise value and educate more effectively.

Strategic Priority 4;
INCREASED ACCESS
Expand food, reuse, e-waste and textile waste capture to include more of West London.

Strategic Priority 3;
DATA DRIVEN EFFICIENCY
Create a digital twin of waste services to identify and implement improvements.

Strategic Priority 1; CITIZEN PERCEPTION

What are we trying to achieve and how will we know whether we have achieved it?

STRATEGIC PRIORITY:	2023/24 OBJECTIVE;	WHY?;	MEASURES; METRICS THAT DETERMINE OUR SUCCESS	NEXT STEPS; ACTIONS WE SHOULD/MUST TAKE:
<p>SP1; CITIZEN PERCEPTION</p> <p><i>Baseline West London citizen's perception of the value of 'waste'.</i></p> <p><i>Accountable: Emma/Peter</i></p>	<p>By the end of 2023/24 we want to have,</p> <ol style="list-style-type: none"> Established a clearly defined and understandable description of what we (WLWA and Borough waste professionals) want citizens to know about the value of waste and the link between waste, resources and carbon reduction. Baselined our understanding of citizens' perception of the value of waste and the link between waste, resources and carbon reduction. Delivered savings through 'radical service change' e.g. the Material Collections Service. 	<p>This is of importance to WLWA because:</p> <ul style="list-style-type: none"> We <u>can't</u> do what we want to do without first understanding our citizens views. We need to understand how close our customers are to our view of waste as a valuable resource. This insight determines what is possible from a waste management perspective. It helps identify any gaps in understanding and in turn helps us identify any resulting action that is required. 	<p>We will know we have achieved this, if by the end of 2023/24 we have,</p> <ul style="list-style-type: none"> Attracted interest in our project from suitable communications strategists. Gained qualitative data relating to citizens' perceptions and a gap analysis in comparison to what WLWA / Borough waste professionals want them to know. Created a plan to integrate the new data into existing systems. Analysed the connections between the data, gap analysis and various projects and existing services. Demonstrated £100k of savings from the material collections service. 	<p>Identify the stakeholder groups that will use this data to improve communications with citizens/residents.</p> <p>Socialising the project with stakeholders.</p> <p>Agreeing the scope of the investigation and data we are looking for.</p> <p>Procuring a communications strategist / company to work with us.</p> <p>Asking the questions and capturing the data.</p> <p>Launch the materials collections service.</p>



Strategic Priority 2; 'REUSE' SOCIAL VALUE

What are we trying to achieve and how will we know whether we have achieved it?

STRATEGIC PRIORITY:	2023/24 OBJECTIVE;	WHY?;	MEASURES; <i>METRICS THAT DETERMINE OUR SUCCESS</i>	NEXT STEPS; <i>ACTIONS WE SHOULD/MUST TAKE:</i>
<p>SP2; 'REUSE' SOCIAL VALUE</p> <p><i>Measure and scale up the 'social value' of 'reuse' in order to maximise value and educate more effectively.</i></p> <p><i>Accountable: Peter/Tom</i></p>	<p>By the end of 2023/24 we want to have,</p> <ol style="list-style-type: none"> Agreed a <u>fully integrated programme</u> between WLWA, Boroughs and partners to maximise the value of items brought to <u>all</u> west London HRRCs and CE Hubs. Maximised the value from 'reuse' items brought to <u>two</u> of the west London HRRCs. Delivered £500k of financial savings from improvements at Borough HRRCs. 	<p>This is of importance to WLWA because:</p> <ul style="list-style-type: none"> Educating people on the value of resources 'beyond <i>their</i> personal use of it' provides the gateway to mindset shift and behavioural change towards 'waste'. It helps us clarify our approach and from that, enables us to step forward with more confidence and self-assurance. It helps us to establish a business case for moving further up the waste hierarchy which gives us greater influence in how we can further and faster evolve how waste can be managed. The new waste management model! 	<p>We will know we have achieved this, if by the end of 2023/24 we have,</p> <ul style="list-style-type: none"> Established a comprehensive and fully documented programme of work, shared with all stakeholders. Created a baseline and a target for: <ul style="list-style-type: none"> Diversion from residual Number of items reused £ value of reused items £ social value/benefit Number of reuse oftakers being used Demonstrated a minimum of £250k financial savings at two Borough HRRCs. 	<ol style="list-style-type: none"> Define the key metrics and create baselines and targets. Identify the first two HRRCs to be targeted. Refine the specification of work and procure reuse support services. Procure social value calculation tool. Recruit Net Zero Planner to support delivery of site-based initiatives, Re-evaluate Project Management resourcing and secure required resource. Negotiate with Boroughs and explore the ideas for a joint capital programme.

Strategic Priority 3; DATA DRIVEN EFFICIENCY

What are we trying to achieve and how will we know whether we have achieved it?

STRATEGIC PRIORITY:	2023/24 OBJECTIVE;	WHY?;	MEASURES; <i>METRICS THAT DETERMINE OUR SUCCESS</i>	NEXT STEPS; <i>ACTIONS WE SHOULD/MUST TAKE:</i>
<p>SP3; DATA DRIVEN EFFICIENCY</p> <p><i>Create a digital twin of waste services to identify and implement improvements.</i></p> <p><i>Accountable: Peter/Jay</i></p>	<p>By the end of 2023/24 we want to have,</p> <ol style="list-style-type: none"> Consolidated existing data using the digital twin system. Developed a single system cost model for Boroughs and Authority. Delivered £600k of total savings in Year one. 	<p>This is of importance to WLWA because:</p> <ul style="list-style-type: none"> It allows us to deliver waste savings to Boroughs, speeding up the decision making process by removing the ‘subjectivity’ our of decision making, ultimately making decision-making easier. It enables us to educate and upskill employees and Boroughs alike. It gives us more confidence – because we are better informed- which allows us to be more assertive with Boroughs. 	<p>We will know we have achieved this, if by the end of 2023/24 we have,</p> <ul style="list-style-type: none"> Established an operating digital twin system capable of visualizing spatial data in place. Gained access to data via a willing and supportive Borough partner. Mapped data into a digital twin system. Baselined carbon emissions Measured the carbon savings that were achieved through the course of the year. Demonstrated carbon savings of <i>n</i> tons. Demonstrated £x financial savings versus current service provision. Enhanced people’s knowledge and understanding on data as a key asset in driving carbon efficiency through our work; <i>we changed the perceived value of data in people’s minds.</i> 	<ol style="list-style-type: none"> Agree timeline and scope for the Boroughs works Procure consultant expertise Spec and procure a mapping tool

Strategic Priority 4; INCREASED ACCESS

What are we trying to achieve and how will we know whether we have achieved it?

STRATEGIC PRIORITY;	2023/24 OBJECTIVE;	WHY?;	MEASURES; <i>METRICS THAT DETERMINE OUR SUCCESS</i>	NEXT STEPS; <i>ACTIONS WE SHOULD/MUST TAKE:</i>
<p>SP4; INCREASED ACCESS</p> <p><i>Expand food, reuse, e-waste and textile waste capture to include more of West London.</i></p> <p><i>Accountable: Peter</i></p>	<p>By the end of 2023/24 we want to have,</p> <ol style="list-style-type: none"> Increased West Londoners access to capture services. Increased the resilience of our services. Enabled Boroughs to better deliver on their pledges and priorities. Created a 'best practice' model for Waste Service. 	<p>This is of importance to WLWA because:</p> <ul style="list-style-type: none"> These 'Items' - food, reuse, e-waste and textile waste - are all contributors to carbon in West London. If this service isn't available to people, we're limiting what is possible for us in achieving our mission of a carbon neutral West London. It ensures everyone gets a standardised waste service that enables us to scale up and speed up the definition and delivery of a new waste management model. 	<p>We will know we have achieved this, if by the end of 2023/24 we have,</p> <ol style="list-style-type: none"> Measured and improved properties access to capture services. Measured the resilience of services capable of delivering consistency obligations. Witnessed ALL Boroughs deliver on their food waste projects and generating returns. Created best practice guidance and forum for capture systems. 	<ol style="list-style-type: none"> Baseline existing food service and identify serviced properties Ensure Borough project spend invested Identify trial opportunities for new food and additional materials

Strategic Priority 5; ORGANISATIONAL EXCELLENCE

What are we trying to achieve and how will we know whether we have achieved it?

STRATEGIC PRIORITY;	2023/24 OBJECTIVE;	WHY?;	MEASURES; METRIC THAT DETERMINE OUR SUCCESS	NEXT STEPS; ACTIONS WE SHOULD/MUST TAKE:
<p>SP5; OPERATIONAL EXCELLENCE</p> <p><i>Invest in, and improve, our people and our systems in order to drive greater outcomes.</i></p> <p><i>Accountable: Jay/Tom</i></p>	<p>By the end of 2023/24 we want to have,</p> <ol style="list-style-type: none"> Improved services provided to Boroughs through stronger relationships and better stakeholder management. Improved and enhanced the systems we rely on internally within the business. Increased our data use and our people's understanding of how to use joined-up data (from multiple sources) more effectively in their decision making. Invested in further developing people's skills , competence, and confidence. Continued to invest in our organisational culture and values. 	<p>This is of importance to WLWA because:</p> <ul style="list-style-type: none"> Each element enables us to deliver a great service to our customers. They support the building of the culture we want at the core of the organisation and helps us differentiate ourselves as an employer of choice. Ultimately, they enable us to deliver on our strategy. 	<p>We will know we have achieved this, if by the end of 2023/24 we have,</p> <ol style="list-style-type: none"> Delivered a great service (both external and internal customers). Built strong relationships with boroughs by engaging with decision makers / key stakeholders. Developed peoples' skills empowering them to do more / do things better and become the managers and leaders of the future. Improved our people and customer engagement. Celebrated our successes. 	<ol style="list-style-type: none"> Identify L&D needs through HR Strategy, appraisals and by teams building departmental skills plans Identify/develop key missing operational KPIs Develop data capture system, start gathering data , share dashboards, undertake 1-2-1s with borough Officers Develop reporting systems, ask people to share their knowledge, successes and lessons at quarterly meetings

WEST LONDON WASTE AUTHORITY

Report of the Head of Service Delivery & Operations Manager

23 June 2023

Contracts and operations update

SUMMARY

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

- Zero waste was sent directly to landfill in 2022/23
- Major maintenance to both key energy recovery facilities went well
- High waste arisings in May have put pressure on the major transfer stations
- Small fires have occurred at the major transfer station and Abbey Road
- Two joint procurements have led to savings for participating Boroughs
- HRRC improvements have continued, leading to savings.

RECOMMENDATION(S) The Authority is asked to:

- 1) Note 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 300,000 tonnes of residual waste each year, with a value of around £35 million per year.

The contract continues to perform very well against its Key Performance Indicators (KPIs). In the 2022/23 contract year 99.96% of waste was diverted from landfill against a target of 96.1%. The only material landfilled was a small quantity of hazardous air pollution control residue from the energy recovery process. A recycling rate of 5.5% was achieved against a target of 2.1%.

A major planned outage at SERC took place throughout the month of April, this went well, and the facility was fully back up and running on schedule. Some alternative energy recovery facilities were used during the shutdown, but no waste was sent to landfill.

One fire has occurred at each of the two transfer stations since the last report, one at Victoria Road on 25 May and one at Transport Avenue on 2 June. Both were started by material that went through waste shredders, indicating that the material came from Borough waste sites. Both fires were extinguished by site staff before the fire brigade needed to be called.

The month of May saw especially high quantities of waste from Borough HRRCs (a 42% increase from May 2022) due to the sunny weather and the additional bank holiday weekend. This put pressure on the sites and increased tipping times for the Authority's hauliers, leading to some delays in waste being collected from Borough sites. Meetings are being arranged between Suez and the hauliers to identify improvement actions.

Improvement projects continue to be delivered at the transfer stations, including a £2m upgrade to fire suppression systems at Victoria Road. A medium-term fix to one of the Victoria Road waste bunker cranes has taken place leading to some performance improvements. A full replacement of both cranes (worth £3.5m) will take place in 2024.

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. A period of planned maintenance was successfully completed on 24th May, with Lakeside accepting reduced inputs during this time. Viridor offered its Ardley site in Oxfordshire as an alternative disposal point during this period, but Ardley experienced an unplanned outage, and the other contingency site at Beddington was down for planned maintenance. The Suez-run sites at Transport Avenue and Victoria Road accepted more waste than usual to help manage this situation.

Officers have formally raised with Suez and Viridor the need to work together to avoid simultaneous planned outages of energy recovery facilities going forwards.

4. Food waste contract

The food waste contract with Biocollectors continues to operate well.

5. Green waste contract

The green waste contract is operated by West London Composting (WLC). The contract continues to deliver a good service.

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 and Brent, typically using bulk haulage vehicles, operated by Waste-A-Way Recycling.
- One for the removal of segregated materials from Borough HRRC sites in roll-on roll-off (RoRo) containers, operated by Suez.

Both contracts are operating well.

7. Dry Recyclables

This contract is operated by N+P Group. Dry recyclables sorted at a Materials Recovery Facility (MRF) in Crayford.

Brent Council joined this contract in April 2023 and are processing approximately five loads of DMR material per day through the Crayford MRF. The contract is operating well and now covers the processing of DMR from Ealing and Brent. There are no operational issues to report.

8. Procurements

Materials Collection Service

A contract has been awarded for a cross-Borough material collections service (formally known as the bulky waste collection service). This formal contract replaces a trial arrangement. The procurement was undertaken through the Dynamic Procurement System with two bidders submitting tenders. The contract started 22 May 2023 and has been awarded on the basis of a one year contract with the option to extend for two further periods of one year.

The new contract has been awarded to AnyJunk Limited. This organisation is incumbent supplier from the trial service and they have historically delivered a high-quality service. The new collection service is open for all Boroughs to use however it is anticipated that the majority of bulky waste collections will initially come from Brent and Hounslow.

Modelling of savings generated through the material collections service contract suggests savings from one active Borough of around £125,000 in 23/24 compared to the previous financial year.

HRRC paper and card contract

WLWA has recently undertaken a new joint procurement for managing around 1,500 tonnes a year of HRRC paper and card from across four boroughs: Harrow, Brent, Hillingdon and Ealing. A robust procurement exercised via the Dynamic Procurement System (DPS) attracted lots of market interest, and five strong bids were received. The winning bidder was Edwards Recycling Ltd which has a site in Barking.

Historically offtake of Brent’s HRRC paper and card has been arranged through ad-hoc spot pricing. A significant amount of work has been undertaken to encourage three other WLWA boroughs to join Brent in entering into a formal procurement and contract to secure an offtaker for this stream, to generate revenue through the sale of the material and also create additional savings due to the overall reduction of dry mixed recycling (DMR) material processed through each Borough’s MRF facility and subsequent savings on DMR processing gate fees.

Edwards submitted a bid which demonstrated a strong approach to both collection and processing, and contract management and reporting. The contract starts on 3 July and will last for one year with the option to extend by a further two years.

The annual forecast for the predicted savings from this new joint borough contract is around £146,000 across the four boroughs. The savings generated through this procurement will be passed through to the participating Boroughs.

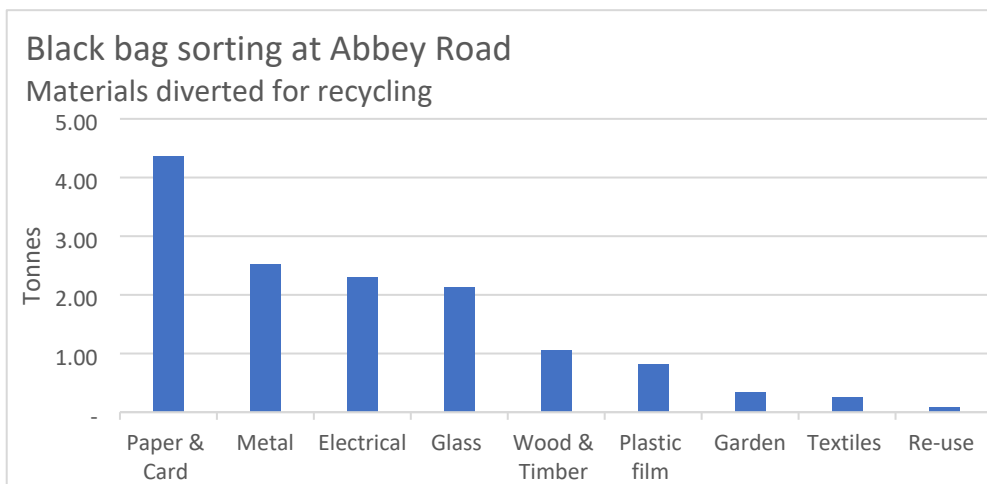
9. Abbey Road HRRC and Waste Transfer Station (WTS)

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

There are currently vacancies on site for a Mobile Plant Operator and Operations Data Assistant and some sickness cover is required for another role. Agency cover is in place and recruitment is happening in earnest.

Fires started in street cleansing waste delivered by Veolia’s collection vehicles (on behalf of Brent) on 4 and 25 April. The suspected causes are either batteries or Nitrous Oxide cylinders in the waste. In both instances the fires were quickly extinguished by site staff. Investigations were carried out and changes were made to the waste acceptance procedures.

A trial is underway for sorting black bagged waste brought into the HRRC by residents at Abbey Road. This initiative has been rolled out in other parts of the country and has led to significant financial and carbon savings by recovering valuable materials that would have otherwise been sent to energy from waste. It also removes potentially dangerous materials, such as batteries, from the residual waste stream. Since the trial started, 14 tonnes (19%) of material has been diverted for recycling from 74.6 tonnes of residual waste.



A financial analysis of the results is currently being undertaken to create a business case for rolling out the initiative of other HRRCs.

10. HRRC improvement programme

Several improvements have taken place at the other HRRCs since the last report, as part of the HRRC improvement programme. This includes new signage and line painting at three sites, and upgraded, offices, welfare facilities and workshop at Townmead Road.

Operational support from WLWA officers has led to two more Boroughs' (Harrow and Hounslow) HRRCs/transfer stations separating out residual waste into bulky and non-bulky piles. This will save money, because the non-bulky material does not need shredding before thermal treatment, and will reduce fires, because fewer flammable materials will pass through a shredder. Following a successful trial, the non-bulky waste will soon be sent directly to the Lakeside energy recovery facility. Brent (Abbey Road) and Richmond already separate these materials and Hillingdon and Ealing intend to also start once space limitations have been dealt with at their sites.

11. Richmond's sites: Townmead Road HRRC/WTS and Central Depot

WLWA currently provides waste operations management at Richmond's two waste sites.

On Friday 2 June, Richmond's collection contractor delivered a load of paper and card containing three full petrol containers which started leaking. The site was closed and Fire Brigade called to make the area safe. The site re-opened the next working day and WLWA's health and safety advisors are currently running an investigation.

A review of operational processes and health and safety procedures has also recently taken place at the site.

12. Operations Manager

Following the resignation of the Authority's Operations Manager, an interim Operations Manager is now in post for six months whilst a permanent Operations Manager is recruited.

13. Legislative change

The Government continues to delay its response to the consultation on consistency of waste and recycling collections, and no time frames have been provided.

14. Health and Safety Implications

Changes to tipping locations for Boroughs and contractors, due to the operational issues discussed in Section 2, could increase the risk of accidents due to drivers using sites that they are not used to, and increased traffic at tipping points. This is mitigated by contractors at tipping points providing an induction to all drivers that are new to a site.

Improvement work at the transfer stations is all subject to an extensive risk assessment process by Suez.

The new contractors for the materials collection service and paper and card collections will be unfamiliar with WLWA and Borough waste sites, which could lead to a risk of accidents. This will be mitigated by providing drivers with inductions at all relevant sites.

A risk assessment and safe working procedures for the sorting of black bagged waste has been developed by the Authority's health and safety manager and is in place.

A health and safety investigation into the near-miss at Central Depot is underway.

15. Financial Implications

Section	Financial Implications
West London Residual Waste Services contract	Disruption at the major rail linked transfer stations leads to additional costs, largely from processing more waste at one of the major transfer stations (requiring overtime), or transfer waste by road instead of rail. These additional costs are paid for by the Contractor but can result in longer turnaround times for Boroughs. When the Contractor

	<p>is unable to send waste to SERC and must instead use an alternative energy recovery facility, or landfill, WLWA misses out on a contract rebate for this material. A maximum of 3.9% (around 12,000 tonnes) of contract waste can be treated this way. If this occurs, WLWA could miss out on a maximum rebate of around £1.8m. During the April SERC outage 9,000 tonnes were sent to Alternative treatment, equating to approximately £1.5m of the rebate.</p> <p>The improvement projects planned at the major rail linked transfer stations will be financed by the Contractor and WLWA is not obliged to contribute to the costs. The improvements will improve the speed of Borough tipping, leading to operational savings.</p>
Viridor residual waste contract (Lakeside)	Additional costs for using alternative facilities under the Viridor contract are paid for by Viridor.
Food waste contract	None
Green waste contract	None
Transport contracts	None
Procurements	<p>The Materials Collection Service is projected to save £125,000 for a fully participating Borough in 2023/24 compared to the previous financial year.</p> <p>The paper and card procurement is expected to save £146,000 across the four participating Boroughs compared to the previous financial year.</p>
Abbey Road HRRC and Waste Transfer Station (WTS)	The black bag splitting project at Abbey Road is initially targeting annual savings of £12,500 against costs of £27,300, leading to a 2.2 year pay-back.
HRRC Improvement Programme	Separating bulky and non-bulky waste from Harrow and Hounslow is expected to deliver waste transfer savings of £115,000 per year.
Richmond's sites: Townmead Road HRRC/WTS and Central Depot	The contamination incident at Central Depot will result in the contaminated material being managed as residual waste instead of paper and card, costing around £2,000.
Operations Manager	Staffing cover for the Operations Manager position will result in an increase in staffing costs above the budgeted level. There has also been an increase in the market value of Operations Managers, which may again push staff costs above budgeted levels following the recruitment. Any additional costs will be covered by operational savings, which will be a key focus area for the new Operations Manager.
Legislative change	There is insufficient information to assess the financial implications at this stage.

Approximate annual values of the Authority's key contracts are:

- WLERL, residual waste services, £35m
- Viridor, residual waste services, £14m
- West London Composting, green waste, £1.5m
- Waste-A-Way, transport services, £1.0m
- Suez UK, transport services, £0.5m
- Biocollectors, food waste, £0.4m

16. Staffing Implications

Recruitment is taking place to fill the vacancies of Mobile Plant Operator and Operations Data Assistant. A recruitment plan is being developed for the permanent Operations Manager. New recruitment strategies are being developed to attract candidates in a difficult market.

17. Legal Implications

There are no legal implications to report.

18. Impact on Carbon reduction

HRRC improvement projects aim to maximise diversion of valuable materials from residual waste, reducing carbon by keeping materials in circulation.

Improvement projects at the waste transfer stations aim to increase the efficiency of the tipping and transport of waste, reducing the carbon associated with managing it.

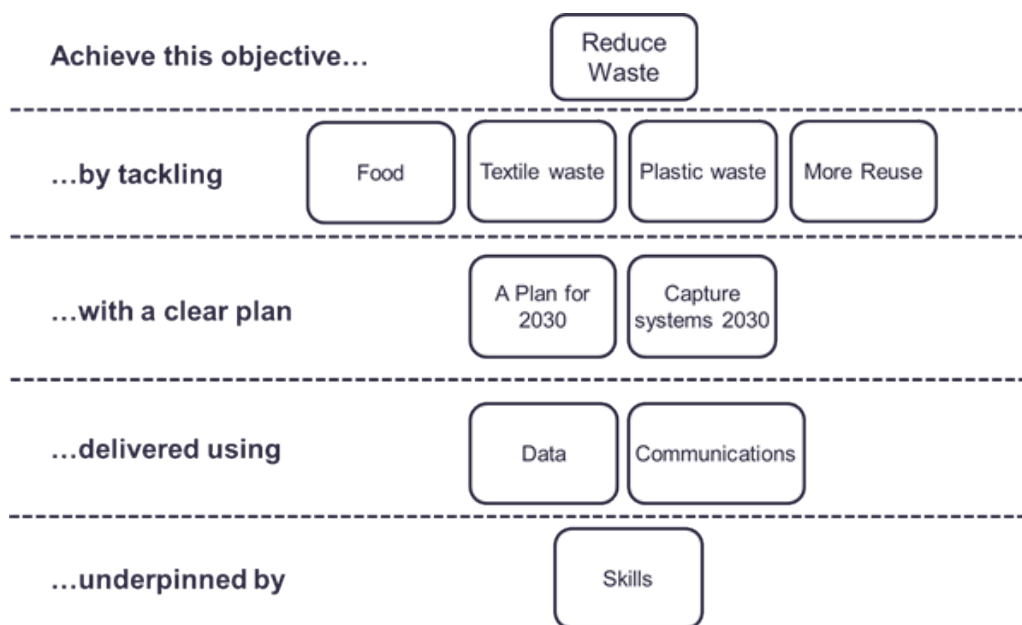
Landfill is the waste management method with the greatest carbon impact. By sending zero waste directly to landfill, significant carbon emissions have been avoided.

19. Impact on Environment Directors Priorities

Priority	Key points raised within this report
Bringing residents with us	HRRC improvement projects, including black bag sorting, aim to make the most of the opportunities for talking with residents about their waste and recycling behaviours.
Sustainable decision making	N/A
Climate adaptation and decarbonisation	See Section 18
Dealing with financial challenges whilst delivering on climate change	Savings from the joint procurements help Boroughs save money whilst delivering excellent environmental outcomes. HRRC improvements will deliver financial savings to Boroughs, directly through separating more recyclables, and indirectly through residual waste savings to WLWA.

20. Impact on Joint Municipal Waste Management Strategy

The framework of a joint plan for 2030 to be developed by WLWA and Boroughs was agreed in March 2022 and is shown below.



The HRRC improvements will tackle some of the key materials in the diagram above through increased diversion of materials from residual waste.

21. Impact on statutory, national and London targets

The HRRC improvement programmes will help address the target 65% recycling by 2035 (2030 in London).

Contact Officers	Tom Beagan, Head of Service Delivery tombeagan@westlondonwaste.gov.uk	01895 545516
------------------	--	--------------

WEST LONDON WASTE AUTHORITY

Report of the Projects Director

23rd June 2023

Programmes Update

SUMMARY

This report provides an update on the WLWA Programmes.

- Borough data is a critical deliverable for the progression of two of the core savings areas in the Reuse and Social Value and the Digital Twin Programmes.
- Working together across the climate emergency teams will enable us to create consistency of message and to optimise our resources to maximum benefit.
- The Communications and Reuse and Social Value programmes will deliver savings by reducing residual waste and returning items in to use with new owners.

RECOMMENDATION(S)

- 1) *The Authority is asked to note the progress outlined within this report.*
- 2) *The Authority is asked to note the importance of aligning priorities and working in partnership in order to increase the chances of successful delivery.*

1. Introduction

The WLWA programmes are in the budget for three years from 2023 and are designed to enhance the efficiency of the waste management system across collections, treatment and disposal whilst moving towards a new model for how waste and resources are managed to achieve a carbon neutral west London. All programmes support WLWA's strategic priorities.

The **Communications programme** - will measure the levels of knowledge, engagement and participation of residents across the region. This will be used to create new and direct messaging to help shift residents' approach to waste reduction, material diversion and recycling resulting in more efficient use of the services already provided. It will also produce joint communication campaigns covering west London boroughs designed to increase participation in and correct usage of collection services.

The **Reuse and Social Value programme** is designed to deliver a system change to the HRRC services, it will focus on efficiency of the HRRC operations and material diversion whilst delivering financial savings and social value. The programme will support the creation of more circular economy activities that are economically viable and sustainable.

The **Digital Twin programme** will consolidate Borough and WLWA data and provide collection routing efficiency savings. Collating the service data will enable officers to identify trends and opportunities to drive further efficiency in our joint waste system and provide a basis for modelling the required changes to service delivery from the Environment Act (Extended Producer Responsibility EPR, Consistency of Collections and Deposit Return Scheme DRS).

The **Food Waste programme** has invested in borough infrastructure since 2021 to expand the

reach of the food waste recycling service. It is focused on expanding residents' access to collection services across all property types. In conjunction with the communications programme WLWA are also working with Boroughs to identify new ways of operating and expanding collections services to cover additional materials such as e-waste, textiles and any extended producer responsibility product trials.

Progress

1.1. The Communications programme

Officers have completed soft market testing for resident insights communications work and are currently exploring the most effective procurement methodology.

A joint in-person workshop for Members and Senior Managers in all boroughs is being planned to identify common priorities in the Boroughs Climate Emergency communications including waste, and to commit to collaborative campaigns where possible to deliver the culture shift needed.

The west London Communications Officers group are working to identify joint resources and projects to generate efficiencies and consistency in messaging to residents.

1.2. The Reuse and Social Value programme

Since 1 April 2023 the capacity for reuse at Abbey Road has been increased with the completion of a new workshop and storage area for bicycle repair. From January to March 2023 112 bikes were diverted from recycling and re-distributed to local families. In April 2023 31 bicycles were re-distributed.

The repair and distribution of laptops and tablets from the Fixing Factory at Abbey Road HRRC has been increasing since the project began in August 2022. From August until March 2023 548 laptops destined for the e-waste recycling stream were assessed for repair. Of the laptops collected, a total of 71 (12%) laptops were fixed, and of these, 52 (9%) have been donated to local people. In April 2023 16 laptops were re-distributed.

Officers are engaging with Boroughs to identify additional measures to reduce the costs incurred through the whole system from HRRCs. This includes new operations and handling of waste streams as well as procuring material off-take to leverage best value through economies of scale.

1.3. The Digital Twin programme

Officers have completed soft market testing to look at options to find a partner to undertake routing efficiency investigation. A specification is currently being drafted with the aim of commencing a procurement during quarter two.

Borough collections data has been requested from Harrow, Hillingdon and Hounslow as their data will be the first inputted into the digital twin. Once the baseline is complete options for increasing efficiency of collections will be explored.

1.4. The Food Waste programme

Progress on the expansion of food recycling services was reported in the March 2023 report. During 2022/2023 the number of households receiving the food recycling service increased by 29,410.

2. Risk

2.1 Communications

There is a risk that...	Which will result in ...	Management Actions Implemented or Planned	Owner	RAG
Divergent communications priorities, timescales and resources between and within borough waste and climate services at both member and officer level.	Slow development of shared messages. Contradictory messages are promoted.	All Climate emergency stakeholders engaged through Borough Communications teams and Joint Communications Officers group.	Boroughs	Amber
Incomplete or lacking detail in Borough waste and recycling service data.	No data being provided to form the basis of a campaign. Delays in production of campaigns. Inability to target messages	Standing agenda at Borough Partnership meetings WLWA self-service portal.	Boroughs	Amber
Lack of bidder availability and experience for a new climate and waste insights programme	Work being delayed. Poor quality or inaccurate results.	Soft market testing of suppliers and deliver procurement through an output driven specification.	WLWA	Green

2.2 Reuse and Social Value

There is a risk that...	Which will result in ...	Management Actions Implemented or Planned	Owner	RAG
Lack of suitable site availability for Circular Economy hubs	Being unable to trial the model and get a better understanding of how it can work. Social Value benefit not realised or valued.	Utilise Borough and WLWA sites where possible, identify regeneration area opportunities. Usage of LOOP Social Value tool including analysis of benefits to Borough.	Boroughs/ WLWA	Amber
Limited availability of partners for the repair/offtake of items	A smaller range and/or number of items being moved in to reuse Social Value benefit not realised or valued.	Exploration of Third sector, existing off-taker and circular business engagements. Usage of LOOP Social Value tool including analysis of benefits to Borough.	WLWA	Green
Slow delivery of change at Borough sites will affect the	A longer timeframe to meet the financial savings and realise the	Regular meetings with boroughs at Operational, Officer, Director and Member	Boroughs	Amber

There is a risk that...	Which will result in ...	Management Actions Implemented or Planned	Owner	RAG
efficiency of the project (take longer to reach break-even)	efficiencies.	levels. Use Abbey Road information and data to indicate potential benefits.		
Inability to demonstrate success without timely Borough financial information and data.	A longer timeframe to meet the financial savings and realise the efficiencies.	Operational management and information is not in WLWA control. Build stronger partnerships. Use Abbey Road information and data to indicate success and continue.	Boroughs	Amber

2.3 Digital Twin

There is a risk that...	Which will result in ...	Management Actions Implemented or Planned	Owner	RAG
Incomplete or lacking detail in Borough waste and recycling service data.	No data being provided to form the basis of the digital twin. Delays in creation of the digital twin. Inability to deliver the savings resulting from the potential efficiencies	Standing agenda at Borough Partnership meetings Environment Directors group and Borough Partnership owners of the data requests.	Boroughs	Amber
Borough framework for rerouting options may restrict scale of savings.	Lower than anticipated savings as a result of efficiency changes	Early identification of policy framework for collections and develop options analysis for the services	Boroughs	Amber

Programme risks include the continuing loss of material from the existing recycling and diversion systems which will result in high ongoing disposal cost and will not meet recycling or carbon targets.

Further planned management actions include effective integration with other programmes and projects, which will be managed through regular reporting and the governance process.

3. Financial Implications

All programmes are within budget with no spend has been committed other than employees salaries year to date April 2023. The anticipated savings across the programmes are as follows;

3.1. Communications Programme

The anticipated saving for the programme in year one is c.£200k. This is likely to be achieved through greater understanding of the existing systems with more efficient use of existing services and a reduction in residual waste as material is captured in the correct stream, for example food recycled instead of binned and a reduction in the contamination of dry mixed recycling. Savings will also be generated with the use of new services such as the Material Collections Service (MCS), service modelling suggests a saving from one active Borough of c.£125K would be possible in 23/24 compared to the previous financial year. In addition, staff resources in boroughs are likely to be saved with joint communications campaigns.

3.2. Reuse and Social Value

The savings identified in the Social Value and Reuse programme as a result of operational efficiencies at HRRC sites and borough WTS were estimated to be around £533k in year one through a combination of HRRC sites efficiencies, solar energy investments and increasing reuse. There is also social value to be generated as a result of reusable items such as bicycles being made available to people who need them.

In April 2023 a new joint contract for recycling of paper and card from four borough HRRC sites commenced. The annual forecast for the savings from this is c.£146k across the four boroughs.

3.3. Digital Twin

Previous routing efficiency work resulted in indicative savings around £300k per annum for one borough across waste and recycling services. The potential savings are dependent on a number of factors including current efficiency levels and scale of change. Savings will be generated once baseline data has been provided and the collection routes are changed.

4.4. Food waste

The savings delivered through the food waste investment were detailed in the March report and will be updated in September. Further savings will be generated as a result of materials diverted from residual waste in to reuse and recycling streams. For example in 2022/23 kerbside collected textiles increased by 13%, resulting in a saving of £2,100 against disposal costs.

4. **Staffing Implications** – The Projects and Circular Economy team is currently 1.5FTE understaffed and officers are recruiting a Project Manager and a 0.5FTE job share for the Circular Economy Manager.

The Social Value and Reuse Programme is 1.0FTE understaffed, the Net Zero Planning Policy Officer vacancy is currently being recruited.

5. **Health and Safety Implications** – None

6. **Legal Implications** – None

7. Impact on carbon reduction

All programmes aim to move materials from disposal as waste to recycling, or further up the waste hierarchy to reuse reduces the carbon impact of waste and the carbon impact of purchasing new items.

The Digital Twin has the potential to significantly reduce vehicle movements, the carbon impact of fuel and fleet usage and to inform decisions about new collection methodologies which can continue the reduction of carbon generation through more efficient collection services.

8. Implications for the Environment Directors

The programmes are a key element in delivering the Environment Directors priorities in the next two years. The four priorities are shown below, supported by examples:

<p>Bringing the community with us (inc. behaviour change)</p>	<p>Sustainable decision making (eg Doughnut model) across West London</p>	<p>Climate Adaptation and Decarbonisation</p>	<p>Dealing with financial challenges whilst delivering on climate change</p>
<ul style="list-style-type: none"> • Make it work for everyone • Creating the change needed to meet net zero • Impacts on residents <ul style="list-style-type: none"> • Green economic development and growth 	<ul style="list-style-type: none"> • Aligning decision making priorities <ul style="list-style-type: none"> • Social value evaluation • Data gathering • Resilience and skills • Carbon credits/tax 	<ul style="list-style-type: none"> • Infrastructure (Energy/Waste) • Energy capacity • Neighborhood decarbonisation • Future proofing • Service reform (Waste/Transport/Parking) 	<ul style="list-style-type: none"> • Cost of delivery crisis • Generating income • Reform services to self finance change • Pilot / test projects <ul style="list-style-type: none"> • Collaboration

Key areas include behaviour change, data gathering, resilience and skills, social value evaluation and future proofing the system.

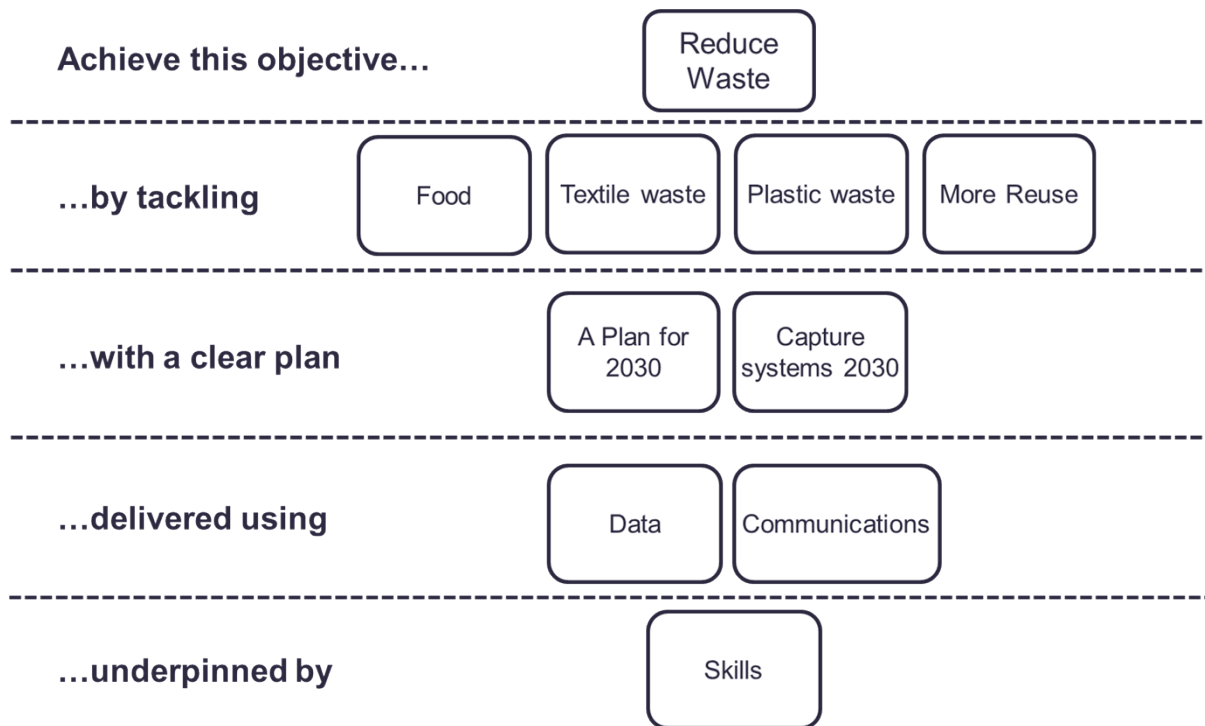
9. Joint Waste Management Strategy

A key factor in the Joint Waste Management Strategy is the 65% recycling target. To meet this a framework of a joint plan for 2030 to be developed by WLWA and Boroughs was agreed in March 2022. The joint plan must incorporate managing the rising cost of inflation which can only be countered in WLWA by reducing the amount of waste collected.

It is vital in this year that we:

- Develop joint communications campaigns and target areas of low participation in recycling services to divert recycling away from rubbish.
- Preventing waste at source in the household reuse and recycling centres by diverting items in to reuse.
- Pulling together collections information across west London to increase data quality and develop understanding of links between services and making who whole system data readily available to all boroughs.

The agreed framework is shown below:



The programme is intrinsically linked to the Authority’s Joint Waste Management Strategy and Business Plan. The projects are driving the design of the new policies and programmes through data, best practice and identification of opportunities, as well as delivering change to meet the desired outcomes and targets in the Strategy and the Budget.

Contact Officers	Peter Tilston, Projects Director petertilston@westlondonwaste.gov.uk	07796 271713
	Motoko Doolan, Net Zero Carbon Manager motokodoolan@westlondonwaste.gov.uk	07917 075876
	Sarah Ellis, Strategic Development Lead sarahellis@westlondonwaste.gov.uk	07584 631710

This page is intentionally left blank

Finance Update May 2023

SUMMARY

This report provides an update on financial and operational matters

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Note the current financial position and forecast for 2023/24
- 2) Approve the 2023/24 KPIs
- 3) Note the KPIs to date

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 and shows the budget, the spend and variance.

The budget monitoring report for this year also separates out the three program budgets approved by the Authority which are being funded by the PPP contract income (i.e. the Social Value and Reuse, Communications and Digital Twin programmes).

Note that the balance remaining from the 2022/23 HRRC fund of £953k has been rolled forward in reserves for boroughs to continue to utilise and undertake their HRRC improvement work.

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	436	413	(23)	2,616	2,640	23
Premises	433	583	149	2,601	3,465	865
Waste Transfer and Disposal	8,589	10,074	1,485	51,531	53,316	1,785
MRF Waste Transfer and Disposal	376	735	359	2,256	2,615	359
Supplies and Services	198	185	(13)	1,190	1,177	(13)
Depreciation	1,729	1,729	0	10,375	10,375	0
Financing and Other	992	1,002	10	5,955	5,965	10
Concession Adjustment	(762)	(762)	0	(4,570)	(4,570)	0
	11,992	13,959	1,967	71,954	74,982	3,029
Income						
Levies	(11,186)	(11,186)	0	(67,116)	(67,116)	0
MRF Service Charge	(376)	(735)	(359)	(2,256)	(2,615)	(359)
Trade and Other	(430)	(430)	0	(2,582)	(2,582)	0
	(11,992)	(12,351)	(359)	(71,954)	(72,312)	(359)
(Surplus) / Deficit	(0)	1,608	1,608	(0)	2,670	2,670
PPP Contract Income	0	0	0	0	0	0
Disbursement to boroughs	0	0	0	0	0	0
Net (Surplus) / Deficit	(0)	1,608	1,608	(0)	2,670	2,670
HRRC Reserve Fund	0	55	55	0	935	935
Actuarial (loss)/gain on pension liability	0	0	0	0	0	0
Total Income & Expenditure after Reserve Movement	(0)	1,664	1,664	(0)	3,605	3,605
Programme of work funded by PPP income						
Depreciation	18	18	0	107	107	0
Premises	8	8	0	45	45	0
Employees	51	40	(11)	308	297	(11)
Supplies and Services	110	110	0	660	660	0
Programme costs funded by PPP income	(187)	(187)	0	(1,120)	(1,120)	0
Programmes Total	0	(11)	(11)	0	(11)	(11)

The overall performance for period 2 shows a deficit of £1.6m compared to budget, and a full year forecast deficit of £2.6m.

The main factor contributing to the variance relates to one-off costs arising from the planned SERC closure for its 7 yearly major maintenance in April. Our PPP contract allows the contractor to treat the waste elsewhere whilst this maintenance takes place and the Authority bears the cost of this at the landfill tax rate – even though the waste is not landfilled. The impact is a £1.6m overspend for the period. This is partly offset (£0.2m) by lower residual waste volumes and costs during the period.

Taking a cautious approach the remaining 10 months of waste is forecast at budgeted levels. However, continuing lower residual waste volumes would see a £1.0m improvement in the years forecast variance. A further £0.7m improvement to the position is also likely from closing out an outstanding contractual variation – the sums have been agreed and the variation agreement is in the final legal stages.

The overspend on premises is another key variance and reflects the increase in business rates. The actual increase in business rates ranges from 17% to 32% across our sites and is far greater than budgeted (ranging up to 8%). Initial discussions with external consultants to determine if

the large increases can be challenged with the Valuation Office, indicate this may be hard to achieve as valuations have increased nationwide.

In terms of the forecast for the year, we are just two months into the new financial year and with limited data, we have simply projected spend for the remaining 10 months at budgeted levels. In particular at this stage it is not prudent to assume lower waste flows will continue (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 previous financial years, the financial effects of the dry mixed recycling (DMR) contract for Ealing. This is cost neutral for the Authority but creates further variances in the WTD costs and Trade/Other Income. We have also included the Brent DMR contract which commenced in 2023/24 – this was not budgeted as we did not know at the time Brent would like this service. However, as per the Ealing contract this is also cost neutral for the Authority.

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.

2. Proposed KPIs for 2023/24

Appendix 2 shows the KPI targets proposed for 2023/24, as well as the current position as at end of May. More commentary on the KPI performance is provided in section 3. The proposed suite of KPIs will allow the Authority to have oversight of and manage operational performance, one of the corporate governance requirements.

Following a review of the current KPIs there are no significant changes and targets have simply been made more challenging or realistic in line with budget and trends in performance. The current KPI suite is extensive and allows Members, Chief Officers and the Senior Leadership Team to analyse performance and flag any issues that could or have arisen.

We have also included some graphs which show year on year trends of KPIs in the “Divert from Waste” and “Increase Efficiency” sections. A variety of other indicators and information will continue to be reported for specific purposes in separate reports and forums. This will continually evolve.

3. KPIs for 2023/24

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.

The food waste KPI is on red due to the KPI being lower than target but this is being monitored and engagement with boroughs is ongoing. Sickness rate is also on a red RAG rating due to an employee being on long term sickness – even one employee can skew the performance in an organisation with only a small number of employees.

The one amber KPI is expected to become green as learning and development activities traditionally occur in the latter part of the year, indeed training courses are planned for later in the year which will improve this KPI.

Note that whilst cost per tonne is increasing over the years, if we take inflation in to account, we are performing very well. Inflation since 2016/17 has increased by 39.42% but our cost per tonne has increased by significantly less at 11.86%. This demonstrates that the Authority is managing its costs extremely well whilst providing a high level of service and effective operations.

4. 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.

There have been none.

5. 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.

Contact Officers	Jay Patel, Finance Director jaypatel@westlondonwaste.gov.uk Ian O'Donnell, Treasurer ianodonnell@westlondonwaste.gov.uk Emma Beal, Managing Director emmabeal@westlondonwaste.gov.uk Sapna Dhanani, Finance Manager sapnadhanani@westlondonwaste.gov.uk	01895 54 55 10
------------------	---	----------------

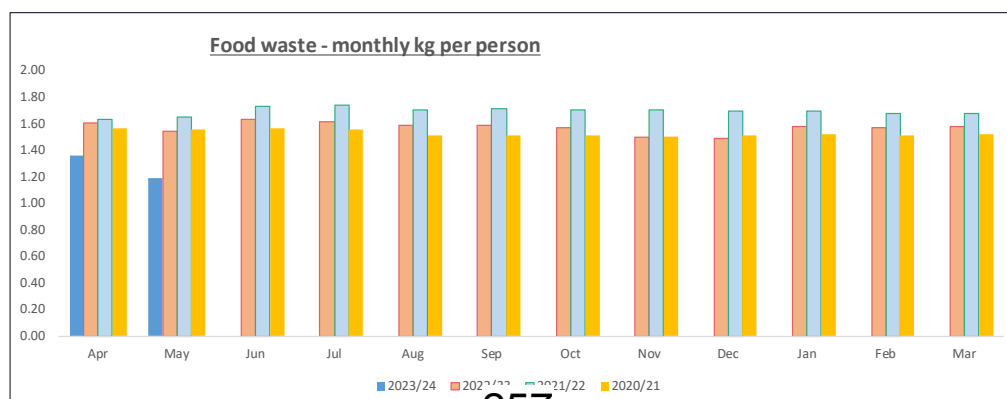
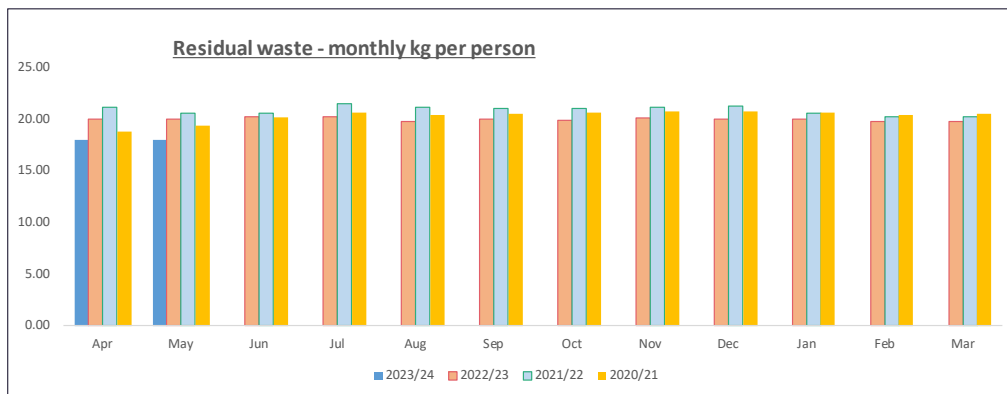
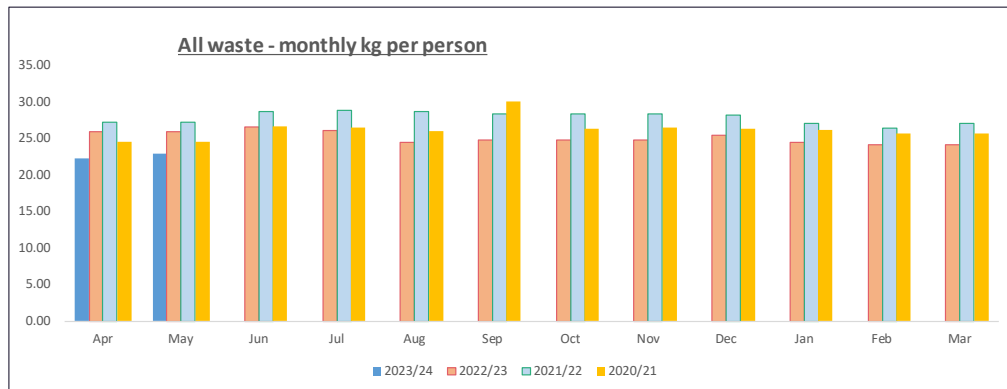
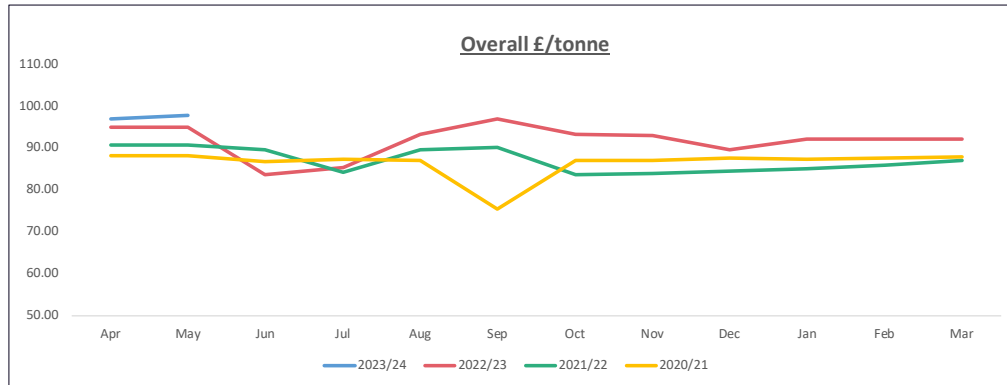
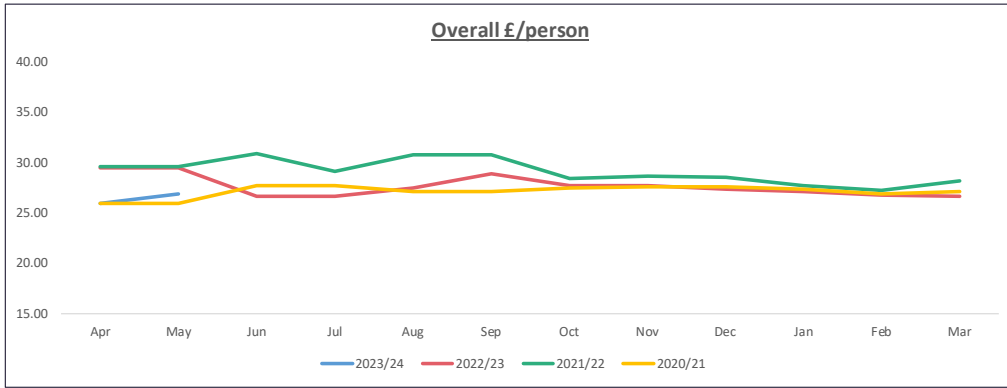
Appendix 1

Pay As You Throw	2023-24 YTD Period 2			2023 Full Year Forecast				
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	
Waste - Residual	6,897	7,432	535	Closure of SERC plant for 7 year maintenance resulting in higher costs for the treatment of waste coupled with higher inflation costs.	41,382	42,117	735	Forecasts based on YTD current level of activity.
Waste - Food	63	61	(2)	YTD tonnage volume collected is 123 tonnes lower compared to last year (2% variance).	379	377	(2)	Forecasts based on YTD current level of activity.
Waste - Mixed Organic	0	0	0		0	0	0	
Waste - Green	276	405	129	Higher tonnages collected (51% compared to budget) and 2.5k tonnes higher volume collected compared to last year YTD.	1,657	1,785	129	Forecasts based on YTD current level of activity.
Waste - Other	95	53	(42)		569	527	(42)	
Depreciation	1,469	1,469	0		8,814	8,814	0	
Financing	754	754	0		4,521	4,521	0	
Premises	213	328	115	Business rates increase for FY 23/24 across organisation.	1,276	1,966	690	Forecasts based on YTD current level of activity.
Concession Accounting Adjustment	0	0	0		0	0	0	
Levy Income	(8,848)	(8,848)	0		(53,086)	(53,086)	0	
PAYT Net Expenditure	919	1,654	735		5,511	7,021	1,510	
Fixed Cost Levy								
	2023-24 YTD Period 2			2023-24 Full Year Forecast				
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	
Employees	436	413	(23)	Vacant posts compared to budget - HR Coordinator, Net Zero Planner, Ops Manager	2,616	2,640	23	Allows for budgeted roles to be filled in, but also in line with the HR Paper, includes the costs of outsourcing HR services for 6 months.
Premises	221	255	34	Business rates increase for FY 23/24 across organisation.	1,325	1,499	175	Forecasts based on YTD current level of activity.
Waste - Residual	840	1,685	845	Closure of SERC plant for 7 year maintenance resulting in higher costs for the treatment of waste coupled with higher inflation costs.	5,039	5,984	945	Forecasts based on YTD current level of activity.
Waste - Green	46	55	9	Higher tonnages collected (21% compared to budget) and 0.7k tonnes higher volume collected compared to last year YTD.	279	287	9	
Waste - Wood	190	166	(24)		1,138	1,114	(24)	Forecasts based on YTD current level of activity.
Waste - Other	182	217	35		1,090	1,125	35	
Waste - MRF Ealing	376	377	1		2,256	2,257	1	
Waste - MRF Brent	0	357	357	Nets out with income below.	0	357	357	
Supplies and Services	198	185	(13)		1,190	1,177	(13)	
Depreciation	260	260	0		1,561	1,561	0	
Financing	75	85	10		450	460	10	
Revenue Funding of Debt	164	164	0		984	984	0	
Concession Accounting Adjustment	(762)	(762)	0		(4,570)	(4,570)	0	
Trade Waste and Other Income	(430)	(430)	0		(2,582)	(2,582)	0	
MRF Income Ealing	(376)	(377)	(1)		(2,256)	(2,257)	(1)	
MRF Income Brent	0	(357)	(357)	Nets out with costs above.	0	(357)	(357)	
Levy Income	(2,338)	(2,338)	0		(14,029)	(14,029)	0	
Fixed Cost Levy Net Expenditure	(919)	(45)	873		(5,511)	(4,351)	1,160	
(Surplus) / Deficit	(0)	1,608	1,608		(0)	2,670	2,670	
PPP Contract Income	0	0	0		0	0	0	
Disbursement to boroughs	0	0	0		0	0	0	
Total Income & Expenditure	(0)	1,608	1,608		(0)	2,670	2,670	
Social Value & Reuse	77	58	(19)		463	444	(19)	Forecasts based on YTD current level of activity.
Digital Twin	83	91	8		497	505	8	Forecasts based on YTD current level of activity.
Communications	27	27	0		160	160	0	
Programme costs funded by PPP inco	(187)	(187)	0		(1,120)	(1,120)	0	
Programs total	0	(11)	(11)		0	(11)	(11)	

Appendix 2

Key Performance Indicators 23/24

KPI					Cumulative			
		23/24 Target	Red Threshold	22/23 Actual	Description	Commentary about target	May-23	Commentary about performance
Keep Waste Moving								
1	Diversion from Landfill %	95.00%	< 95% = Red	99.89%	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.	99.3%	
2	Turnaround times (% above 25 minutes) for borough vehicles	4.5%	>7.5% = Red	6.8%	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. FY23 saw an increase due to crane issues at Victoria Road and rail strikes, but expecting to see an improvement to proir years in FY24.	2.8%	
Increase Efficiency								
3	Overall £/tonne	£93.47	> £98.15 (i.e. +5%) = Red	£92.07	Looks at total tonnes collected cumulatively and the total spend of waste transfer and disposal.	Reflects boroughs budgeted tonnages.	£97.82	
4	Overall £/person	£29.32	> £31.84 (i.e. +5%) = Red	£26.72	Total spend of waste transfer and disposal divided by total population of 6 boroughs (provided from ONS website).	Reflects boroughs budgeted tonnages.	£26.97	
Divert From Waste								
5	All waste - monthly kg per person	26.14	> 28 kg = Red	24.18	Total cumulative waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages.	22.98	
6	Residual waste - monthly kg per person	19.61	> 21 kg = Red	19.73	Total cumulative residual waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages. Food within residual should be reducing this figure.	18.03	
7	Food waste - monthly kg per person	1.55	< 1.64 kg = Red	1.58	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.	1.19	
Effective Control								
8	People development	500.00	< 450 = Red	515.00	Total number of learning and development activities carried out in financial year (amongst total employees).	Includes monthly team meetings.	57.00	Forecast rate predicts lower than target.
9	Staff turnover	15%	> 20% = Red	15%	Cumulative leavers YTD against total budgeted staff.	Not a large staff number therefore can be skewed by minimal movement. Counts employees who leave WLWA after their first probabtion review at 10 weeks of employment.	7.0%	3 leavers in the month meaning KPI is higher than usual.
10	Sickness rate	2.0%	> 3% = Red	2.4%	Cumulative sick days lost year to date.	In 2020, published figures show that sickness absence rates in public sector stood at at 2.7%. This has increased to 4.4% in 2022. Have left target at 2% after considering the wide gap between the size of our workforce and those of other public sector	4.3%	Increased in sickness days but this is under review.
11	Paying suppliers promptly	30	> 30 days = Red	27	Average number of days to pay suppliers in the month.	Statutory level	23.0	
12	Maintaining cash flow (Minimising trade	8%	> 10% = Red	0%	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	0		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 in days to complete the entire hazard card process from start to finish	5	> 10 days = Red	0	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.	5.67	



HR services update

SUMMARY

This report provides an update on the Authority's Human Resources (HR) services. The key points are:

- The Authority has outstanding actions following an HR internal audit.
- Work is now taking place to improve the HR service. HR consultants will be appointed to deliver essential support and meet the audit requirements whilst a longer-term solution is sought.

RECOMMENDATION(S) The Authority is asked to:

- 1) Note this report

1. Introduction

The Authority has a small establishment of 40 employees, including front line operational staff. The organisation's HR priorities are to:

- manage the employment market risk by maximising retention,
- embed the organisation's culture and values, and
- obtain external advice on how to further develop the service.

HR work was historically delivered in-house by the finance and performance team, with specialist ad-hoc support from external HR advisors. In 2019 a full-time HR Manager was recruited to support the organisation's development and reported to the Finance Director with additional support and direction from the Managing Director. Shortly after the recruitment, the HR workload increased dramatically because of the pandemic and some complex HR case work.

The HR service was given 'Limited Assurance' status in an internal audit last December. Key actions included:

- Reviewing and updating policies
- Undertaking relevant DBS checks
- Getting employee files fully up to date and complete
- Delivering recruitment training to staff
- Creating a checklist for new starters
- Addressing a backlog of email requests for HR support

An action plan was developed but only partially implemented (36% of actions are now fully completed). Resource is needed to provide immediate HR support, address the audit actions, and develop a longer-term service improvement plan. Accountability for HR Services has transferred to the Head of Service for a six-month period between March and September.

2. Approach

In the immediate term, an HR consultancy will be commissioned to:

- provide specialist HR advice to all employees,
- deliver HR specialist elements of business-critical services, e.g. recruitment, and

- complete critical audit actions.

This work will last between three and six months, and during this time an external review of the Authority’s HR services will also be commissioned. The review will determine the level of work required to deliver against the organisation’s HR priorities and meet future needs. It will also identify options for HR service delivery.

Timescales for the work:

Date	Work completed
30 Jun 2023	HR advisors appointed
30 Sep 2023	Critical outstanding audit actions complete (>85% of total actions)
30 Sep 2023	Review of HR services complete
31 Dec 2023	All audit actions fully complete and long-term HR solution is being rolled-out

3. Financial Implications

The approach will initially require an intense period of work which will exceed the budget. The budgeted monthly cost of HR employees (the HR Manager plus a 0.6 FTE HR Coordinator – budgeted but not yet recruited) is £8.9k. The cost of a senior HR adviser for two days a week and an HR coordinator for three days a week from a consultancy is expected to be around £13.4k per month, an increase of 51% of the budgeted position. Over six months, this increase would be £27k.

A lower cost option could be to directly recruit a fixed term full time HR Manager and part time HR Coordinator. It’s estimated that these costs would be 25% higher than the budgeted HR employee costs (£13k higher over six months) because the roles are interim rather than permanent. However, these employees would not come with the support of an HR consultancy. Also, the senior management support requirement would be higher, as would the work needed to recruit, taking senior managers away from delivering their work programmes and leading to opportunity costs that far outweigh the difference in spend on HR support.

The external review into the future of HR will result in additional up-front cost. The specification of this work is under development.

The longer-term financial implications are currently unclear but will be assessed as part of the external review.

4. Staffing Implications

Employees of the Authority are currently receiving a limited HR service resulting in delays to essential functions such as recruitment and absence management reviews, as well as meeting the audit requirements. Appointing specialist HR advisors would ensure that staff receive the level of HR support they need to deliver their roles effectively whilst a long-term solution is sought.

5. Legal Implications

Without sufficient HR support, the Authority is at risk of inadvertently breaking employment law. Commissioning HR advisors will help mitigate this risk.

Contact Officers	Tom Beagan, Head of Service Delivery tombeagan@westlondonwaste.gov.uk	01895 545516
------------------	--	--------------