



West London Waste Authority

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18 June 2020

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## **West London Waste Authority**

A virtual meeting of the West London Waste Authority (including the Audit Committee) will be held on Friday 26 June 2020 at 10.00 am

### **MEMBERSHIP**

Councillor Graham Henson, London Borough of Harrow  
Councillor Philip Corthorne, London Borough of Hillingdon  
Councillor Guy Lambert, London Borough of Hounslow  
Councillor Mik Sabiers, London Borough of Ealing  
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 24 January 2020 **(Pages 5 - 12)**
4. Appointment of Chair, Vice Chair, Audit Committee, Chair of Audit Committee and Independent Members

5. Meetings for the Municipal Year 2020/21

The remaining dates of meetings of the Authority in 2020 are:

Friday 25 September 2020

Friday 4 December 2020

Members are invited to agree the following dates of meetings of the Authority and Audit Committee for 2021 based on the existing pattern:

Friday 22 January 2021 at 11.00am (Audit Committee at 10.00am)

Friday 26 March 2021 at 10.00am

Friday 25 June 2021 at 10.00am (including Audit items)

Friday 24 September 2021 at 10.00am

Friday 3 December 2021 at 10.00am

**AUDIT ITEMS**

- |     |                                      |                         |
|-----|--------------------------------------|-------------------------|
| 6.  | General Ledger Internal Audit        | <i>(Pages 13 - 24)</i>  |
| 7.  | Annual Internal Audit Report 2019/20 | <i>(Pages 25 - 40)</i>  |
| 8.  | External Audit Report                | <i>(Pages 41 - 88)</i>  |
| 9.  | Risk Register                        | <i>(Pages 89 - 94)</i>  |
| 10. | Assurance Statements                 | <i>(Pages 95 - 108)</i> |

**AUTHORITY ITEMS**

- |     |  |                          |
|-----|--|--------------------------|
| 11. | Statement of Accounts for year ending 31 March 2020                              | <i>(Pages 109 - 162)</i> |
| 12. | Budget Monitoring Report - Period 2  | <i>(Pages 163 - 168)</i> |
| 13. | Health and Safety: Annual Review of Performance in 2019/20 and plans for 2020/21 | <i>(Pages 169 - 180)</i> |
| 14. | Coronavirus Update and Contingency Planning                                      | <i>(Pages 181 - 184)</i> |
| 15. | Projects and Waste Minimisation Update   | <i>(Pages 185 - 190)</i> |
| 16. | Contracts and Operations Update  | <i>(Pages 191 - 194)</i> |
| 17. | Procurement Update   | <i>(Pages 195 - 200)</i> |
| 18. | Any other Urgent Business  |                          |

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

19. Nil

## **Meeting details:**

This meeting is open to the press and public and can be viewed on [www.harrow.gov.uk/virtualmeeting](http://www.harrow.gov.uk/virtualmeeting)

### **Recording and reporting on public meetings**

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

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

**Hugh Peart**

Clerk to the Authority

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At a meeting of the West London Waste Authority - Audit Committee held on Friday 24 January 2020 at 10.00 am at the Committee Room 5, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

**Present:**

Councillor Krupa Sheth (Chair)

Councillor Graham Henson, Councillor Mik Sabiers and Councillor Julia Neden Watts  
Andrea White (Independent Person)

**Apologies for Absence**

Councillor Philip Corthorne

**58. Apologies for absence**

Apologies for absence were received from Councillor Philip Corthorne.

**59. Declarations of interest**

**RESOLVED:** There were no declarations of interest.

**60. Minutes of the Audit Committee meeting held on 25 January 2019 and the Authority meeting (as the Audit Committee) on 28 June 2019**

**RESOLVED:** That the minutes of the meetings held on Friday 25 January 2019 and Friday 28 June 2019 be taken as read and signed as correct records subject to noting that Andrea White, Independent Person had been in attendance on 28 June 2019.

**61. Internal Audit Reports (Business Continuity, Performance Management)**

Sarah Hydrie, Internal Auditor, introduced the internal audit reports in relation to business continuity and performance management and outlined the content, including the scoping areas.

In terms of business continuity, the Internal Auditor drew attention to the two recommendations in relation to policy, procedures and strategy. In response to a question as to whether there were any underlying issues resulting in the frequency of incidents such as fire, Emma Beal, Managing Director, explained that whilst this was a concern, the underlying cause was the separation of waste into an increasing number of categories/piles. She advised that the waste industry was having to adapt and learn. In terms of other incidents, the Authority was handling such a volume of waste, that even a small percentage of the system/ process not working had an impact.

Referring to the Performance Management Audit, concern was expressed in that 22% of Key Performance Indicators were forecast as not achieving the annual target but were rated as green. It was explained that this related to recycling rates and the Managing Director advised that the Authority needed to more clearly define why Red, Amber, Green ratings were given.

The Internal Auditor advised that the next audit planned was the General Ledger Review.

**RESOLVED:** That the report be noted.

## **62. Risk Register**

Members received a report which provided the Authority's update Risk Register.

Jay Patel, Head of Finance, introduced the report and advised that there had not been a great deal of change over the preceding quarter. In terms of the Amber risk associated with Brexit, he explained that the biggest risk was the impact on staff personally but that the impact for the Authority was low.

In response to Members comments that there would be risks associated with reduced driver numbers as a result of Brexit and also the emerging risk of changing legislation, for example, the reintroduction of co-mingled waste, the Managing Director advised that the national shortage of drivers was already included on the register. It would also be necessary to give consideration to the skills required for the business moving forward as when the register was drafted, the focus was a no deal Brexit and no legislation uncertainty.

**RESOLVED:** That the Risk Register, as set out at Appendix 1 to the report, be noted.

## **63. External Audit Plan for 2019/20 Accounts**

Members received the External Audit Plan for 2019/20 Accounts and welcomed Maria Grindley, Engagement Partner and Larisa Midoni, Audit Manager, both of Ernst and Young LLP, to the meeting.

Ms Grindley reported that the Plan had been prepared following discussions with the Managing Director and Head of Finance. She advised that the key risks related to fraud and error and the PPE evaluation at the waste plant. Materiality had been set at 2% as there had been no issues in the previous year and this should be viewed as a positive.

In response to a question as to the likely impact of the introduction of the new accounting standards IFRS16, THE Head of Finance advised that this related to leases held over the last few years. The Authority no longer held any leases and there were no major procurements proposed in the budget.

**RESOLVED:** That the External Audit Plan for 2019/20 Accounts be noted.

**The meeting finished at 10.29 am.**

The minute taker at this meeting was Alison Atherton.

At a meeting of the West London Waste Authority held on Friday 24 January 2020 at 11.00 am at the Committee Room 5, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

**Present:**

Councillor Graham Henson (Chair)

Councillor Mik Sabiers (Vice-Chair)

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

**Apologies for Absence**

Councillor Philip Corthorne

**35. Apologies for absence**

Apologies for absence were received from Councillor Philip Corthorne.

**36. Declarations of interest**

There were no declarations of interest from members of the Authority.

During the course of the meeting, Emma Beal, Managing Director, left the meeting whilst item 6, Governance Matters was considered and voted upon as it related to the job evaluation and salary attached to her post.

**37. Minutes of the meeting held on 20 September 2019**

**RESOLVED:** That the minutes of the meeting held on 20 September 2019 be taken as read and signed as a correct record.

**38. 2020/2021 Budget**

Members received a report which set out the 2020/21 budget proposal following consultation with the boroughs. The report included the key areas of focus for the next 12 - 60 months to deliver the targets on residual waste reduction.

Jay Patel, Head of Finance, outlined the background to the budget process the approach used and highlighted the proposed different way of dealing with reserves. This year, rather than just focussing on the year ahead, a more strategic approach had been taken.

A Member commented that the report was confusing in that it referred to it being desirable to increase residual waste tonnage. The Managing Director explained that the conflicting messages related to the requirement to reduce residual waste from households and the need to capture residual waste from businesses. It was hoped that the Authority could reap benefits from dealing with the growth in trade waste and promotion of recycling.

A Member welcomed the focus on food waste and recycling as this was key in terms of the climate emergency. She questioned how authorities could act more cooperatively in terms

of HRRCs and reducing the number of vehicles travelling around the boroughs to different sites. The authorities websites did not correspond with what was happening on the ground. The Chair acknowledged that this was a complicated area which required a 'joined up' approach and further discussion. He advised that the Corporate Directors of each authority met on a quarterly basis to discuss such issues. Ian O'Donnell, Treasurer, added that he had met with the borough Finance Directors to emphasise the benefits of working collaboratively but that Members should be mindful that there were issues in terms of fairness in the use of the £3m set aside for invest to save food projects as some boroughs were more advanced in dealing with food waste than others.

Sarah Ellis, Operations Manager, reported that Waste Minimisation Advisors were being recruited to work at HRRCs and would be trained with in-depth reuse and recycling knowledge. These staff would then, in turn, help train existing operatives at HRRCs. It was intended that the operatives could visit multiple sites in order to share best practice. The Managing Director added that efficiencies would arise if these staff were able to use technology as part of their role.

The Managing Director reported that the approach determined collectively by boroughs would be reported to the Authority for approval.

**RESOLVED:** That (1) the 2020/21 budget be approved;  
(2) the Pay as You Throw (PAYT) rates, as set out in section 14 of the report, and the PAYT levy made up of two components totalling £48.8 million be approved;  
(3) the Fixed Cost Levy (FCL) of £13.5 million, as set out in section 15 of the report, be approved;  
(4) the new proposed capital budgets, as set out in section 17 of the report, be approved;  
(5) the target level of reserves of £8.1 million to act as a buffer for managing risks and avoiding supplementary levies, as set out in section 18 of the report, be approved;  
(6) the setting aside of £3 million of reserves to fund locally agreed invest to save initiatives to increase food waste collection only be approved.

### **39. Treasury Management**

Members received a report which set out the treasury management plan for 2020/21.

**RESOLVED:** That (1) the treasury management plan for 2020/21 be approved;  
(2) the prudential indicators and minimum revenue provision, as set out in section 3 of the report, be adopted.

### **40. Governance Matters**

Members received the report which provided an update on and sought approval to a number of governance matters. The Managing Director left the room whilst her job evaluation and salary was considered and voted upon.

Jay Patel, Head of Finance outlined the content of the report in terms of the Managing Director's job evaluation and the Members travel and subsistence allowance. The purpose of the latter was to acknowledge the time and effort Members had to make in order to attend meetings of the Authority. This was welcomed by Members.

**RESOLVED:** That (1) the job evaluation and Managing Director's new annual salary at the CO1 scale point 11 (£134,544) be approved and backdated to April 2019 and capped at CO1 scale point 12;  
(2) the work with the National Association of Waste Disposal Officers (NAWDO) be noted;

(3) the Members' Travel and Subsistence and Allowance Scheme be approved.

#### **41. Budget Monitoring Report Period 8 (November)**

Members received a report which provided an update on financial and operational matters.

**RESOLVED:** That (1) the current financial position and forecast for 2019/20 be noted;  
(2) the Key Performance Indicators be noted;  
(3) the financial decisions taken under the Scheme of Delegation to officers be noted.

#### **42. Joint Municipal Waste Management Strategy Development**

Emma Beal, Managing Director, introduced the report which provided details of a new Joint Municipal Waste Management Strategy for the Authority and the constituent boroughs for the years 2020-2035.

The Managing Director drew Members' attention to the Borough Priorities set out in the report, advising that these linked in with the earlier budget conversation about working collaboratively. She emphasised the need to be mindful of what lessons could be learnt from the previous 15 years and the existing Joint Municipal Waste Management Strategy (JMWMS).

The Managing Director then gave a presentation on carbon, outlined the high level vision for 2040 and the long term carbon reduction plan in order to reduce the carbon footprint. During the course of the presentation, Members were advised that

- embedded carbon in waste (1 million tonnes) dwarfed any emissions;
- it was a priority to develop an understanding of the relevant metrics
- the Authority needed to focus on emissions production and consumption;
- it was important to learn lessons from the waste market.

The Managing Director reported that there had been a discussion with borough climate emergency leads, the Environment Directors Board, the Greater London Authority and London Councils. There was a considerable breadth of knowledge within this group which could have influence at the West London Climate Emergency meeting. The Authority could facilitate and support this meeting.

Members thanked the Managing Director for the presentation, welcomed the ongoing discussions and the opportunity to work together on the strategy.

**RESOLVED:** That (1) the progress to date be noted;  
(2) the direction of travel be approved.

#### **43. Operations Update**

Members received a report which provided an update on the Authority's operations.

**RESOLVED:** That the report be noted.

#### **44. Projects Update**

Members received a report which provided an update on the Authority's efficiency and joint working projects.

Mildred Jeakins, Waste Minimisation Manager, tabled a presentation on the London Wide

Food Waste Recycling Campaign. She gave the presentation and advised that, for the first time, the Authority were promoting a campaign across West London.

In response to Member's comment that flats in his borough did not currently have a food waste collection service, Peter Tilston, Projects Director, advised that the Food Waste Recycling Campaign project linked with the future roll out of the food waste collection from flats. Another Member suggested that that the service could be run as a pilot if residents were interested.

**RESOLVED:** That (1) the report be noted;  
(2) the use of bin fill sensors to assist with continuous improvement projects be approved and a further report be submitted to the Authority on the project.

#### **45. Contracts Update**

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

**RESOLVED:** That (1) the report be noted;  
(2) the following contracts be extended by 2 years from 1 May 2020:-  
(a) West London Composting Ltd;  
(b) CountryStyle Recycling Ltd;  
(c) J Shorten & Sons Ltd;  
(3) the Managing Director, following consultation with the Chair of the Authority, be authorised to award the dry mixed recycling contract, subject to confirmation of agreement from the London Borough of Ealing.

#### **46. Waste Minimisation Update**

Members received a report which provided an update on the Authority's waste minimisation activities.

**RESOLVED:** That the report be noted.

#### **47. Any other urgent business**

The Chair indicated that he wished to discuss an urgent item in that Keith Townsend had resigned from the role of Technical Adviser to the Authority in December 2019. The Managing Director advised that the purpose of the role was to support/enable 'joined up' working, finding similarities and encouraging solutions across the constituent boroughs.

Hugh Peart, Clerk to the Authority, advised that in the past, Members had appointed to the role of Technical Adviser via interview. It was now suggested that the officer appointed as the Chair of the Directors of Environment Board be appointed as the Authority's Technical Adviser. He added that the Authority did not have to appoint to the role and therefore it was a decision for Members.

Members expressed support for the proposal and requested that the appointment be reviewed in 12 months.

The Chair undertook to write to Keith Townsend to express the Authority's thanks for his work.

#### **48. 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 for the reasons set out below:

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

#### **49. Contracts Update**

Members received a confidential update report.

**RESOLVED:** That the report be noted.

**The meeting finished at 12.58 pm.**

The minute taker at this meeting was Alison Atherton.

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## INTERNAL AUDIT

### Final Assurance Report 2019/20

#### General Ledger

20<sup>th</sup> March 2020

#### Overall IA Assurance Opinion:

**SUBSTANTIAL**

#### Recommendation Overview:

High Risk	0
Medium Risk	0
Low Risk	3
Notable Practice	0

#### Review Sponsor:

Emma Beal

Managing Director, West London Waste Authority

#### Final Report Distribution:

Jay Patel

Head of Finance and Performance, West London Waste Authority

Ownership of all final Internal Audit assurance reports rests with the relevant Review Sponsor.

## 1. Introduction

- 1.1 This risk based Internal Audit (IA) assurance review was requested by management to be undertaken as part of the 2018/19 annual IA plan. **The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers Team and the Audit Committee over the key risks surrounding General Ledger:**
- If General Ledger processes are not sufficiently defined and documented within procedural guidance, there could be a lack of accountability and clarity over working practices, leading to transactions failing to be recorded accurately and in a timely manner, resulting in uninformed decision-making and financial loss to the Authority;
  - If staff are not appropriately trained, there is a lack of contingency cover and potentially insufficient segregation of duties, which could result in transactions not being recorded in the General Ledger on time or accurately and funds not being accounted for, leading to financial loss, legal implications, regulatory scrutiny and operational issues;
  - If transactions are not processed in an effective, accurate or timely manner, there is an increased likelihood that the General Ledger will be inaccurate and incorrectly inform management of the current financial position of the Authority, potentially leading to significant financial loss and reputational damage to the Authority; and
  - If the General Ledger is not regularly monitored or reported, senior management could have an unclear understanding of the Authority's financial position and funds may not be accounted for, resulting in uninformed decision-making, potential non-compliance with financial codes and misappropriation of funds.

## 2. Background

- 2.1 A General Ledger represents the record-keeping system for a company's financial data with debit and credit account records validated by a trial balance. The General Ledger provides a record of each financial transaction that takes place during the life of an organisation.
- 2.2 The General Ledger holds account information that is needed to prepare the company's financial statements. WLWA's transaction and financial data is segregated by type into four key elements:
- Treasury;
  - Banking;
  - Accounts Receivable; and
  - Accounts Payable.
- Responsibility for processing and reconciling transactions within each of these rests with the Finance Officer, with oversight from the Head of Finance and Performance.
- 2.3 WLWA utilises the Unit4 software application Agresso as its financial management system, with external administration being provided by Unit4's client support team. Its reporting functionality enables up-to-date and relevant financial information to be drawn from the system, which can be used as a basis to conduct management of the General Ledger.

## 3. Executive Summary

- 3.1 Overall, the IA opinion is that we are able to give **SUBSTANTIAL** assurance over the key risks to the achievement of objectives for General Ledger. Definitions of the IA assurance levels and IA risk ratings are included at **Appendix C**. An assessment for each area of the scope is highlighted below:

Scope Area	IA Assessment of WLWA
Policies and procedures	<p><b>Reasonable Assurance</b> – The organisation has 2 overarching financial policies that inform and guide key aspects of the financial process, including the General Ledger: The Financial Regulations and the Contract and Procurement Rules. Further, procedural guidance was found to be in place covering key aspects, including the set up and approval of suppliers, conducting of control account reconciliations, and identifying and rectifying payroll errors.</p> <p>Additionally, all policies and procedures were found to be readily available and easily accessible to relevant WLWA officers, either through the Authority's intranet or within electronic shared folders.</p> <p>Whilst testing identified policies and procedures were in place for key financial processes, several documents were found to not be version controlled or have not been regularly or recently reviewed. The use of proper version control is important in ensuring that policies and procedures accurately reflect current expected practices, regulations and, where applicable, legislation.</p>
Roles and responsibilities	<p><b>Substantial Assurance</b> – Financial roles and responsibilities were clearly outlined and documented in the key financial policies and procedures in place at WLWA, primarily within the Authority's Financial Regulations. Further detail was provided in the job descriptions (JDs) for the 4 main financial roles within the Authority. However, of the 4 JDs reviewed, it was found that whilst all were version controlled, 2 JDs had not been reviewed since February 2015 and March 2017. Further, all 4 JDs described the principal location of each role as the Authority's former address (Hounslow Civic Centre).</p> <p>Strong controls were found to be in place for General Ledger processes, particularly where duties have been segregated in the updating and approving of General Ledger journals and reconciliations of control accounts.</p> <p>A potential control weakness was identified in testing, where the reviewers of journals and reconciliations have Agresso permissions to post accounting transactions on the system. However, we found no instances of the reviewer posting General Ledger transactions during the sample period, demonstrating their independence. Finance staff also keep a register of General Ledger journals that shows each journal's preparer and approver, ensuring that duties are separated and monitored appropriately. This is particularly important in a small team with relatively few officers.</p> <p>Further, controls were found to be in place for accessing the Agresso system through a secure remote server, although the Authority's Agresso password policy and process had not been documented, resulting in a potential minor weakness in the integrity of the system.</p>
Transactions, data quality and year-end	<p><b>Substantial Assurance</b> – A strong control environment was found to be in place surrounding the creation, monitoring and approval of journal entries and transactions. Automated controls were found to be in place, preventing officers from entering incorrect or unrecognised account codes or cost centres. Further, all journal entries and transactions are reviewed, approved and signed-off before being finalised in the system, thus ensuring good data quality and accurate record keeping of all transactions and journal entries.</p>

Scope Area	IA Assessment of WLWA
Transactions, data quality and year-end (cont'd)	<p>Additionally, we tested a sample of 15 transactions from the past 10 months and found all transactions tested were uniquely referenced, adequately supported with narrative and supporting evidence and accurately recorded on the Agresso system.</p> <p>Each of the Authority's control accounts is subject to monthly reconciliation which, as per General Ledger journal controls, were governed by an appropriate segregation of duties. The number of unreconciled transactions across the sample of reconciliations tested was minimal and there was evidence that each was reviewed swiftly.</p> <p>Clear, documented guidance was found to be in place for the year-end and account closing processes. This procedural guidance was supported and reinforced with the production of a year-end timetable. This timetable clearly documented the roles and responsibilities for each finance officer at each key stage of the process.</p> <p>Further, the timetable for the 2019/20 year-end process was found to be in the process of being drafted at the time of testing, highlighting continuity in closedown processes and the key roles and responsibilities within it.</p>
Management information	<p><b>Substantial Assurance</b> – A suite of Key Performance Indicators (KPI) is in place for WLWA covering all aspects of the Authority's service, from service delivery to environment and education. KPIs 5 and 6 relate directly to financial monitoring, highlighting specifically trade debt and average days to pay creditors. Clear evidence was provided to show that progress against KPIs is monitored consistently, with the master KPI spreadsheet updated on a monthly basis and presented at Joint Committee meetings.</p> <p>Further, reports are presented at Joint Committee meetings each quarter to highlight the Authority's financial position for that period and for the year to date. This includes narrative to explain any variances between budgets and actual expenditure, highlighting any current trends or areas of concern.</p>

- 3.2 The detailed findings and conclusions of our testing which underpin the above IA opinion have been discussed at the exit meeting and are set out in section four of this report. The key IA recommendations raised in respect of the risk and control issues identified are set out in the Management Action Plan included at **Appendix A**. Good practice suggestions and notable practices are set out in **Appendix B** of the report.

## 4. Detailed Findings and Conclusions

### 4.1 Policies and procedures

- 4.1.1 The Authority has 2 overarching financial policies in place: Financial Regulations and the Contract and Procurement Rules. Both policies set out the overall standards for financial processes within WLWA and were readily available to all WLWA officers through the WLWA intranet. However, the Contract and Procurement Rules are not subject to version control. Additionally, neither document had been reviewed or updated since July 2016. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 1** in the Management Action Plan at **Appendix B**).
- 4.1.2 Several guidance documents were place covering Authority's financial processes. These included WLWA-created documents on reconciliations, approval of suppliers, upload of payroll and the year-end process, as well as third party user guides for the Agresso system.

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4.1.3 Whilst there is no specific documented guidance in place for General Ledger processes such as journals, although given the size of the organisation and the procedural guidance already in place, the creation of procedural guidance specific to the General Ledger is not essential.

4.1.4 Of the procedural guidance documents reviewed, several documents were found to not be properly version controlled or subject to regular review. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 1** in the Management Action Plan at **Appendix B**).

## **4.2 Roles and responsibilities**

4.2.1 The roles and responsibilities for the Authority's financial processes, including the processing and monitoring of General Ledger transactions, were clearly documented within policies and procedures. These responsibilities were also captured in the JDs for each of the 4 key financial positions. Whilst all were version controlled, 2 JDs had not been reviewed since February 2015 and March 2017. Further, all 4 JDs described the principal location of each role as the Authority's former address, Hounslow Civic Centre. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 2** in the Management Action Plan at **Appendix B**).

4.2.2 WLWA have a clearly defined financial scheme of delegation in place. This scheme clearly defines the delegated authority of key financial figures, including the Managing Director, Clerk and Treasurer as well as outlining an urgency procedure. Further, budget delegations for each officer with financial responsibilities are clearly documented, defining their respective budgets and budget limits for the 2019/20 financial year.

4.2.3 Strong controls were found to be in place in relation to the segregation of duties throughout the end-to-end financial process, including the preparation and approval of General Ledger journals and control account reconciliations. From a sample of 15 journal entries, it was found a different officer entered and prepared the journal entry while a different officer approved the journal entry in all 15 samples. The remaining 2 entries sampled were journal reversals and therefore these journals did not require secondary approval.

4.2.4 Further, it was found there was appropriate segregation of duties and levels of access to the Agresso system. During testing it was found administrative access to the system was granted to relevant senior officers, with only 3 of the 10 officers with system access being granted super user access. These 3 super users were able to create and amend user accounts, renew and resets passwords as well as temporarily and permanently disable user accounts within the Agresso system.

4.2.5 A potential control weakness was identified in testing, where the reviewer has Agresso permissions to post accounting transactions. However, we found no instances of the reviewer posting General Ledger transactions during the sample period, demonstrating their independence. Further, a log was found to be in use to record the preparing and reviewing officers for each journal transaction posted on Agresso.

4.2.6 Access to the Agresso system is achieved through 2 layers of authentication: entering user credentials on a secure cloud-based server and then entering separate credentials on the actual Agresso system which is run on the server. Despite this, the Authority's Agresso password policy, including expiry and complexity requirements, had not been clearly defined and documented. There is therefore a minor weakness in the integrity of the system. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 3** in the Management Action Plan at **Appendix B**).

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### **4.3 Transactions, data quality and year-end**

- 4.3.1 A strong control environment was in place for the creation and approval of journal entries. Automated controls within Agresso prevent officers from creating journal entries under unrecognised account codes or for legitimate journal entries to be entered under Cost Centres that have not been pre-approved and held within the system.
- 4.3.2 Further, good data quality is ensured as all Journal entries are reviewed and approved by a senior officer before being finalised. Each approval is signed by the senior officer and securely stored on site at the Authority.
- 4.3.3 To provide further assurance over the control environment we selected a sample of 15 transactions from the past 10 months to ensure transaction were consistently recorded and accurately. Of the sample of 15 transactions, we found all transactions were uniquely referenced, adequately supported with narrative and supporting evidence and accurately recorded on the Agresso system.
- 4.3.4 Clear, documented guidance was found to be in place for the year-end and account closing processes, mapping out the full process and providing detailed instructions for each stage. This guidance was supported and reinforced by the production and completion of a year-end timetable. This timetable defined the roles and responsibilities of each key officer at every stage of the process, as well as monitoring and tracking the completion of each process stage.
- 4.3.5 During testing, it was identified that the General Ledger was supported by an electronic BACS interface, used for importing BACS payment data automatically into the Agresso system. A strong control environment was found to be in place around this system, where BACS payment runs are subject to monthly approval by the Head of Finance and Performance after being completed by the Finance Officer. Further controls are in place where such BACS payments form part of monthly Accounts Payable and Bank reconciliations, where discrepancies and imbalances would be identified.

### **4.4 Management information**

- 4.4.1 A suite of Key Performance Indicators (KPI) is in place for WLWA covering all aspects of the Authority's service, from service delivery to environment and education. KPIs 5 and 6 relate directly to financial monitoring, highlighting specifically trade debt and average days to pay creditors. These KPIs are monitored and updated monthly providing senior management of the Authority's performance in these key financial areas. Further, clear evidence was provided to show that progress against KPIs is monitored consistently, with the master KPI spreadsheet updated on a monthly basis and presented at Joint Committee meetings.
- 4.4.2 Joint Committee meetings are held quarterly and are attended by senior WLWA management and Members from constituent boroughs. These meetings provide high-level overview of the Authority's performance, both operational and financial, and provide opportunity for financial performance and governance to be scrutinised. The Committee also approves and signs-off the annual accounts and end-of-year financial reports, ensuring there is oversight and understanding of the Authority's financial position from the highest level.

## **5. Acknowledgement**

- 5.1 Internal Audit would like to formally thank all of the officers contacted during the course of this review for their co-operation and assistance. In particular, the Senior Accountant and the Finance Officer, whose advice and help were gratefully appreciated.



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## 6. Internal Audit Contact Details

This audit was led by: Sam Horton  
**Internal Auditor**

This audit was reviewed by: Nick Cutbill  
**Senior Internal Auditor**

Thank you,



Sarah Hydrie CMIIA, CIA  
**Head of Internal Audit & Risk Assurance**

**APPENDIX A**

Management Action Plan						
No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
No High or Medium risk recommendations raised.						

\*Please select appropriate Risk Response - for Risk Response definitions refer to [Appendix C](#).



## APPENDIX B

### Good Practice Suggestions & Notable Practices Identified

No.	Observation/ Suggestion	Rationale	Risk Rating
1	Management should ensure all financial policies and procedures are up to date, regularly reviewed and version controlled. (para ref 4.1.1 and 4.1.3).	<i>If financial policies and procedures are not regularly reviewed and properly version controlled there is a risk that information and guidance provided might become obsolete or no longer applicable to current practices, potentially leading to inaccurate or incorrect practices being carried out and insufficient segregations of duties, affecting the accuracy of the Authority's financial records and subsequent financial position.</i>	LOW ●
2	Management should ensure all job descriptions are up to date, regularly reviewed and version controlled. (para ref 4.2.1).	<i>If job descriptions do not hold accurate and up to date information there is a risk job roles will be inaccurately or poorly defined, potentially leading to a lack of understanding of officer responsibilities causing key tasks to lack ownership and being completed late or not completed at all, resulting in financial and operational consequences for the Authority.</i>	LOW ●
3	Management should ensure the Authority's Agresso password policy and procedure are clearly defined and documented, version controlled and widely available to all relevant officers. (para ref 4.2.6).	<i>If the Authority's password policy and procedure is not clearly defined and documented there is a risk that weak or inappropriate passwords could be used leaving key systems and data open to fraudulent activity or theft, resulting in financial and reputational consequences for the Authority.</i>	LOW ●

## INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

Assurance Level	Definition
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> over the management of the key risks to the Authority's objectives. The control environment is robust with no major weaknesses in design or operation. There is <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> over the management of the key risks to the Authority's objectives. The control environment is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> over the management of the key risks to the Authority's objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> to be derived from the management of key risks to the Authority's objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a <b>high risk</b> that objectives will not be achieved.





1. **Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
  - establishing and monitoring the achievement of the Authority's objectives;
  - the facilitation of policy and decision-making;
  - ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the Authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
  - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
  - the financial management of the Authority and the reporting of financial management; and
  - the performance management of the Authority and the reporting of performance management.
2. **Risk Appetite:** The amount of risk that the Authority is prepared to accept, tolerate, or be exposed to at any point in time.
3. **Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

## APPENDIX C (cont'd)

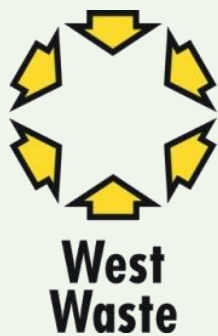
### RISK RESPONSE DEFINITIONS

Risk Response	Definition
<b>TREAT</b>	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
<b>TOLERATE</b>	The risk is accepted by management and no further action is proposed.
<b>TRANSFER</b>	Moving the impact and responsibility (but not the accountability) of the risk to a third party.
<b>TERMINATE</b>	The activity / project from which the risk originates from are no longer undertaken.

### INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

Risk	Definition
<b>HIGH</b> 	The recommendation relates to a <b>significant threat</b> or opportunity that impacts the Authority's corporate objectives. The action required is to mitigate a substantial risk to the Authority. In particular it has an impact on the Authority's reputation, statutory compliance, finances or key corporate objectives. <b>The risk requires senior management attention.</b>
<b>MEDIUM</b> 	The recommendation relates to a <b>potentially significant threat</b> or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Authority. In particular an adverse impact on the Department's reputation, adherence to Authority policy, the departmental budget or service plan objectives. <b>The risk requires management attention.</b>
<b>LOW</b> 	The recommendation relates to a <b>minor threat or opportunity</b> that impacts on operational objectives. The action required is to mitigate a minor risk to the Authority as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. <b>The risk may be tolerable in the medium term.</b>
<b>NOTABLE PRACTICE</b> 	The activity <b>reflects current best management practice</b> or is an innovative response to the management of risk within the Authority. <b>The practice should be shared with others.</b>

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## INTERNAL AUDIT

***West London Waste Authority (WLWA)***

**Annual Internal Audit Report & Opinion Statement 2019/20**

**Draft for Audit Committee as at 8<sup>th</sup> June 2020**



# Contents

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## 1. Introduction

### 1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, which is essential in helping the Authority achieve its corporate objectives. It is also a requirement of the Accounts and Audit (England) Regulations 2015 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.
- 1.1.2 IA give an objective opinion to the Authority on whether the control environment is operating as expected. In 'traditional' IA teams this usually means compliance testing of internal controls. However, the IA service provided to the Authority fully embraces the risk based approach which means IA provides greater assurance to the Authority because it is focused on the key risks to the achievement of the organisation's objectives. As a result, IA does not just comment on whether the controls operate, but whether they are the right controls to mitigate risk and enhance the likelihood of achieving the overall aims of the service.
- 1.1.3 The UK Public Sector IA Standards (PSIAS) promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement (AGS).

### 1.2 The Purpose of the Annual Internal Audit Report and Opinion Statement

- 1.2.1 This annual report summarises the main findings arising from the 2019/20 IA assurance work. The report also provides IA key stakeholders, including the Authority's Officers Team and the Audit Committee, with an opportunity to hold the Head of Internal Audit (HIA) to account on delivery of the 2019/20 IA Plan and on the effectiveness of the IA service.
- 1.2.2 The UK PSIAS require the HIA to deliver an annual IA report and opinion statement that can be used by the organisation to inform its AGS. Therefore, in setting out how it meets the reporting requirements, this report and opinion statement also outlines how IA has supported the Authority in meeting the requirements of the Accounts and Audit (England) Regulations 2015.

## 2. Executive Summary

- 2.1 The HIA is pleased to report that delivery of **the 2019/20 IA plan was 100% complete to final report stage by 20<sup>th</sup> March**. This is an achievement for IA and the Authority and highlights the continued collaborative approach that IA is taking in working with management to help achieve positive outcomes for the Authority.
- 2.2 Delivery of the IA plan for 2019/20 has been achieved in a timely manner by applying a fully risk based approach to help focus IA resources on the key risks facing the Authority. In addition, the HIA believes this relative success is predominantly due to the collaborative approach that IA is taking in working with management to help achieve positive outcomes for the Authority. Further details of IA performance can be found at section 6 of this report.
- 2.3 From the work undertaken and from the other sources of assurance referred to in para 3.7:

*It is the HIA's opinion that overall IA can provide **REASONABLE** assurance that the system of internal control that has been in place at WLWA for the year ended 31<sup>st</sup> March 2020 accords with proper practice, except for the significant internal control issues referred to in para 3.8.*

- 2.4 In total **4** pieces of IA work has been delivered as part of the 2019/20 IA plan. This includes 3 assurance reviews and 1 follow-up review. 2 of the assurance reviews resulted in **SUBSTANTIAL** assurance opinions being provided with the remaining review obtaining a **REASONABLE** assurance opinion. This provides positive assurance to the Audit Committee that IA resource is risk based and appropriate. The IA follow-up review does not provide a formal assurance opinion, with detail included at section 5 of this report.
- 2.5 All 2019/20 **MEDIUM** risk recommendations raised by IA were accepted by the relevant managers/risk owners, with positive action proposed to **TREAT** these risks. Further analysis of the IA assurance levels issued in 2019/20 along with a breakdown of the risk recommendations raised can be found at section 4 of this report.
- 2.6 The table below provides an analytical review of assurance opinions issued by IA over the last 6 years which demonstrates a broadly consistent picture over this period:

Assurance Level	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Substantial</b>	0	0	0	2	0	2
<b>Reasonable</b>	5	4	3	1	2	1
<b>Limited</b>	0	0	1	1	1	0
<b>No</b>	0	0	0	0	0	0
<b>Totals</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>

- 2.7 Focussing a dedicated IA review on **following-up recommendations** that are due to have been implemented, provides assurance that deficiencies in the control environment have been appropriately remedied. Our work has helped to continue to achieve a positive outcome for the Authority during 2019/20. Specifically, each of the four **MEDIUM** risk recommendations raised in 2019/20, in addition to three recommendations raised in 2018/19 (falling due in 2019/20) have been confirmed by management as implemented. IA follow-up verification work to confirm **HIGH** and **MEDIUM** risk recommendations are embedded and operating as intended can be found at section 5 of this report.

### 3. Head of Internal Audit Opinion Statement 2019/20

#### 3.1 Background

- 3.1.1 The HIA opinion statement is provided to inform the Director and Chair of the Authority and to assist them in completing the AGS, which forms part of the statutory Statement of Accounts for the 2019/20 year.
- 3.1.2 The AGS provides public assurances about the effectiveness of the Authority's governance arrangements, including the system of internal control. The HIA opinion statement meets the Authority's statutory requirement under Regulation 6 of the Accounts and Audit (Amendments) (England) Regulations 2015, and is also aligned to the PSIAS, in particular performance standard 2450, where the chief audit executive is required to deliver an annual internal audit opinion.

#### 3.2 Scope of Responsibility

- 3.2.1 The Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, 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.



- 3.2.2 In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. Specifically, the Authority has a statutory responsibility for conducting a review of the effectiveness of the system of internal control on at least an annual basis.

### 3.3 The Purpose of the System of Internal Control

- 3.3.1 The Authority's system of internal control is designed to manage risk to a reasonable level rather than to completely eliminate the risk of failure to achieve policies, aims and objectives. Consequently, it can only provide a reasonable, and not absolute, assurance of effectiveness.
- 3.3.2 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 corporate objectives and associated business plan. It also is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### 3.4 Annual Opinion Statement on the Effectiveness of the System of Internal Control

- 3.4.1 The HIA opinion is based primarily on the IA assurance work carried out by IA service during 2019/20, as well as a couple of other assurance providers which have been considered in forming the HIA opinion.
- 3.4.2 The IA Plan for 2019/20 was developed primarily to provide WLWA Officers Team and the Audit Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, including an assessment of the Authority's corporate governance arrangements and risk management framework.

### 3.5 Basis of Assurance

- 3.5.1 All of the IA reviews carried out in 2019/20 have been conducted in accordance with the UK PSIAs. An external quality assurance (EQA) review of the IA service confirmed that Hillingdon's IA service fully conforms to the requirements of the UK PSIAs in 2017/18.
- 3.5.2 In line with the UK PSIAs, the HIA is professionally qualified and suitably experienced. The skills mix within the rest of the in-house IA team has evolved during the year with every single member of the IA team either fully qualified or actively studying for a relevant professional IA qualification. As a result, the 2019/20 IA resources fulfilled the UK PSIAs requirements in terms of the combination of professionally qualified and suitably experienced staff.

### 3.6 Qualifications to the Opinion

- 3.6.1 During 2019/20 the Authority's IA service:
- had **unrestricted access to all areas and systems** across the Authority;
  - received **appropriate and full co-operation from officers and members**;
  - had **sufficient resources to enable it to provide adequate coverage** of the Authority's control environment to provide the overall opinion (refer to para 3.11.4).

As a consequence, **there are no qualifications to the 2019/20 HIA opinion statement.**

### 3.7 Other Assurance Providers

- 3.7.1 In formulating the HIA overall opinion on the Authority's system of internal control, the HIA has taken into account the work undertaken by other sources of assurance, and their resulting findings and conclusions which included the Audit Committee; and coverage by External Audit.

### 3.8 Significant Internal Control Weaknesses

- 3.8.1 IA is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise during the year.
- 3.8.2 In July 2018, it was identified that an employee at the WLWA's Twyford site had committed acts of fraud, with the estimated cost to the Authority being in the region of £15,000. Management at WLWA investigated the matter resulting in the dismissal of the perpetrator and referral to the Police for further investigation. Following the incident Internal Audit carried out a review on financial controls (in December 2018) at the Twyford site and raised **3 MEDIUM** risk recommendations. In May 2019, IA performed a follow-up exercise and independently verified that all **3 MEDIUM** risk recommendations had been implemented.
- 3.8.3 **There were no significant control weaknesses identified through IA work conducted during 2019/20.**

### 3.9 Risk Management

- 3.9.1 Risk Management (RM) is the process by which risks are identified and evaluated so that appropriate risk treatment measures can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Authority to achieve its corporate objectives, associated business plan and fulfil its strategic priorities.
- 3.9.2 The 2016/17 IA assurance review of RM provided **REASONABLE** assurance over the management of the key risks to the achievement of the objectives for the Authority's RM process. The Authority's Financial Regulations (FRs) document the responsibilities of Officers and Members, in particular the Audit Committee, in relation to Risk Management. This is underpinned by the Risk Management Framework and Policy.
- 3.9.3 We found sufficient controls were in place allowing the Authority to identify, classify and evaluate risks. We are pleased to report the risks are RAG (Red, Amber and Green) rated, which is seen as good practice as well as being aligned to the PESTEL framework.
- 3.9.4 We are pleased to report that the risk register is regularly updated, reported and reviewed at all levels within the Authority and considered at the Authority's Audit Committee (who met twice during 2019/20) informing Members of significant changes to prioritised risks (**RED** and **AMBER**). This allows the Audit Committee to fulfil its duty and review the risk register and the risk management strategy as per the Authority's FRs.

### 3.10 Corporate Governance

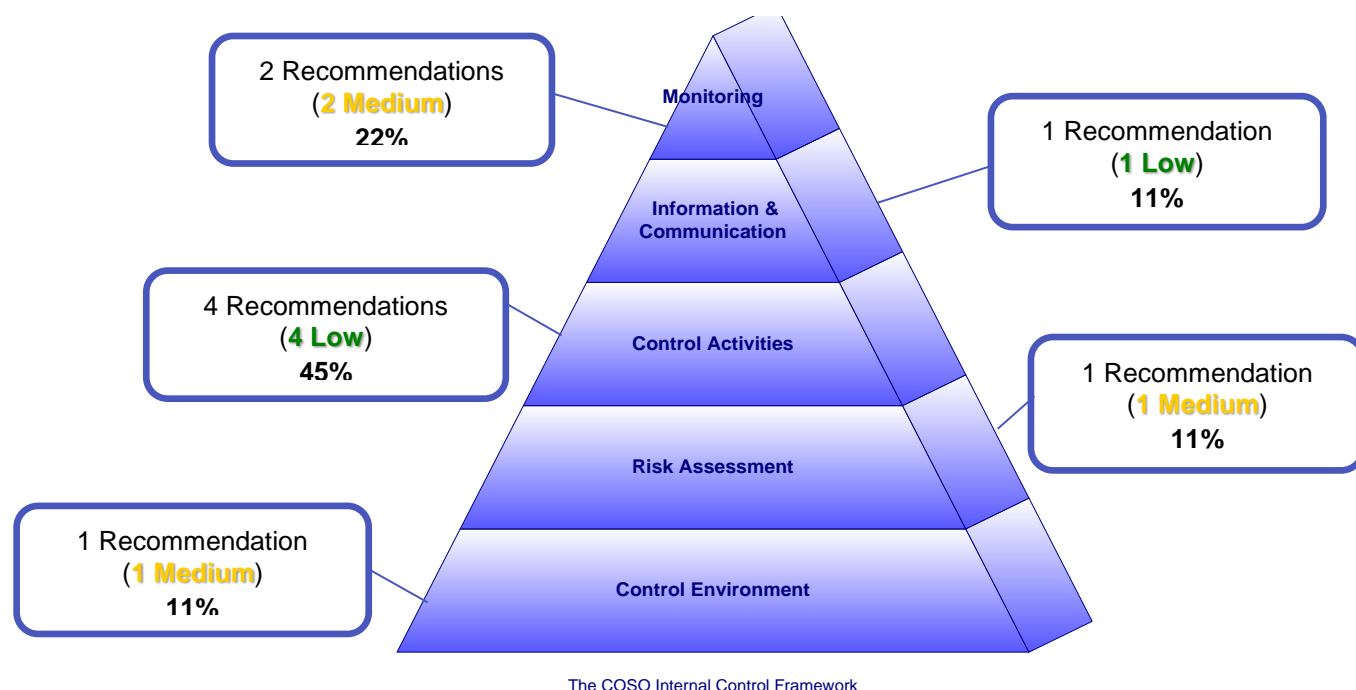
- 3.10.1 Corporate governance (CG) can be defined as the way in which the Authority is *directed* and *controlled*. It comprises a combination of systems, processes and structures as well as the culture of the Authority. Good governance is acknowledged to be essential for the success of any organisation and leads to good management, performance, stewardship of public money, and fundamentally good outcomes for 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, value for money and delivery of stakeholder expectations.
- 3.10.2 The 2016/17 IA assurance review provided **REASONABLE** assurance in this area, assessing the Authority against the 7 Principles for good governance framework, as published within the 2016 revised addition of CIPFA's *Delivering Good Governance Framework*. Testing verified the Authority's overall compliance against these 7 principles.

### Annual Governance Statement

- 3.10.3 The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Authority has a statutory obligation under the Accounts and Audit (England) Regulations 2015 to prepare an Annual Governance Statement (AGS), a significant component of the Authority's governance framework. The AGS provides the Authority with a mechanism to demonstrate its positive governance culture and also enables stakeholders to understand the governance arrangements the Authority has in place. The AGS supports the Annual Statement of Accounts and identifies any significant governance issues.
- 3.10.4 IA established that the draft AGS was produced as part of the draft Annual Statement of Accounts for 2019/20, and will be presented to the West London Waste Authority on the 26<sup>th</sup> June 2020. We are aware that assurance statements are completed by the Authority's Chief Officers and Senior Managers to demonstrate the ownership for the quality of governance arrangements around service areas for which they are responsible.
- 3.10.5 **There were NO significant governance weaknesses identified within the 2019/20 Draft AGS reported to the Authority on 26<sup>th</sup> June 2020.** The 2019/20 AGS is in the process of being finalised for the Annual Statement of Accounts for 2019/20 that will be presented to Authority on 26<sup>th</sup> June 2020 for approval.

### 3.11 Internal Control

- 3.11.1 The IA opinion on the Authority's internal control system is **based on the best practice on Internal Control from the Committee of Sponsoring Organisations of the Treadway Committee (COSO)**. These components provide an effective framework for describing and analysing the internal control system implemented in an organisation. The diagram below details the elements of the COSO internal control framework and the number of **HIGH**, **MEDIUM** and **LOW** IA risk recommendations pertinent to each component.



- 3.11.2 As expected the majority of IA recommendations related to improvements over control activities. These include recommendations relating to written procedures, recruitment processes and performance management. The other components of the framework have a relative proportionate share of recommendations.

- 3.11.3 The individual IA assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations have a bearing too.
- 3.11.4 From the IA work undertaken in 2019/20, and the other sources of assurance referred to at para 3.7, **it is the HIA's opinion that overall IA can provide REASONABLE assurance that the system of internal control that has been in place at the Authority for the year ended 31<sup>st</sup> March 2020 accords with proper practice.**

## 4. Analysis of Internal Audit Activity 2019/19

### 4.1 Internal Audit Assurance Work 2019/20

- 4.1.1 The 2019/20 IA assurance work may be summarised by the assurance level achieved (definitions of the IA assurance levels are included at **Appendix B**) as per the table below:

Assurance Level	Number of IA Assurance Reports	Assurance %
<b>SUBSTANTIAL</b>	2	67%
<b>REASONABLE</b>	1	33%
<b>LIMITED</b>	0	-
<b>TOTAL</b>	<b>3</b>	<b>100%</b>

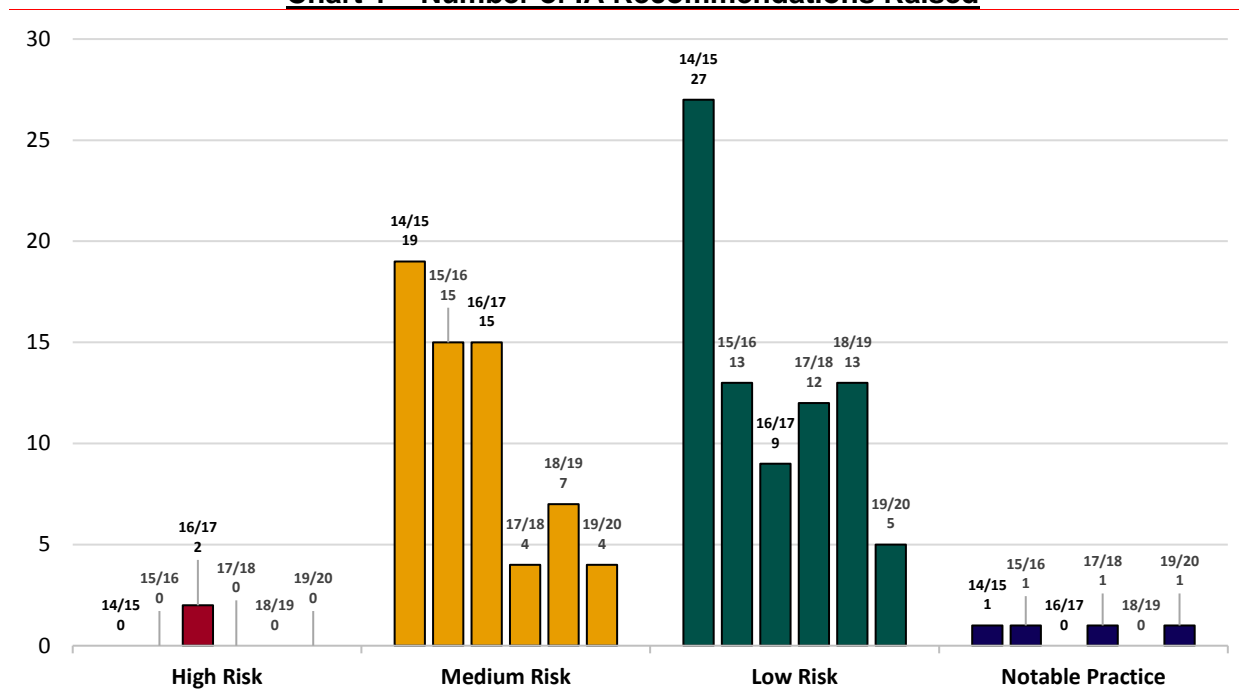
- 4.1.2 The table above highlights that two of the three areas subject to IA in 2019/20 were assessed by IA as providing a **SUBSTANTIAL** assurance opinion. This is against a backdrop of IA resources being focused on key risk areas to the Authority and therefore reflects positively on the overall control environment within the Authority, representing a robust control environment in operation. The remaining area subject to audit were provided with a **REASONABLE** assurance opinion. The individual assurance audits carried out during 2019/20 are fully listed at **Appendix A**.

- 4.1.3 For the **3** IA assurance reviews, there were **9** IA assurance recommendations raised in total in 2019/20:

Risk Rating	2019/20 IA Recs	% Split	Comparison				
			2018/19	2017/18	2016/17	2015/16	2014/15
<b>HIGH</b>	0	0%	0% (0)	0% (0)	8% (2)	0% (0)	0% (0)
<b>MEDIUM</b>	4	44%	7 (35%)	25% (4)	58% (15)	54% (15)	41% (19)
<b>LOW</b>	5	56%	13 (65%)	75% (12)	34% (9)	46% (13)	59% (27)
<b>TOTALS</b>	<b>9</b>	<b>100%</b>	<b>100% (20)</b>	<b>100% (16)</b>	<b>100% (26)</b>	<b>100% (28)</b>	<b>100% (46)</b>
<b>NOTABLE PRACTICE</b>	1	-	-	1	-	1	1

- 4.1.4 Given that an increasingly risk based IA approach has been applied, it is above our expectations that **nearly half of the IA recommendations raised** are **HIGH** or **MEDIUM** risk. The breakdown of all 2019/20 IA recommendations (plus notable practices) by risk rating, is provided in the bar chart overleaf providing a comparison with prior year data:

Chart 1 – Number of IA Recommendations Raised



4.1.5 The bar chart above depicts an overall reduction in the number of recommendations raised in 2019/20 when compared with the prior 3 years; the distribution of which also represents a positive downward trend in the risk rating of recommendations when compared to the prior year(s). This should be seen as encouraging given risk based approach applied to IA work.

## 5. Internal Audit Follow-Up

- 5.1 IA monitors all **HIGH** and **MEDIUM** risk recommendations raised, through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. IA does not follow-up **LOW** risk recommendations as they tend to be minor risks i.e. compliance with best practice, or issues that have a minimal impact on a Service's reputation such as adherence to local procedures. It would also take a disproportionate amount of time for IA to robustly follow-up **LOW** risk recommendations. The full definitions of the IA recommendation risk ratings and risk responses are included at **Appendix B**.
- 5.2 Following the issue of an IA assurance report, **HIGH** and **MEDIUM** risk recommendations are recorded in TeamCentral, a module of our TeamMate e-audit software, for tracking and monitoring purposes. Recommendation risk owners and key stakeholders have access to and provide status updates (including supporting evidence) via this software.
- 5.3 The **3** IA assurance reviews have resulted in **9** IA recommendations being raised in 2019/20. Given that we are taking a risk based IA approach to IA coverage, it is a positive outcome that **only four MEDIUM risk recommendations were raised in 2019/20**. The table below summarises the **status of these recommendations as at 31<sup>st</sup> May 2020**. Our follow-up work also includes the three recommendations (**3 MEDIUM**) from 2018/19 financial year which have fallen due within 2019/20:

2019/20 IA Recommendation Status as at 31 <sup>st</sup> May 2020	HIGH	MEDIUM	Total
Total No. of recommendations raised in 2019/20 (per <b>Appendix A</b> )	-	4	<b>4</b>
No. of recommendations due for follow-up Implementation (includes prior year(s))	-	3	<b>3</b>
No. of recommendations deemed implemented	0	7	<b>7</b>

2019/20 IA Recommendation Status as at 31 <sup>st</sup> May 2020	HIGH	MEDIUM	Total
No. of recommendations deemed outstanding	0	0	0

- 5.4 Positive management action was proposed to address each of the three 2018/19 **MEDIUM** risk IA recommendations raised with no risks tolerated by management. As at the 31<sup>st</sup> May 2020, 7 recommendations (including 3 **MEDIUM** from 2018/19) had fallen due. Through testing we were able to verify that all 7 recommendations had been implemented.

## 6. Review of Internal Audit Performance

### 6.1 Key Performance Indicators

- 6.1.1 The IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. They assist IA and the Authority in helping measure how successful IA has been in achieving its strategic and operational objectives, ensuring that assurance is provided to Senior Management and the Audit Committee in a timely and effective manner.

- 6.1.2 Actual cumulative IA performance for 2019/20 against its KPIs is highlighted in the table below:

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 1	<b>HIGH</b> risk IA recommendations where positive management action is proposed	98%	N/A - no high risk recommendations raised in 2019/20	
KPI 2	<b>MEDIUM</b> risk IA recommendations where positive management action is proposed	95%	100%	GREEN
KPI 3	<b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale	90%	N/A - no high risk recommendations raised in 2019/20	
KPI 4	<b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale	75%	100%	GREEN
KPI 5	Percentage of IA Plan delivered to <b>draft report</b> stage by 31 <sup>st</sup> March	90%	100%	GREEN
KPI 6	Percentage of IA Plan delivered to <b>final report</b> stage by 31 <sup>st</sup> March	80%	100%	GREEN
KPI 7	Percentage of draft reports issued as within 10 working days following the exit meeting	90%	100%	GREEN
KPI 8	Percentage of draft reports issued as a final report within 5 working days after receiving management responses to the <b>HIGH</b> and <b>MEDIUM</b> risk IA recommendations proposed	90%	100%	GREEN
KPI 9	Client Satisfaction Rating	85%	95%	GREEN
KPI 10	IA work fully compliant with the <b>PSIAS</b> and <b>IIA Code of Ethics</b>	100%	100%	GREEN



## 6.2 Client Feedback Questionnaires

- 6.2.1 IA send out a client feedback questionnaire (CFQ) at the completion of all assurance reviews to capture and obtain formal management feedback. The **IA CFQ target** previously agreed with the Officers Team and the Audit Committee was for IA to achieve **an overall average score of 3.4 (85%) or above** across the eight CFQ areas. As a recap on the CFQ scores, 4 means the client strongly agrees; 3 is agree; 2 is disagree; and 1 is strongly disagree.
- 6.2.2 There is not an option on the CFQ for the client to indicate that they 'neither agree or disagree'. This is a deliberate decision by the HIA to enable management to form an overall and definitive opinion on the work that IA does i.e. did the internal audit review add value or not? Inherently with any feedback mechanism such as this, there is a risk that the CFQ results can become skewed where a client is unhappy i.e. if there are large number of recommendations or a poorer assurance level than expected/ anticipated, the client may be inclined to dismiss the value of the IA work with a low CFQ score.
- 6.2.3 The overall **average CFQ score for 2019/20 is 93.75%**; this is a 8% increase on 2018/19 performance, which shows a positive direction of travel. We have discussed the scoring with the audit sponsor to identify areas where improvements in the audit process could be made.
- 6.2.4 The table below shows a breakdown of the average score from the **3** CFQs completed as well as providing a year-by-year comparison:

IA CFQ Areas	Average Score						% Change (18/19-19/20)
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	
<b>Q1. Planning:</b> The planning arrangements for the IA review were good	3.60	3.75	3.25	3.25	3.67	3.67	-
<b>Q2. Scope:</b> The scope of the IA review was relevant	3.80	3.75	3.25	3.75	3.33	4.00	+20%
<b>Q3. Conduct:</b> The IA review was conducted in a highly professional manner	4.00	4.00	3.75	3.75	3.67	4.00	+9%
<b>Q4. Timing:</b> The IA review was carried out in a timely manner	3.60	4.00	3.25	3.25	4.00	3.67	-8%
<b>Q5. Report:</b> The IA report was presented in a clear, logical and organised way	3.60	4.00	4.00	4.00	3.67	4.00	+9%
<b>Q6. Recommendations:</b> The IA recommendations were constructive and practical	3.40	3.75	3.25	3.75	2.67	3.67	+37%
<b>Q7. Value:</b> The IA review added value to your service area	3.00	3.75	3.00	3.75	2.67	3.00	+12%
<b>Q8. Overall:</b> I look forward to working with IA in future	4.00	4.00	4.00	4.00	4.00	4.00	-
<b>Average Total Score</b>	<b>3.63</b> (90.75%)	<b>3.88</b> (96.88%)	<b>3.47</b> (86.72%)	<b>3.69</b> (92.19%)	<b>3.46</b> (86.5%)	<b>3.75</b> (93.75%)	<b>+8%</b>

- 6.2.5 IA is extremely grateful to management for the formal feedback in CFQs it has received. A **100% completion rate of CFQs** is excellent and will help IA continue to improve as a service

## 7. Forward Look

- 7.1 The London Borough of Hillingdon's Internal Audit Team officially ends their contract with the West London Waste Authority in June 2020. Due to the Covid-19 pandemic in March 2020 the impact to 'business as usual' (including a tender exercise) was put on hold while the country went into lockdown. Covid-19 has singlehandedly changed the risk landscape for every organisation and although the Authority's recycling and rubbish collection facilities were closed to the public they remained operational as they were classed as being a critical service. As a result of the Coronavirus lockdown, West London residents increased the amount of dry recycling by 15% and food waste recycling by 6%.
- 7.2 Whilst restrictions are slowly easing and we return to a 'new normal', Internal Audit and the Authority have to consider how they work, what they work on and how can they work better and smarter whilst adhering to new social distancing rules as well as safeguarding staff, colleagues and customers.
- 7.3 Whomever is awarded the new Internal Audit contract for the Authority will need to navigate their way around these recent obstacles and challenges. Internal Audit should be proactive and prepared whilst remaining pragmatic, as the situation continues to evolve.
- 7.4 Internal Audit would like to take this opportunity to formally thank all those staff throughout the Authority with whom IA had contact with during the year and in previous years. There has been a collaborative approach in IA's relationship with the WLWA Officers Team who have responded positively, both informally and through the formal CFQ reporting.
- 7.5 There are no other matters that we need to bring to the attention of the WLWA Officers Team or the Audit Committee at this time.



Sarah Hydrie CMIIA, CIA  
**Head of Internal Audit & Risk Assurance**

8<sup>th</sup> June 2020



**APPENDIX A****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2019/20**

Key:	
<b>IA</b> = Internal Audit	<b>NP</b> = Notable Practice
<b>H</b> = High Risk	<b>CFQ</b> = Client Feedback Questionnaire
<b>M</b> = Medium Risk	
<b>L</b> = Low Risk	

**2019/20 IA Assurance Reviews:**





IA Ref.	IA Review Area	Status as at 31 <sup>st</sup> May 2020	Assurance Level	Risk Rating				CFQ Received (Score)
				H	M	L	NP	
WL1	Performance Management	Final report issued 6 <sup>th</sup> January 2020	<b>SUBSTANTIAL</b>	-	2	2	-	✓ (94%)
WL2	Business Continuity	Final report issued 6 <sup>th</sup> January 2020	<b>REASONABLE</b>	-	2	-	1	✓ (97%)
WL3	General Ledger	Final report issued 20 <sup>th</sup> March 2020	<b>SUBSTANTIAL</b>	-	-	3	-	✓ (91%)
Total number of IA Assurance Recommendations raised in 2019/20				<b>0</b>	<b>4</b>	<b>5</b>	<b>1</b>	
Total percentage of IA Assurance Recommendations raised in 2019/20				<b>0%</b>	<b>40%</b>	<b>50%</b>	<b>10%</b>	

**APPENDIX B****INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS**

ASSURANCE LEVEL	DEFINITION
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> over the management of the key risks to the Authority objectives. The control environment is robust with no major weaknesses in design or operation. There is <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> over the management of the key risks to the Authority objectives. The control environment is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> over the management of the key risks to the Authority objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> to be derived from the management of key risks to the Authority objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a <b>high risk</b> that objectives will not be achieved.

- 1. Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
  - Establishing and monitoring the achievement of the authority's objectives;
  - The facilitation of policy and decision-making;
  - Ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
  - Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
  - The financial management of the authority and the reporting of financial management; and
  - The performance management of the authority and the reporting of performance management.
- 2. Risk Appetite:** The amount of risk that the Authority is prepared to accept, tolerate, or be exposed to at any point in time.
- 3. Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

**APPENDIX B (cont'd)****INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

RISK	DEFINITION
<b>HIGH</b> 	The recommendation relates to a <b>significant threat</b> or opportunity that impacts the Authority's corporate objectives. The action required is to mitigate a substantial risk to the Authority. In particular it has an impact on the Authority's reputation, statutory compliance, finances or key corporate objectives. <b>The risk requires senior management attention.</b>
<b>MEDIUM</b> 	The recommendation relates to a <b>potentially significant threat</b> or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Authority. In particular an adverse impact on the Department's reputation, adherence to Authority policy, the departmental budget or service plan objectives. <b>The risk requires management attention.</b>
<b>LOW</b> 	The recommendation relates to a <b>minor threat or opportunity</b> that impacts on operational objectives. The action required is to mitigate a minor risk to the Authority as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. <b>The risk may be tolerable in the medium term.</b>
<b>NOTABLE PRACTICE</b> 	The activity <b>reflects current best management practice</b> or is an innovative response to the management of risk within the Authority. <b>The practice should be shared with others.</b>

**RISK RESPONSE DEFINITIONS**

RISK RESPONSE	DEFINITION
<b>TREAT</b>	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
<b>TOLERATE</b>	The risk is accepted by management and no further action is proposed.
<b>TRANSFER</b>	Moving the impact and responsibility (but not the accountability) of the risk to a third party.
<b>TERMINATE</b>	The activity / project from which the risk originates from are no longer undertaken.

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

Year ended 31 March 2020  
June 2020

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**EY**

Building a better  
working world

Agenda Item 8  
Pages 41 to 88





15 June 2020

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 2019/20. We will present our draft report at the Audit Committee and Authority meetings scheduled for 26 June 2020.

We have substantially completed our audit of the Authority for the year ended 31<sup>st</sup> March 2020.

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 3, before the statutory deadline of 30 November 2020. 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 26 June 2020.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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## 01 Executive Summary



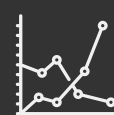
## 02 Areas of Audit Focus



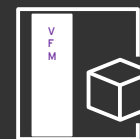
## 03 Audit Report



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## 10 Appendices



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)).

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 (updated April 2018)" 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.



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# 01 Executive Summary





# Executive Summary

## Scope update

In our audit planning report presented at the 24 January 2020 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 £1,212k (Audit Planning Report – £1,176k). This results in updated performance materiality, at 75% of overall materiality, of £909k (Audit Planning Report – £882k), and an updated threshold for reporting misstatements of £61k (Audit Planning Report – £59k).
- ▶ **Adoption of IFRS16:** The adoption of IFRS 16 by the CIPFA as the basis for preparation of local government financial statements has been deferred to 2021/22. The Authority was therefore no longer required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer considered this to be an area of audit focus for 2019/20.

## Changes to our risk assessment as a result of Covid-19

We updated our 2019/20 Audit Planning to reflect the impact of Covid-19. We have not re-issued the audit plan but have set out the key changes relevant to the Authority as follows:

- ▶ **Disclosures on Going Concern:** We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance. We will consider the need for an emphasis of matter paragraph in our report, to draw the readers' attention to that disclosure.
- ▶ **Events after the balance sheet date:** We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Authority.

## 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
  - Agree IPE to scanned documents or other system screenshots.
- **Additional EY consultation requirements concerning the impact on auditor reports.** The changes to audit risks and audit approach has increased the level of work we needed to perform. The impact on our audit fee is to be determined.



## Executive Summary

### Status of the audit

We have substantially completed our audit of West London Waste Authority's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- ▶ Response to the IAS19 letter to the Authority's Pension Fund auditor, Grant Thornton\*
- ▶ Finalisation of audit procedures on the valuation of land and buildings\*\*
- ▶ Completion of audit procedures on disclosure notes in the accounts pertaining to financial instruments
- ▶ Completion of audit procedures on waste transport and disposal expenses
- ▶ Signed Management Representation letter on Authority letterhead\*\*\*
- ▶ Completion of required consultations concerning the impact on auditor reports as a result of Covid-19
- ▶ 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

46 We expect to issue the audit certificate at the same time as the audit opinion.

\* The auditor of the London Pensions Fund Authority (LPFA), Grant Thornton, has confirmed that they are unable to complete their audit of the LPFA until mid August 2020. This means that we will not have the required external assurances to complete our work on the pension fund and IAS19 balances in the financial statements until after the 26 June 2020 Audit Committee, and will not be in a position to issue the signed auditors report on that date.

\*\* We are in the process of collating sufficient audit evidence about the valuation of land and buildings as of 31 March 2020. We identified an increased risk around valuation uncertainty due to Covid19 and our procedures are taking into account this risk. We note that the Authority has not engaged a valuer for the year ended 31 March 2020.

\*\*\* The auditing standards dictate that the Management Representation Letter is valid for up to five working days before the date of the signed Auditors' Report. In light of the above issue, the management representation letter will be required to be updated and reissued to cover any gaps in the representation period following the Authority meeting.



## Executive Summary

### Audit differences

Subject to the completion of the outstanding work in relation to the pension disclosures and land and buildings audit procedures around valuation, no significant matters arose during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process.

### Objections

We have received no objections to the 2019/20 accounts from members of the public.

### 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 "Key Audit Issues" section of this report.

47 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.



## Executive Summary

### Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the audit, we identified a few observations in relation to management's financial processes and controls over land and buildings: management has taken an approach to revalue its land and buildings on a five-year basis. The CIPFA code of practice on local authority accounting for 2019/20 states that "where assets are revalued (i.e. the carrying amount is based on current value), revaluations shall be made with sufficient regularity to ensure 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. Upon our request, a memo was prepared by management to support some of the assumptions for valuation as of 31 March 2020. Further, we collected evidence from the operational department to support the assumptions in this memo and made further enquiries from management for clarifications.

As a result of our enquiries, we understand that management has not performed a review on land valuations separately, and land values were carried forward from prior year with no changes (total land value is £32m). The valuation specialists engaged in the 2018/19 valuation process assessed land values using the market approach, utilizing recent comparable sales, where applicable. We recommend that land valuation be considered separately at each reporting date.

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We also noted that land pertaining to the Severn Energy Recovery Centre (£4m), which is administered under the Public-Private Partnership (PPP) agreement with West London Energy Recovery Limited (WLER), needs to be assessed separately in terms of valuation and accounting treatment for consideration to the PPP termination date.

We have commented on our recommendations from last year in Section 7, and we are pleased to note that the recommendations have been addressed.

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the no significant risks in relation to the Value for Money arrangements.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

### 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.

Subject to the finalisation of the areas in the Status of Audit work section, we have no other matters to report.

### Independence

Please refer to Section 9 for our update on Independence.



## 02 Areas of Audit Focus





## Areas of Audit Focus

### Significant risk

#### Risk of fraud in revenue and expenditure recognition

##### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Linking to our risk of misstatement due to fraud or error, we have considered the potential for error or deliberate manipulation of the waste tonnage data which underpins the income from levies as a specific risk.

##### What judgements are we focused on?

50 For this risk we have focussed on the potential for misstatement around the Levy Income. This is because we believe that there is sufficient estimation and manual processes in the waste tonnage data, that this could lead to misstatements through revenue and expenditure recognition in the levy claimed by the Authority.

We have also interrogated all other revenue and expenditure streams for the risk of misstatement from revenue and expenditure recognition.

##### What did we do?

We reviewed and tested revenue and expenditure recognition policies.

We conducted cut-off testing to test the correctness of revenue and expenditure allocation to accounting periods (particularly around the year-end).

We assessed the accounts most at risk of misstatement of revenue and expenditure. The accounts that we assessed included the Council Levy income (£57,781k at 31 March 2020); and short term creditors and accruals (£5,663k at 31 March 2020).

We completed focused testing on year-end accruals balances.

##### What are our conclusions?

Our testing has not identified any material 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?

Asset values are significant and 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 Authority undertook a full valuation of assets in 2018/19 and is planning to perform the next valuation in five years' time. In the current year, the Authority prepared a memo to support the assumptions for valuation as of 31 March 2020. This is the first year such an approach was used and this implies additional risks from a valuation perspective due to potential errors in the approach and assumptions.

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##### What judgements are we focused on?

For this risk we are focussed on the valuation assertion of large assets. This is because valuing such assets is difficult and requires a substantial amount of experience and knowledge as it relies upon judgement and estimation. Due to it being a subjective area of the accounts and the high value of the items, we reviewed management's model in detail and collected supporting evidence to back up the assumptions used in the model.

##### What did we do?

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

- agreed the source data used by management to supporting records;
- assessed the reasonableness and sufficiency of management's assessment, challenged the assumptions used, to ensure that assets have been valued and recorded appropriately;
- agreed the outputs to the fixed asset register and statement of accounts;
- obtained the accounting papers from management to support the valuations at 31 March 2020 and assessed the arithmetical accuracy of the calculations; and
- engaged with EY Valuations specialists to compare with industry best practice.

##### What are our conclusions?

Since our procedures have not been finalised, we have not yet reached a conclusion whether Property, Plant and Equipment is fairly stated at £212,216k in the year end accounts and whether management have fairly reflected the fluctuation in the value of the Severn Energy Recovery Centre that is estimated to have occurred during the year.

Whilst we are broadly satisfied with the accounting policy of revaluing assets every five years in line with the CIPFA Code, we would encourage management to review in detail the highest value assets regularly between the five yearly revaluations and, where Management has done this, we will review the assumptions applied to these annual revaluations.





## Audit risks

### 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.

#### What is the area of focus/ inherent risk?

##### Pension Liability Valuation

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.

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 2020 this totalled £7.8 million.

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.

#### What did we do?

Our work includes:

- ▶ 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.

At the time of issuing our report (15 June 2019) our work in this area remains outstanding as we have not yet received assurances from the auditor of LPFA (see page 5).





## Audit risks

### 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.

#### What is the area of focus/ inherent risk?

#### 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 £112.7 million as at 31 March 2020.

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

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 2019/20 accounts and ensured that they are reported in line with the standards.

## Audit risks

### Other areas of audit focus

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.

#### What was the risk/area of focus?

##### Implementation of new accounting standards

IFRS16 - Leases is applicable to local government accounts starting with 1 April 2020.

The objective of IFRS 16 is to report information that faithfully represents lease transactions and to provide a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

54 The Authority will need to make disclosures in its 2019/20 accounts on its adoption of the requirements of IFRS 16 for financial years commencing 1 April 2020, if relevant. The new standard will eliminate the distinction between operating and finance leases for lessees and it is expected that significant work will be required by officers to identify all of the leases that it has in place at 1 April 2020. Readiness assessment is encouraged to prepare for the upcoming implementation.

#### What has changed?

The adoption of IFRS 16 by the CIPFA as the basis for preparation of financial statements has been deferred to 2021/22. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified.

We therefore no longer consider this to be an areas of audit focus, but will feedback to the Authority any relevant observations from our discussions with the Authority earlier in the year.

## Other Areas of Audit Focus

### Our response to inherent risks (New Risk May 2020)

#### **New Inherent Risk - Disclosures on Going Concern and Events after the balance sheet date**

#### **Financial statement impact**

We have identified an Inherent risk to disclosures concerning the Covid-19 pandemic.

We consider the risk applies to going concern and post balance sheet disclosures.

#### **What is the risk?**

##### **Going concern:**

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

We believe the risk has increased following Covid-19. We consider the unpredictability of the current environment to give rise to a risk that the Authority will not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19.

##### **Events after the balance sheet:**

There is increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure will need to reflect the specific circumstances of the Authority.

#### **What did we do?**

##### **We:**

- Continued to assess the adequacy of disclosures required in 2019/20, and the impact on our opinion, should these be inadequate;
- Discussed management's going concern assessment and considered any evidence of bias and consistency with the accounts;
- Ensured that an appropriate going concern disclosure has been made within the financial statements;
- Reviewed the Authority's approach to identifying and disclosing events after the balance sheet date; and
- Considered the impact on our audit report and compliance with EY consultation requirements.

We are still working through a number of these areas to agree final disclosures with finance staff.

We will also need to formally complete internal consultation with EY Risk to agree final audit opinion and conclusions in respect of Going Concern and Post Balance Sheet Event disclosures as a result of Covid-19.



## 03 Audit Report



# Audit Report

## Example audit report

**NB This is an example report - our audit report will not be completed and issued until the work and internal consultation 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 for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement; the Balance Sheet; the Movement in Reserves Statement; the Cashflow Statement; and the related notes 1 to 21.

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 2019/20.

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 2020 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 2019/20.

##### 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 below. We are independent of West London Waste 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 (C&AG) AGN01, 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.

##### Emphasis of Matter - Disclosures in respect of Covid-19

We draw attention to Note X of the financial statements, which describes the financial and operational consequences the Authority is facing as a result of COVID-19 which is impacting supply chains and in some instances personnel available for work and/or being able to access offices. Our opinion is not modified in respect of this matter.

##### Conclusions relating to going concern

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

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



# Audit Report

## Example audit report

**NB This is an example report - our audit report will not be completed and issued until the work and internal consultation is complete**

### Our opinion on the financial statements

#### Other information

The other information comprises the information included in the Narrative Statement set out on pages 2 to 12, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

##### *Arrangements to secure economy, efficiency and effectiveness in the use of resources*

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, West London Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

##### **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;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



# Audit Report

## Example audit report

**NB This is an example report - our audit report will not be completed and issued until the work and internal consultation 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 pages 13, 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 2019/20, and for being satisfied that they give a true and fair view.

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.

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

#### *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 criterion issued by the Comptroller and Auditor General in November 2017, as to whether the West London Waste Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the 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 2020.

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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



# Audit Report

## Example audit report

**NB This is an example report - our audit report will not be completed and issued until the work and internal consultation is complete**

### Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

#### Certificate

##### *Either*

*We certify that we have completed the audit of the accounts of West London Waste Authority 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.*

##### **Or [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.*

*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 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 West London Waste Authority and the West London Waste Authority members as a body, for our audit work, for this report, or for the opinions we have formed.





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## 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 found no misstatements with an impact on the face of the financial statements greater than £61,000 that were adjusted by management.

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) Accounting policies (various)
- 2) Assumptions made about the future and other major sources of estimation uncertainty (related to valuation of land and buildings)
- 3) Events after the balance sheet date (related to Covid19)
- 4) Financial instruments (specifically fair value of long term borrowings from PWLB)
- 5) Borrowings (disclosure of the interest accrued component)
- 6) Officers' remuneration (new technical officer's remuneration)
- 7) Related party transaction (adding disclosure of interest expense with related parties)



# Audit Differences

## Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the **Audit Committee** and provided within the Letter of Representation:

Uncorrected misstatements 31 <sup>st</sup> March 2020 (£000)		Effect on the current period:	Balance Sheet (Decrease)/Increase			
			Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
<b>Errors</b>						
6 The Authority mistakenly invoiced WLER twice in 2016/17 for an amount of £136,610. This error was identified in 2019/20 and a credit note was issued, thus decreasing the current year revenue in the same amount.		(136,611)				
The Authority is entitled to a share of income pertaining to 2018/19 from WLER under the profit sharing arrangement resulting from the PPP contract. This income was accrued only in 2019/20 and we reported an uncorrected audit difference of £500k relating to this amount in the 2018/19 audit results report.		603,558				
Total impact on 2019/20 comprehensive income and expenditure <u>before</u> prior period turnaround effect		0				
Total impact on 2019/20 comprehensive income and expenditure <u>after</u> prior period turnaround effect		466,947				





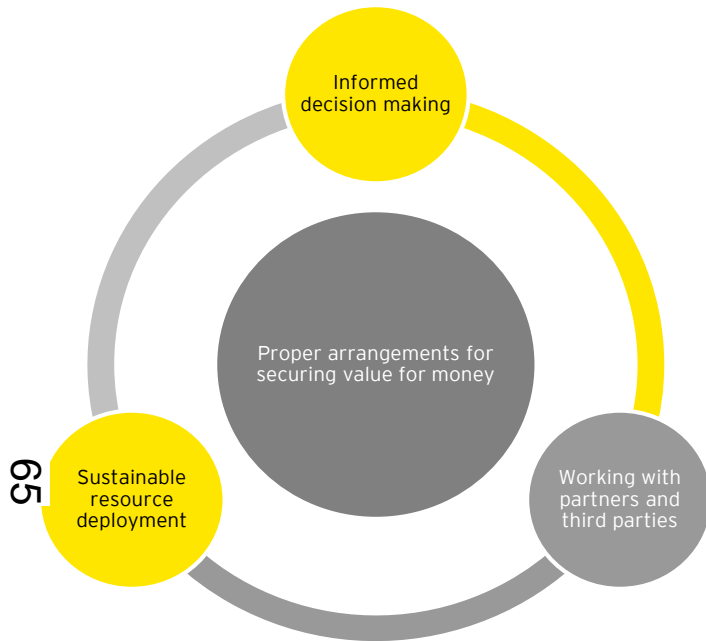
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## 05 Value for Money Risks





# Value for Money



## Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

## Overall conclusion

We did not identify any significant risks around these criteria in our Audit Planning Report. We have reassessed our planning at year end, and remain satisfied there are no significant risks to the proper arrangements you have in place.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.





## 06 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 2019/20 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 2019/20 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.

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### Whole of Government Accounts

As of the time of completing this report, the Local Audit Code and Guidance Team have not released the group instructions for completion of the Local Government Whole of Government Accounts. Therefore, the work has not been completed. When the guidance is released, we shall complete it as soon as possible.

# 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.





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## 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.

During the audit 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. Upon our request, a memo was prepared by management to support the assumptions for valuation as of 31 March 2020. Further, we collected evidence from the operational department to support the assumptions in this memo. 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.

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

- We identified four contracts in the year that were unsigned, however, work was being performed in relation to them. We believed that although this did not present a liability to the Authority as it stood, it could potentially open up the Authority to a liability from a dispute surrounding one of the contracts. We knew that since the year end, two of the four of these contracts had been signed. The other two were in the process of being signed. However, we recommended that in the future, all contracts are signed by both parties, before work commences on them.

We noted no issues during our 19/20 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.





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## 08 Data Analytics





# Use of Data Analytics in the Audit

## ► Data analytics – Journals - tested for evidence of management override

### Analytics Driven Audit

#### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the authority's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all Authority financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



## Journal Entry Testing

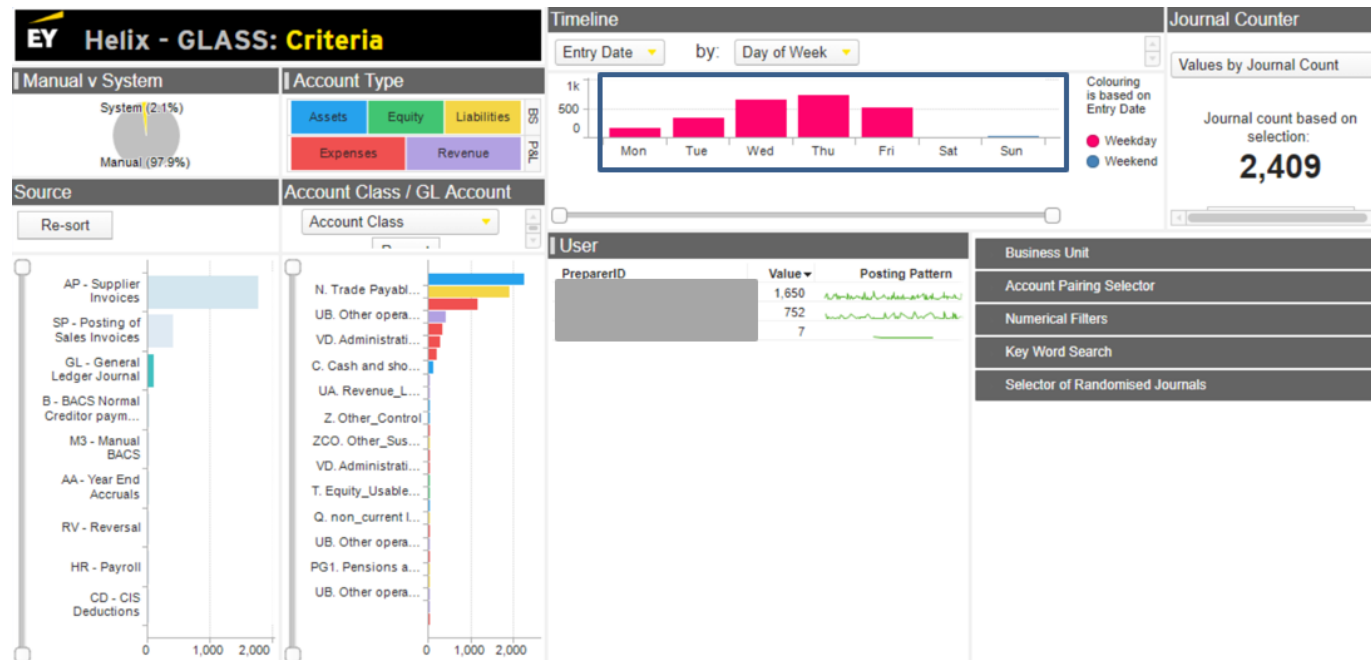
### What is the risk?

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?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

### Journal entry data criteria – 31 March 2020



### 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.

### 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.



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Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 24 January 2020.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you **and your Audit Committee** consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 26 June 2020.

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31<sup>st</sup> March 2020.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in Month Year.

	Final Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£	£	£
Audit Fee - Code work	TBC	15,223	15,223
Scale fee variation - Expert input into valuations and system data migration review	TBC*		3,600**
Total fee	TBC	15,223	18,823

\* Scale fee variation for 19/20 to be determined upon completion of audit procedures.

\*\* We will discuss with officers an additional fee arising from the work required following the transfer of financial management systems hosted by Ealing Borough Council system to a cloud based system and the use of our EY Real Estates experts for valuation of all assets held by the Authority at year end. This fee will also be subject to PSAA agreement before it can be finalised.









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## 10 Appendices

## Appendix A

# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. 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 24 <sup>th</sup> January 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report on 24 <sup>th</sup> January 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report on 26 <sup>th</sup> June 2020

## Appendix A

		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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report on 26 <sup>th</sup> June 2020
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report on 26 <sup>th</sup> June 2020
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	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"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	We have asked management and those charged with governance. We have not identified any instances of fraud.




## Appendix A

		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"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report on 26 <sup>th</sup> June 2020
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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and</p>	<p>Audit Planning Report on 24<sup>th</sup> January 2020 and</p> <p>Audit Results Report on 26<sup>th</sup> June 2020</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ 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</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report on 26 <sup>th</sup> June 2020
Group Audits	<ul style="list-style-type: none"> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit Planning Report on 24 <sup>th</sup> January 2020 and Audit Results Report on 26 <sup>th</sup> June 2020
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report on 26 <sup>th</sup> June 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report on 26 <sup>th</sup> June 2020

## Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report on 26 <sup>th</sup> June 2020
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Planning Report on 24 <sup>th</sup> January 2020 and Audit Results Report on 26 <sup>th</sup> June 2020



# Management representation letter

## Management Representation Letter

### RE Letter of representations

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 2020. 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's financial position of West London Waste Authority as of 31 March 2020 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 2019/20.

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 2019/20.
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 2019/20, 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 2019/20, 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. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

# Management representation letter

## Management Representation Letter

### 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 no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - 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 Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year ended 31 March 2020 to the most recent meeting on the following date: 24 January 2020.
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 31 March 2020. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.



# 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. We have disclosed to you any cybersecurity breach that either occurred or that third parties (including regulatory agencies, law enforcement agencies and security consultants) had brought to our attention during the period under audit that could potentially be material to the financial statements.

### 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. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

### E. Subsequent Events

1. Other than the events described in Note 4 to the financial statements, 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.

### F. Other information

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

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

### G. Ownership of Assets

1. The Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

### H. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### I. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

# Management representation letter

## Management Representation Letter

### J. Estimates

#### Fixed Asset Valuation and Pension Liability Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in estimating the current value of land and buildings and the pensions liabilities, appropriately reflect our intent and ability to carry out the valuations of the respective assets and liabilities on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete, including the effects of the COVID-19 pandemic, and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

### K. Retirement benefits

1. 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.

Yours faithfully,

\_\_\_\_\_  
(Chief Financial Officer/Finance Director)

\_\_\_\_\_  
(Chairman of the Audit Committee)

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ED None

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WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

26 June 2020

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.

**RECOMMENDATION(S)**

The Committee is asked to:-

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

1. **Introduction** – The Authority maintains a risk register which 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. **Detail** – The Corporate Risk Register is a formal document that is reviewed regularly by risk owners and is a standard agenda item discussed at WLWA Officer 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 document you will find 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 at the latest Chief Officers' meeting. In overall terms, the risk register identifies 14 Amber risks facing the Authority and the mitigating actions to reduce the risk. 13 of the risks have been mitigated to a Green status and there is 1 risk at Amber status.
5. The one Amber residual risk item relates to the risks the Authority would face if Brexit adversely effected the market and prices. Building reserves will reduce this to a green status.
6. **Financial Implications** – The financial element of each risk is considered as part of the impact score. The higher the score the larger the potential impact.
7. **Legal Implications** – There are no legal implications as part of this report.

**8. Impact on Joint Waste Management Strategy** – The risk register crosses all policies within the Joint Waste Management Strategy.

**Policy 7:** The West London Waste Authority and constituent Boroughs will seek to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements.

**Policy 8:** The West London Waste Authority and constituent Boroughs will work together to achieve the aims of this strategy and are committed to share equitably the costs and rewards of achieving its aims.

Contact Officers	Jay Patel, Finance Director	01895 54 55 10
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	Ian O'Donnell, Treasurer	
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## 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.	Brexit will bring turbulence and unanticipated change to UK waste management.	Increased cost, lack of treatment capacity in UK, waste stockpiling, reduced haulage options. HRRC closure, increased landfill.	Economic	5	3	15	PPP contract with rail haulage for most of the Authorities waste provides significant protection. Bidders will consider Brexit during MRF procurement and Authority will take cost and benefit of price fluctuations. Lack of waste processing capacity on shore UK for materials currently shipped abroad can only be mitigated UK wide by Govt planning and EA flexibility. Additional reserves for increased costs of haulage and treatment of smaller waste streams.	4	3	12	Managing Director
2.	Authority decisions may be based on inaccurate or incomplete information	Inappropriate actions or decision making, unnecessary costs, challenge from an interested party, failure to meet objectives and impact on reputation	Political	5	2	10	Manage in accordance with policies and procedures, review P&Ps to ensure they are up to date and robust. Scrutiny processes in place for reporting, reviewing and checking of any financial data by Officers. Policy for handling conflicts of interest involving Members and/or Officers. Internal management team meetings, Chief Officer's meetings, Borough Partnership meetings review Authority papers. Audit Committee established with internal and external audit governance framework. Key performance indicators are reported to the Authority.	5	1	5	Managing Director
3.	One or more of the waste treatment and disposal contracts will perform poorly or a single event will result in a need for business continuity planning.	Poor service to the Boroughs using the sites or needing material to be removed from site. Complaints about nuisance e.g. odour or pests. Increased cost of handling materials	Political	5	2	10	Ongoing review of contingency arrangements on each contract quarterly / annually as required. PPP contract used contingency arrangements during commissioning. Holding regular meetings with contractors and monitor KPIs as appropriate. Regular communication with Boroughs about service issues. Service monitoring and market information, reports on credit changes monitored. Credit checks and a review of accounts are routinely undertaken for new contracts and considered for contract extensions.	5	1	5	Senior Contracts Manager
4.	WLWA financial processes are not robust	Internal fraud by an employee or contractor, bad information resulting in wrong decisions	Economic	5 (4)	2	10 (8)	Internal audit plan in place. Policies and procedures in place including arrangements for checking contracts and invoices. Segregation of duties between authorisation and checking of payments. Robust arrangements in place to control payments. Register of assets maintained. Processes in place for the monitoring of ad hoc contracts, contract management and negotiations. Whistle blowing policy. Standing Orders. Procurement fraud training rolled out in 2016 and declarations of interest extended to all staff. Cash facilities removed completely and card procedures reviewed.	4	1	4	Finance Director
5. 6.	There will be unforeseen financial costs not covered by balances	An in-year levy to the Boroughs	Economic	4	3	12	Budget processes reviewed and monthly reporting demonstrating consistent performance. Budgets built from the bottom up with input and validation of data from boroughs. Boroughs nominate number of tonnes for PAYT budget for collected tonnes. Prudent levels of reserves are maintained to act as a buffer against any unforeseen risks and financial costs. Budget plan takes into account quantifiable risks. Where appropriate budgets are set with contingencies for identified risks. This includes any implications resulting from Brexit. In response to Covid-19 wasteflows are being monitored on a weekly basis and a range of reports are provided to stakeholders to help collectively manage the financial risk..	3	1	3	Finance Director
6.	WLWA insurance cover will be insufficient	Inadequate cover to meet the costs of future claims, increasing difficulty in obtaining competitive quotes for waste industry facilities	Economic	5	3	15	There is an annual review with brokers and insurers to review adequacy of policies, claims history and premiums and options. Regular updates from insurer and broker advising of new policies. Recent insurance procurement has shown that it is increasingly difficult to attract insurers to bid for the provision of cover. Therefore reserves will be built up to deal with loss of any insurance cover in coming years.	5	1 (2)	5 (10)	Finance Director
7.	Funds (cash) are not managed effectively	Insufficient readily accessible cash to meet spending commitments resulting in financial penalties, legal claims and poor reputation. Poor rate of return on investments.	Economic	4	4	16	Cash planning in place. Processes in place to make payments swiftly, within minutes if necessary. Cash balances maintained to cover delays in borough transactions. 3 day turnaround time for calling down funding from investments. Placement facility to deliver better returns. Opportunities to improve returns are reported to Chief Officers/Authority e.g. office procurement, transfer station purchase. In response to Covid-19 and as a precaution cash is held in readily accessible funds and not committed for long-term, should the need for it arise.	3	1	3	Finance Director
8.	The contract payment mechanisms are not properly understood or ambiguous	Payment delays, under or overpayments or disputes	Economic	5 (4)	3	15 (12)	In-house checks of invoices by both operational and financial managers in place. Independent audit of contractor's payment model. In depth contract knowledge of Sharpe Pritchard solicitors and PwC financial advisers and key Authority managers. Monthly contract meetings, training and familiarisation with payment mechanisms. Periodic billing file audits	4 (5)	2 (1)	8 (5)	Finance Director
9.	IT systems are insecure or suffer a major failure	Loss of data which we are obliged to report, or without which we cannot invoice or operate effectively	Economic	4 (5)	4	16 (20)	ICT service is out sourced and subject to a wide range of back-up and security measures including remote storage and performance to an agreed service level standards. An IT strategy is in place and IT requirements are regularly reviewed.	4	1	4	Finance Director
10.	WLWA Borough data is not being viewed holistically	A disjointed approach. Failure to capitalise on opportunity. Additional cost. A continuing disjointed approach. The Boroughs will fail to meet the 50% recycling composting target by 2020	Technological	5	3	15	Data is viewed from an Authority perspective and ensures operations are effective for the Authority. However a more holistic view of data across all boroughs will facilitate better partnership working. Projects identified in the Business plan aim to provide a fuller picture. The Authority has had a key role in working with boroughs to share data and resources in response to the Covid-19 crises and in understanding the risks.	4	2	8	Finance Director
11.	There will be a change in law relevant to our contracts	Unanticipated cost for the Authority	Legislative	4	4	16	Legislative changes are identified i.e. which affect EfW or transfer station operations, an incineration tax or change in classification to hazardous waste and are prepared for accordingly. Networking with contractors and public sector bodies on expected changes to follow the Resources and Waste Strategy. Nawdo, Lednet and Widp meetings . Where possible costs will be built into the budgeting process or reported	4	2	8	Senior Contracts Manager

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	
						through budget monitoring and dealt with through reserves.				
12. Environmental damage will be caused by Authority or Contractor Activities	Increased cost of repair, potential fines, reputational damage	Environmental	5	2	10	Range of processes including internal daily and weekly monitoring. Review operations risks. Review procurement policy. Monitor contractor's environmental performance and reporting.	5	1	5	Operations Manager
13. There will be a breach in Health & Safety at an Authority or Contractor site	Risk of injury to staff or public visitors to Authority sites	Environmental	5	2	10	Specialist Health and Safety Advice contracted in. Periodic internal audit assurance. Annual Action Plans are considered and agreed with GMB. Monitor contractor's health and safety performance and reporting. A range of fire prevention/precaution measures are in place at site including fire risk assessments. Losses are also covered by insurance policies.	5	1	5	Operations Manager
14. Covid-19 – staff or contractors are infected by Covid-19 or required to self isolate	Death or serious illness of staff or family members. Failure or restricted capacity of sites leading to accumulation of waste within the system. Less waste is recycled leading to higher costs and environmental impacts.	Environmental	4	4	16	<p>Sites and contractors – at all times:</p> <ul style="list-style-type: none"><li>Introduce safety standards and safe systems of work and keep them under constant review, including site layout changes to facilitate safe distancing, temporary role changes, supply of PPE, improved signage for public, training and tool box talks, H&amp;S risk assessments.</li><li>Establish a forum for communicating with Boroughs and contractors about the impact of the illness on their operations and identifying resource-sharing opportunities.</li><li>Agree consistent policies with Boroughs and contractors for scaling back services if necessary.</li></ul> <p>If a major outbreak is expected:</p> <ul style="list-style-type: none"><li>Reduce waste stocks at transfer stations to maximise site capacity before illness spreads significantly.</li><li>Negotiate a temporary increase in storage capacity from the Environment Agency.</li></ul> <p>If Boroughs need to increase the length of the working day to complete rounds:</p> <ul style="list-style-type: none"><li>Extend opening hours at transfer stations to accept additional out of hours waste.</li></ul> <p>In the event of significant staff sickness levels:</p> <ul style="list-style-type: none"><li>Available office-based staff to cover non-specialist operational roles, e.g. weighbridge and HRRC operative at Abbey Road</li><li>Use available staff to support Borough or contractor front-line services on a highest-priority-first basis.</li></ul> <p>In the case of transfer stations being unable to accept waste:</p> <ul style="list-style-type: none"><li>Deliver contingency tipping plan</li><li>Change site operations/layout at Abbey Road to allow it to accept greater quantities of diverted wastes</li><li>Review contractual positions</li></ul> <p>West Drayton</p> <ul style="list-style-type: none"><li>The office is closed, all West Drayton based employees now work from home and essential access is by appointment only and strictly controlled by an office manager with appropriate safe distancing, equipment and cleaning arrangements</li><li>Tool box talks have been provided, home working risk assessments been undertaken, equipment provided and H&amp;S risk assessment.</li><li><b>Looking ahead measures will be implemented in line with the government's guidelines "Working Safely During Covid-19 in Offices and Contact Centres" before relaxing the current office arrangements, a number of these procedures are already in place.</b></li></ul> <p>Waste Minimisation</p> <ul style="list-style-type: none"><li>Temporary stoppage of face to face community events which includes the running of reusable nappies and the implementation of food waste recycling at schools</li></ul>	4	2	8	

Risk/ Impact Rating

Rating	Status	Service disruption	Financial Loss	Reputation	Failure to provide statutory service / meet legal obligations	People
5	Extreme	Total failure or 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



Risk Register

Likelihood Classification

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

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

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

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WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

Report of the Clerk

26 June 2020

**Assurance Statements**

**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 two Senior Managers responsible for financial management and contracts/operations (the substantive majority of activity and transactions) 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.

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	<a href="mailto:jaypatel@westlondonwaste.gov.uk">jaypatel@westlondonwaste.gov.uk</a>	
	Hugh Peart, Clerk	020 8424 1272
	<a href="mailto:Hugh.peart@harrow.gov.uk">Hugh.peart@harrow.gov.uk</a>	

## **Appendix 1**

### **Assurance statement from Chief Officers**

The Senior Managers' Assurance Statements for the financial year ending 31 March 2020 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  
Paul Walker, Chief Technical Officer  
Emma Beal, Managing Director

Chief Officers meeting dated 15/6/2020

## 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.

<b>FINANCE and GOVERNANCE</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Payment of invoices	<ul style="list-style-type: none"> <li>• Robust supplier set up procedures</li> <li>• Invoice processing and payment procedures</li> <li>• Restricted system access for approval of invoices</li> <li>• Segregation of duties between spending managers and invoice processors</li> <li>• Delegated authorisation limits</li> <li>• Recording and reconciliation of payments</li> <li>• Restricted access to banking facilities</li> <li>• Restricted number of bank account signatories and dual signatory requirements for payments &gt; £50k</li> <li>• Monthly bank reconciliation, treasury reconciliation, accounts receivables reconciliation and accounts payable reconciliation with review and authorisation</li> <li>• Reporting of accounts payable and debtor KPIs</li> </ul>
Salary management	<ul style="list-style-type: none"> <li>• LBE payroll service provider</li> <li>• Defined policies and procedures</li> <li>• Restricted system access for viewing, approval etc of payroll information</li> <li>• Monthly salary budget monitoring and reporting</li> <li>• Payroll reports checking and approval before processing</li> <li>• Adhering to Single Status guidelines</li> <li>• Applying NJC and Chief Officer pay scales</li> <li>• Auto enrolment processes in place</li> </ul>
Income collection	<ul style="list-style-type: none"> <li>• Invoicing procedure</li> <li>• Debt monitoring and collection</li> <li>• Debt recovery and chasing processes</li> <li>• Checks trade customers before opening credit accounts</li> <li>• Checks against weighbridge data</li> <li>• Monthly bank reconciliation and accounts receivable reconciliation with review and authorisation to ensure completeness and up to date</li> <li>• Reporting accounts receivable KPIs</li> </ul>

Anti bribery counter fraud	<ul style="list-style-type: none"> <li>• Overall Policy cascading into procedures</li> <li>• Controls/checks in place across business throughout processes</li> <li>• Whistle blowing policy and independent reporting service</li> <li>• </li> </ul>
Budgets	<ul style="list-style-type: none"> <li>• Budgets built from the bottom up using detailed service data</li> <li>• Budget holders detailed involvement preparing annual budgets</li> <li>• Using Boroughs provided data for budget setting and monitoring</li> <li>• Budget Challenge session</li> <li>• Budget approval by Officers and WLWA including levies and charges</li> <li>• Borough consultation on budget</li> <li>• Monthly budget monitoring and reporting to Authority as standing agenda item</li> </ul>
Financial planning	<ul style="list-style-type: none"> <li>• Long term financial models with sensitivity analysis approved by Authority</li> <li>• Operational long term business modelling informing business plan and activities</li> <li>• Treasury Strategy and performance reported to Authority</li> <li>• LB Ealing service provider for Treasury activities under an SLA</li> <li>• Standard forms and authorisations</li> <li>• Cashflow management and forecasting</li> <li>• Ready access to funds at short notice</li> <li>• Treasury processes</li> <li>• Financial guidance document and advice for managers undertaking projects</li> <li>• Use of independent financial advisors to support decision making</li> <li>• Registered with and access to funds through the PWLB</li> <li>• Financial modelling and feasibility analyses of opportunities</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Regular review, update and approval of the range of governance policies</li> <li>• Administration of governance arrangements through service level arrangements with the London Borough of Harrow</li> <li>• Forward planning for the Authority, Chief Officer and Borough Partnership meetings</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• 98 Reduction and external audit of annual</li> </ul>

	<ul style="list-style-type: none"> <li>financial statements</li> <li>Routine submission of regulatory returns</li> <li>Information and expenditure published on WLWA website</li> <li>Disclosure and reporting of Authority meetings and completion of statutory returns to government</li> </ul>
Audit	<ul style="list-style-type: none"> <li>Internal audit provided by external independent organisation (LB Hillingdon)</li> <li>External auditors appointed by the Audit Commission and currently conducted by Deloitte</li> <li>Audit Committee meetings</li> </ul>
<b>INFORMATION TECHNOLOGY</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Infrastructure	<ul style="list-style-type: none"> <li>Commercial service provider cloud solution with contractual requirements around service levels, business continuity, security and protocols</li> <li>Service level standards and support desk service</li> <li>Use of managed services</li> <li>Ability to access services and work from anywhere with an internet connection</li> </ul>
Business continuity	<ul style="list-style-type: none"> <li>Data on managed servers with comprehensive back-up/business continuity processes</li> <li>Virtualisation – access systems from any location</li> </ul>
Applications	<ul style="list-style-type: none"> <li>Full range of functionality</li> <li>Access to IT expertise to develop approach and consider alternatives</li> <li>Audit of migration of waste data and finance systems</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>Updated and approved IT strategy with 3 year action plan culminating in new cloud based IT systems</li> </ul>
Data protection	<ul style="list-style-type: none"> <li>Permission based access to systems with secure login cards</li> <li>Access to files restricted on the basis of business needs</li> <li>Using encrypted USB drives</li> <li>Very low volume of personal data</li> </ul>
<b>HUMAN RESOURCES</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Establishment	<ul style="list-style-type: none"> <li>Establishment agreed during budgeting process each year</li> <li>Changes to establishment approved by WLWA Officers</li> </ul>



Recruitment	<ul style="list-style-type: none"> <li>• Defined policies and procedures</li> <li>• Induction process</li> <li>• Probationary period</li> </ul>
Appraisal	<ul style="list-style-type: none"> <li>• Defined policies and procedures</li> <li>• Appraisal conducted annually</li> <li>• Organisation wide training plans developed annually</li> <li>• Training KPI and reporting</li> </ul>
HR advice and support	<ul style="list-style-type: none"> <li>• Range of policies regularly reviewed</li> <li>• SLA for provision by Hounslow Council for advice on more complex issues</li> <li>• Professional advice and consultancy</li> </ul>
Staff Liaison	<ul style="list-style-type: none"> <li>• Meetings with recognised trade union</li> </ul>
<b>PERFORMANCE</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Key Performance Indicators	<ul style="list-style-type: none"> <li>• Defined manager responsibilities for particular KPIs</li> <li>• Regular review and reporting of KPIs and analysis/corrective action where appropriate</li> <li>• Range of indicators tailored for individual user/group needs</li> <li>• Monitoring and reporting of Authority approved KPIs</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Monthly reporting of tonnage information to Boroughs</li> <li>• Agreed processes for information flows from Boroughs and service providers</li> <li>• Validation procedures and cross checks linking to spending patterns</li> <li>• Submission of statutory Waste Data Flow returns</li> </ul>

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

#### **MANAGEMENT STRUCTURES AND REPORTING ARRANGEMENTS**

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

#### **STRATEGY AND PLANNING**

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

#### **Key actions to improve the effectiveness of the internal control environment**

Nothing significant or material.  
Continue developing contract monitoring and control processes in relation to the PPP contract  
Continue involvement in all major projects

**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: 27/05/2020

**Managing Director's Statement**

I have considered the list of areas of responsibility and activities set out above and from meetings of the 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: 10/06/2020

## 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.

<b>AUTHORITY MANAGEMENT</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Deputise for Director	<ul style="list-style-type: none"> <li>• Stand-in for Director/MD as needed</li> <li>• Delegations</li> </ul>
General Management	<ul style="list-style-type: none"> <li>• Authority Reports</li> <li>• WLWA Officer Meetings</li> <li>• Operational team meetings</li> <li>• Agresso</li> <li>• iTrent</li> </ul>
<b>WASTE DISPOSAL</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Waste Disposal	<ul style="list-style-type: none"> <li>• Ensure suitable arrangements in place for all waste streams.</li> <li>• Management of operational processes</li> <li>• On-going monitoring</li> <li>• Review performance</li> </ul>
Borough liaison	<ul style="list-style-type: none"> <li>• Develop JMWMS</li> <li>• Regular meetings</li> <li>• Notify service changes</li> <li>• Assist with collection arrangements/contracts</li> <li>• Direct when necessary</li> <li>• Manage and assist with service changes</li> <li>• Liaise and interface with borough contractors</li> <li>• Partner for mutual benefits</li> </ul>
Budgets	<ul style="list-style-type: none"> <li>• Assess financial requirements</li> <li>• Develop projected spending profiles</li> <li>• Ensure budgets approved and in place</li> <li>• Profile ongoing expenditure</li> <li>• Monitor expenditure v budget</li> <li>• Adjust budgets</li> <li>• Provide reports and feedback</li> </ul>
Forward planning	<ul style="list-style-type: none"> <li>• Track future needs and requirements</li> <li>• Development of Waste Management Plans and Policies</li> </ul>

	<ul style="list-style-type: none"> <li>• Business Plan</li> <li>• Review future service requirements</li> <li>• Management of change</li> </ul>
Contingency/Business Continuity Provisions	<ul style="list-style-type: none"> <li>• Determine potential need</li> <li>• Arrangements in place</li> <li>• Keep under review options available</li> <li>• Implement as required</li> </ul>
Tonnage and related data	<ul style="list-style-type: none"> <li>• Review accuracy of data</li> <li>• Review data and data analysis</li> <li>• Disseminate information</li> <li>• Monitor trends</li> <li>• Respond to information</li> </ul>
Outside Agencies	<ul style="list-style-type: none"> <li>• Liaison with outside agencies – i.e. Mayor of London, GLA, EA, WIDP, LWARB, WRAP.</li> <li>• Partner in new initiatives</li> <li>• Co-operate and collaborate.</li> </ul>
<b>CONTRACT MANAGEMENT</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Market testing	<ul style="list-style-type: none"> <li>• Investigating options</li> <li>• Review market</li> <li>• Market Intelligence</li> <li>• Develop contacts</li> <li>• Interviews and meetings</li> <li>• Benchmarking</li> <li>• Focus groups</li> <li>• Networking</li> </ul>
Procurements	<ul style="list-style-type: none"> <li>• Assess requirements</li> <li>• Market Review</li> <li>• Procurement strategy development</li> <li>• Documentation compilation</li> <li>• Initiate, control and manage procurement process</li> <li>• Compliance with Standing Orders, Financial Regulations etc.</li> <li>• Compliance with legislative and regulatory requirements</li> <li>• UK and EU Contract requirements met</li> <li>• Tender enquiries monitored and managed</li> <li>• Safe Tender receipt and opening</li> <li>• Tender Evaluation and assessment</li> <li>• Reporting</li> <li>• Recommendations</li> <li>• Contract preparations</li> </ul>

Contract Implementation	<ul style="list-style-type: none"> <li>• Arrange and authorise Orders/contracts</li> <li>• Review Permits, Licences, permissions, etc.</li> <li>• Check Insurances</li> <li>• Pre-contract meetings</li> </ul>
Contract Monitoring & Management	<ul style="list-style-type: none"> <li>• Contractor liaison</li> <li>• Contract Management meetings</li> <li>• KPI review</li> <li>• Regular contract meetings internal and external</li> <li>• Record changes, variations etc.</li> <li>• Verify invoice data v weighbridge records</li> <li>• Authorise verified invoices and payments</li> </ul>
Contract/Procurement Register	<ul style="list-style-type: none"> <li>• Compile</li> <li>• Review and monitor</li> <li>• Amended and update</li> </ul>
<b>SITE &amp; OPERATIONS MANAGEMENT &amp; HR</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Management of Health & Safety	<ul style="list-style-type: none"> <li>• Monitor Health and Safety performance of all contracts</li> <li>• Management of Health and Safety for the Authority waste sites including: <ul style="list-style-type: none"> <li>○ Risk assessment</li> <li>○ Policy review</li> </ul> </li> </ul>
Site & Operations Management& staffing	<ul style="list-style-type: none"> <li>• Agree staffing levels</li> <li>• Review staffing needs</li> <li>• Job descriptions and Person Specifications</li> <li>• Recruitment</li> <li>• Performance management</li> <li>• Monitor and authorise annual leave</li> <li>• Monitor and manage sickness absence</li> <li>• Monitor and authorise expense claims</li> <li>• Annual appraisals &amp; performance management</li> <li>• Training needs and plans</li> <li>• Staff development</li> <li>• Staff Briefings</li> <li>• Trade Union liaison</li> <li>• Site security</li> </ul>
Plant & equipment	<ul style="list-style-type: none"> <li>• Agree requirements</li> <li>• Option reviews</li> </ul>

	<ul style="list-style-type: none"> <li>• Budget provisions</li> <li>• Procurement process</li> <li>• Lease and purchase agreements</li> <li>• Servicing &amp; maintenance provision</li> <li>• Operational performance</li> <li>• Weight &amp; Measures compliance</li> </ul>
Repairs & maintenance	<ul style="list-style-type: none"> <li>• Annual &amp; Forward planning</li> <li>• Prioritising</li> <li>• Compile and agree budgets</li> <li>• Responsive maintenance management</li> </ul>
Public Interface	<ul style="list-style-type: none"> <li>• Information dissemination accuracy</li> <li>• Payments</li> <li>• Access (inc. DDI)</li> <li>• Fol responses</li> <li>• Enquiry &amp; complaint management and recording</li> </ul>
<b>INFORMATION TECHNOLOGY</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Site Infrastructure	<ul style="list-style-type: none"> <li>• Needs analysis</li> <li>• Provision of suitable &amp; operationally competent and compliant equipment</li> <li>• Suitable software systems</li> <li>• Back-up systems</li> <li>• Security</li> <li>• Reliability monitoring</li> <li>• Electronic Payment transactions</li> <li>• Reconciliations</li> </ul>
Applications	<ul style="list-style-type: none"> <li>• Use of outside expertise</li> </ul>
Data protection	<ul style="list-style-type: none"> <li>• Personal discrete log-ins</li> <li>• Access restrictions</li> <li>• Encryption as suitable</li> <li>• Data storage</li> </ul>
Website	<ul style="list-style-type: none"> <li>• Accurate &amp; current information</li> <li>• Regular updates</li> <li>• Fol advice &amp; responses</li> </ul>
<b>PERFORMANCE</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
KPI's	<ul style="list-style-type: none"> <li>• Established structure of reporting</li> <li>• Regular reporting and review for remedial actions</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Monthly reports to boroughs</li> <li>• On-gong review of data</li> <li>• Regular contract meetings</li> <li>• Remedial actions</li> </ul>



<b>RISK</b>	
Risk	<ul style="list-style-type: none"> <li>• Defined strategy outlining roles and responsibilities</li> <li>• Risk register reviewed regularly</li> <li>• Remedial action implementation</li> </ul>
<b>Key actions to improve the effectiveness of the internal control environment</b>	
Develop contract monitoring and control processes in relation to the PPP contract	

<b>Assurance Statement</b>	
<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	Sign:
	Date: 27/05/20

<b>Managing Director Statement</b>	
<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	Sign:
	Date: 10/06/20

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WEST LONDON WASTE AUTHORITY

Report of the Treasurer and Managing Director

26 June 2020

**Statement of Accounts for the year ending 31 March 2020**

**SUMMARY**

This report presents the 2019/20 Statement of Accounts

**RECOMMENDATION(S)**

The Authority is asked to:-

- 1) Approve the 2019/20 Statement of Accounts (Appendix 1)
- 2) Delegate authority to the Chair to approve any changes resulting from the LPFAs' auditors assurance to EY expected in August and finalisation of their audit

**Introduction**

1. This year's statutory deadline for publishing signed and certified Statement of Accounts has been extended by legislation from 31 July 2020 to 30 November 2020 as a result of Covid-19. Draft Accounts were produced in April and were audited by Ernst & Young, our external auditors during May and June. On this basis the Accounts have been produced ahead of the deadline in time for the June meetings as usual.
2. A range of papers in today's agenda support the recommendation in this report and include:
  - Ernst & Young's report summarizing the key findings from the external audit of the statement of accounts
  - The Annual Internal Auditors report
  - The risk register highlighting the mitigation and controls in relation to key risks
  - Annual Assurance Statements from Chief Officers and Senior Managers

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

6. Statement of Responsibilities for the Statement of Accounts (page 15) - This is a brief statement outlining the Authority's requirements in relation to the Accounts and the role and responsibility of the Treasurer, principally to ensure the accounts present a true and fair view of the Authority's finances. This is where the Treasurer certifies the Statement of Accounts and the Chair signs them on behalf of the Authority.
7. Comprehensive Income and Expenditure Statement (page 16) – 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 £0.253 million. Following adjustment for an increase in the pension liability (and this year no property valuation adjustments) this results in the total comprehensive income and expenditure of £0.185 million, a surplus bolstering reserves.
8. Balance Sheet (page 17) – 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 £18.816 million. Continuing the healthy trend, this means the Authority has more assets than liabilities.
9. Notes to the Core Financial Statements (pages 21 – 39) – these provide details, breakdown and analyses in accordance with various disclosure requirements for most of the items identified in the above 2 core statements.
10. Annual Governance Statement (page 40) – 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 43) – 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.

## 2019/20 Out-turn

12. The financial performance for the year is provided in the table below and compares the actual performance to the budgeted level in the usual budget monitoring format which groups spends in an operational way.

<b>Financial Performance 2018/19</b>	<b>Budget £000s</b>	<b>Actual £000s</b>	<b>Variance £000s</b>
<b>Expenditure</b>			
Employees	2,031	2,427	396
Premises	2,686	2,561	(125)
Waste, Transport and Disposal	46,198	44,348	(1,850)
Other supplies	992	1,023	31
Depreciation	8,485	8,773	288

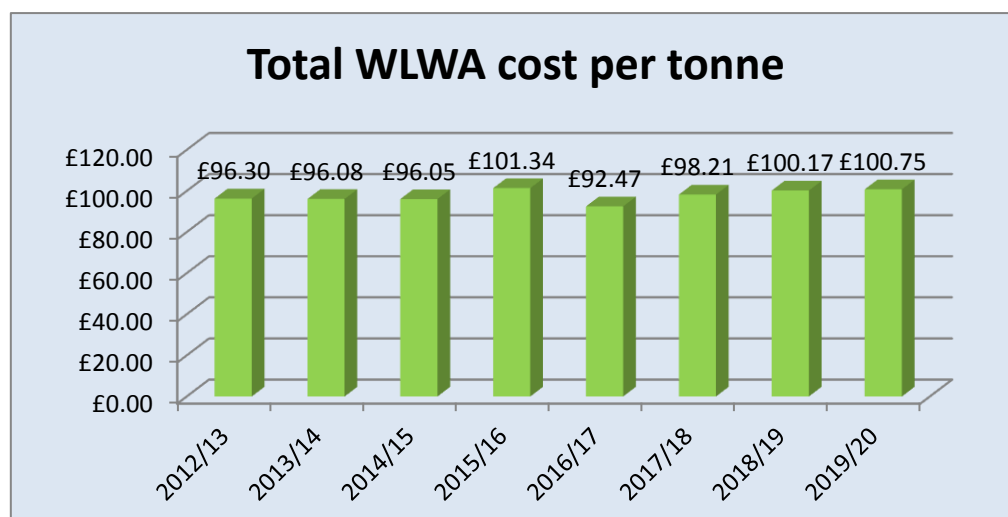
Financing	6,546	5,707	(839)
Concession adjustment	(4,215)	(4,338)	(123)
	<b>62,723</b>	<b>60,501</b>	<b>(2,222)</b>
<b>Income</b>			
Levies	(60,810)	*(57,781)	3,029
Trade and other	(1,913)	(2,973)	(1,060)
	<b>(62,723)</b>	<b>(60,754)</b>	<b>1,969</b>
<b>Surplus on provision of services</b>	<b>0</b>	<b>(253)</b>	<b>(253)</b>
Actuarial gain on pension liability	0	68	68
Property valuation adjustments	0	0	0
<b>Total comprehensive expenditure</b>	<b>0</b>	<b>(185)</b>	<b>(185)</b>

\*Net of £1.9 million disbursement to boroughs

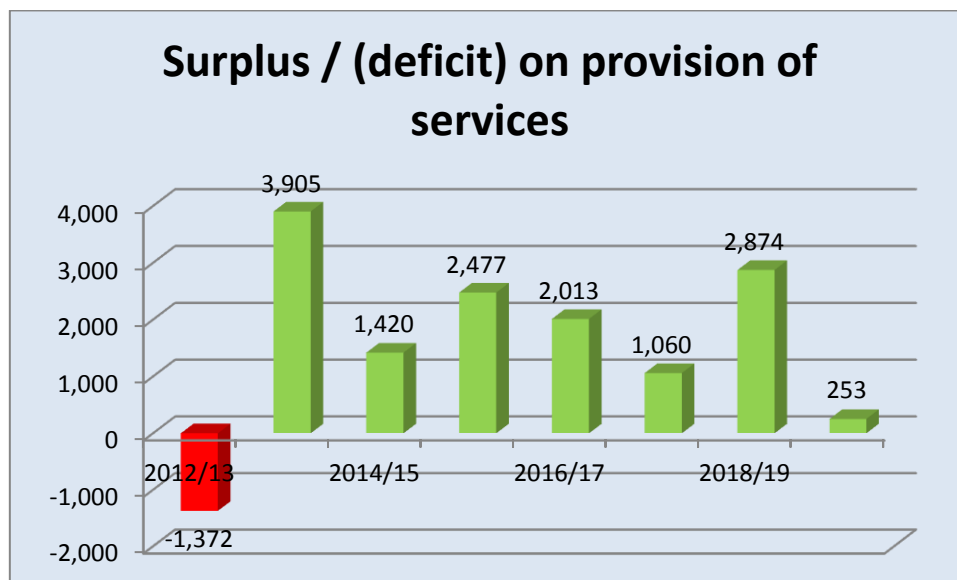
13. The operational performance above delivered a surplus of £0.253 million. Effective financial control has ensured this is broadly in line with the forecasts in previous reports to Authority throughout the year.

14. 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 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.

15. The key feature illustrated by this chart is that the WLWA cost per tonne is only 4.6% higher than in 2012/13 reflecting the effective control of costs and spending over the period. It is worth noting that 2016/17 saw the Authority benefit from one-off SERC full-service commencement cost savings including very low commissioning rates.



16. 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 from a deficit position where the Authority operated at a significant risks of being unable to access cash readily to meet obligations, the position has been improved to ensure that sufficient funds are being generated from day to day activities to meet day to day obligations.



17. 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.

## Reserves

18. 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. So by considering reserves available to manage risk (total reserves less notional revaluation reserves) over a longer timeframe we have a more strategic perspective. The following chart plots these over the same longer timeframe.



19. The chart illustrates that in 2012/13 the Authority had more obligations or liabilities than it did assets and therefore held a negative position. From 2013/14 the Authority improved this and maintained reserves as a financial buffer and therefore has been in a better position to manage any unexpected risks
20. In accordance with annual practice, as the out-turn picture is confirmed the Authority is able to consider the level of reserves. In particular, the Authority is able to determine whether there is an opportunity to disburse any excess reserves to boroughs.
21. Given the Covid-19 crises, this year the opportunity does not arise as it is important to retain all reserves to manage the resulting financial risks, particularly given that at a national scale there is no certainty of when it will end or what all the consequences will be.

### **Audit of LPFA**

22. The LPFA's auditors Grant Thornton, provide assurance to our auditors EY regarding pensions. This year Grant Thornton will be unable to do this until August. It is highly unlikely that this will result in any changes. However, as precaution the Authority is asked to delegate authority to the Chair to approve any changes required as a result of this audit work, including updating the date on the letter of representation. It should also be noted that EY will sign off the accounts after this happens.
23. Once again, this is a procedural matter and it is highly unlikely that there will be any changes. EY's external audit report explains this issue in the status of audit section.

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

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

**17. Impact on Joint Waste Management Strategy** – The draft Statement of Accounts set out in this report demonstrates that the Authority is supporting the boroughs to deliver improved value for money to its residents in line with Policy 7 and demonstrate partnership working as set out in Policy 8

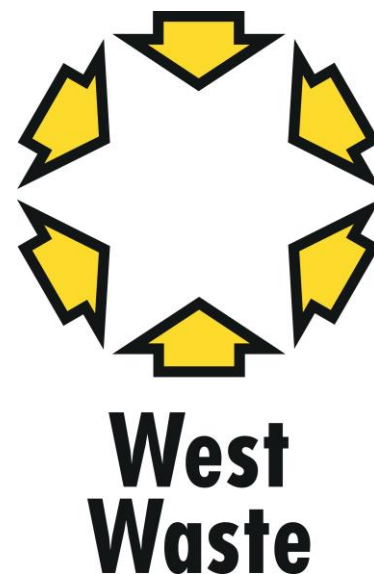
Policy 7: The West London Waste Authority and constituent Boroughs will seek to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements.

Policy 8: The West London Waste Authority and constituent Boroughs will work together to achieve the aims of this strategy and are committed to share equitably the costs and rewards of achieving its aims.

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	<a href="mailto:ianodonnell@westlondonwaste.gov.uk">ianodonnell@westlondonwaste.gov.uk</a>	



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**West London Waste Authority**  
**Statement of Accounts**  
**For the year ended 31 March 2020**

**West London Waste**  
*Let's be resourceful*

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## 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 are supported by an Audit Committee that meets regularly 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 35 staff (previous year: 34) 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 Hounslow – human resources
- London Borough of Ealing – treasury, payroll
- London Borough of Harrow – legal, insurance, procurement and committee services
- London Borough of Hillingdon – internal audit

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

In recent years the 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.

In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long term contracts that see most of the constituent boroughs' waste that cannot be recycled or composted is used to produce energy. A key part of this are long term arrangements providing for 390,000 tonnes of waste per year to be treated at energy from waste recovery centres.

These arrangements deliver one of the key objectives of the Joint Waste Management Strategy and means 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 key event during the year was the onset of the coronavirus pandemic. There were no significant changes in wasteflows following the introduction of government safe distancing measures towards the end of the financial year. Indeed waste collection and disposal remained essential public services and continued to be delivered with little impact on the Authority's financial performance and position for 2019-20.

The Authority's regular reviewing of business risks throughout the year led to the speedy identification of Covid19 and its impact upon the operations of the constituent authorities as well as WLWA's own operations as a potentially very significant issue. The Authority has reviewed the level of reserves in this context and has concluded that although there is a high level of uncertainty, the current level of £18.8 million offers a reasonable level of cover to ensure adequate resilience. It should be noted that any major changes to the waste flows as a result of Covid 19 will be picked up and reflected in the established charging mechanisms, so the constituent authorities would bear any additional costs of this kind.

The Authority has also worked closely with constituent boroughs to formulate and put in place contingency plans to deal with risks such as staff illness and changing wasteflows. The Authority has been at the forefront of developing a constructive and collaborative approach with boroughs in west London towards managing the implications.

So, 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 borough's collected waste is provided in the table below. This shows a 1.6% rise in volume of borough collected waste being received by the Authority to 571,000 tonnes for the year. During the year, 99.8% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

	<b>2019-20</b>	<b>2018-19</b>
	<b>Tonnes</b>	<b>Tonnes</b>
Recycling and reuse	61,000	61,000
Composting	89,000	87,000
Energy recovery	420,000	408,000
Landfill	1,000	6,000
<b>Total waste</b>	<b>571,000</b>	<b>562,000</b>

The Authority arranges for the constituent boroughs to provide the 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 seven household reuse and recycling centres. The boroughs operate six 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 agents of one of the boroughs.

For the year residual waste sent for disposal from these centres totalled 91,000 tonnes. Of this householders deposited 52,000 tonnes; 24,000 tonnes was trade waste and 15,000 tonnes was borough collected waste. A breakdown follows.

	<b>2019-20</b>	<b>2018-19</b>
	<b>Tonnes</b>	<b>Tonnes</b>
Household residual waste	52,000	53,000
Household recycle and re-used waste	15,000	17,000
Household composted waste	17,000	16,000
Trade residual waste	24,000	23,000
Borough residual street cleansing waste	15,000	14,000
<b>Total Household Re-use and Recycling Centre waste</b>	<b>123,000</b>	<b>123,000</b>

## 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 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 £57.8 million, a reduction from £59.1 million in 2018-19. The Authority's aim for 2019-20 was 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 achieved this target and has also disbursed £1.9 million of the accumulated surplus to boroughs through a reduction in levies. The net cost of services for the year was £48.1 million, a small rise from the previous year's £47.1 million. Net financing costs rose by £0.3 million to £9.4 million and the overall result showed a surplus on provision of services of £0.3 million compared to £2.8 million in the previous year.

There were no five yearly valuations in 2019-20 and therefore no gains or losses on property valuations. A small actuarial loss on the pension liability valuation of £0.07 million (£1.1 million gain in the previous year) resulted in total comprehensive expenditure for the year of £0.2 million (total comprehensive income of £3.0 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. This totalled £0.6 million and is included within Miscellaneous income.

The Authority's aim for 2019-20 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 achieved this target.

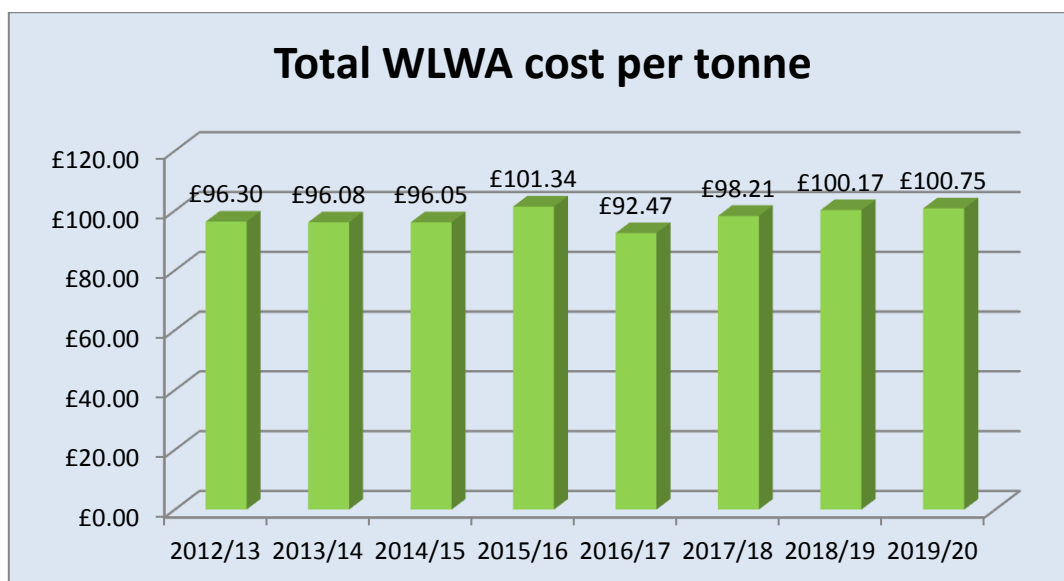
Key milestones achieved during the year include the commencement of food waste projects with every borough, providing strategic incentives for boroughs to develop and implement food waste projects, responding to boroughs requirements for levy setting, procuring a borough materials recycling service and playing a key role in collaborative working across west London – all of this in context of performance broadly in line with the balanced budget and close to break-even performance for the year.

The Authority's properties comprise of an energy from waste centre, three transfer stations and a head office building which have a balance sheet value of £212.2 million and have been funded by loans from constituent boroughs and the Public Works Loans Board with total balances of £90.2 million and a capital contribution balance from the Suez consortium of £112.6 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. There presently are no significant opportunities of any certainty or material risks facing the Authority. The Authority's long term financial plans 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.

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. This has been plotted over seven years in the chart that follows.



The key feature illustrated by this chart is that the Authority's cost per tonne is only 4.6% more than it was in 2012/13 with only 0.6% growth on the previous year. This reflects the effective control of costs and spending over the period and improving efficiency. 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. So the chart below considers the Authority's reserves excluding the notional property revaluation over the same period. It illustrates that in 2012-13 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 this 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.

## 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 also its medium to long term Financial Model which covers a period of 25 years from the balance sheet date of these accounts.

## **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 2019-20.

## **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 to apply, as prescribed, either the asset life or depreciation method 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 2018). 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 costs arising from financing the 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 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.

## **Service Borough Costs**

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

## **VAT**

All income and expenditure is shown net of VAT.

## **Reserves**

The net assets/(liabilities) of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserve is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

## **Statement of Responsibilities for the Statement of Accounts**

### **The Authority is required:**

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. For WLWA, that officer is the Treasurer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

### **The Treasurer's Responsibilities:**

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

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code.

The Treasurer has also:

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

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

### **Statement of the Treasurer**

I certify that the Statement of Accounts presents a true and fair view of the Authority's income and expenditure for the year ended 31 March 2020 and the Authority's financial position as at 31 March 2020.

Ian O'Donnell  
Treasurer  
26 June 2020

### **Authority**

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

Signed on behalf of West London Waste Authority  
Councillor Graham Henson (Chair)  
26 June 2020

## 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	2019-20 £'000	2018-19 £'000
<b>Gross expenditure</b>			
Employees		(2,426)	(2,138)
Premises		(2,561)	(3,647)
Waste transport and disposal		(36,297)	(34,496)
Other supplies and payments		(1,023)	(744)
Impairments and revaluation losses		0	(226)
Depreciation	7	(8,773)	(8,337)
<b>Total</b>		<b>(51,080)</b>	<b>(49,588)</b>
<b>Gross income</b>			
Trade waste		1,810	1,416
Agency		373	433
Miscellaneous income		789	552
<b>Total</b>		<b>2,972</b>	<b>2,401</b>
<b>Net cost of services</b>		<b>(48,108)</b>	<b>(47,187)</b>
Net financing and investment income and expenditure	6	(9,420)	(9,106)
Levies on constituent councils	17	57,781	59,166
<b>Total</b>		<b>48,361</b>	<b>50,060</b>
<b>Surplus on provision of services</b>		<b>253</b>	<b>2,873</b>
Gain / (loss) from revaluation of property	14	0	(6,981)
Actuarial (loss) / gain on pension liability	20	(68)	1,093
<b>Other comprehensive income and expenditure</b>		<b>(68)</b>	<b>(5,888)</b>
<b>Total comprehensive income and expenditure</b>		<b>185</b>	<b>(3,015)</b>

## 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 4 May 2020 and the audited accounts were authorised for issue on 26 June 2020.

		2019-20	2018-19
		£'000	£'000
Property, plant and equipment	7	212,216	220,972
Capital work in progress	8	375	83
<b>Long Term Assets</b>		<b>212,591</b>	<b>221,055</b>
Cash and cash equivalents	10	17,949	8,925
Short term debtors	11	4,691	12,150
<b>Current Assets</b>		<b>22,640</b>	<b>21,075</b>
<b>Total Assets</b>		<b>235,231</b>	<b>242,130</b>
Short term creditors	12	(5,663)	(7,412)
Short term borrowing	13	(2,119)	(2,012)
Current PPP liability	19	(4,001)	(3,926)
<b>Current Liabilities</b>		<b>(11,783)</b>	<b>(13,350)</b>
Long term borrowing	13	(88,172)	(90,292)
Other long term liabilities	19	(108,661)	(112,662)
Pension fund liability	20	(7,799)	(7,195)
<b>Long Term Liabilities</b>		<b>(204,632)</b>	<b>(210,149)</b>
<b>Net Assets</b>		<b>18,816</b>	<b>18,631</b>
Usable Reserves		12,730	11,435
Unusable reserves	14	6,086	7,196
<b>Total Reserves</b>		<b>18,816</b>	<b>18,631</b>

## 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.

	<b>Total Usable Reserves</b> £'000	<b>Unusable Reserves</b> £'000	<b>Total Authority Reserves</b> £'000
<b>Balance at 1 April 2019</b>	<b>11,435</b>	<b>7,196</b>	<b>18,631</b>
Surplus on provision of services (accounting basis)	253	0	253
Other comprehensive expenditure	0	(68)	(68)
Total comprehensive expenditure	253	(68)	185
Adjustments between accounting basis and funding basis under regulations (Note 5)	1,042	(1,042)	0
<b>Increase in year</b>	<b>1,295</b>	<b>(1,110)</b>	<b>185</b>
<b>Balance at 31 March 2020</b>	<b>12,730</b>	<b>6,086</b>	<b>18,816</b>

	<b>Total Usable Reserves</b> £'000	<b>Unusable Reserves</b> £'000	<b>Total Authority Reserves</b> £'000
<b>Balance at 1 April 2018</b>	<b>18,794</b>	<b>2,852</b>	<b>21,646</b>
Surplus on provision of services (accounting basis)	2,873		2,873
Other comprehensive expenditure		(5,888)	(5,888)
Total comprehensive expenditure	2,873	(5,888)	(3,015)
Adjustments between accounting basis and funding basis under regulations (Note 5)	(10,232)	10,232	0
<b>Decrease in year</b>	<b>(7,359)</b>	<b>4,344</b>	<b>(3,015)</b>
<b>Balance at 31 March 2019</b>	<b>11,435</b>	<b>7,196</b>	<b>18,631</b>



## 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:

		<b>2019-20</b> £'000	<b>2018-19</b> £'000
<b>Net surplus on the provision of services</b>		253	2,873
Adjustments to net surplus		24,439	10,844
<b>Net cash generated from operating activities</b>		<b>24,692</b>	<b>13,717</b>
<i>Investment activities</i>			
Payments for capital work in progress	8	(292)	(368)
Payments for property, plant and equipment	7	(17)	(37,925)
Interest received	6	114	88
<b>Net cash used in investment activities</b>		<b>(195)</b>	<b>(38,205)</b>
<i>Financing activities</i>			
Interest paid	6	(9,534)	(9,194)
Loans raised	13	0	26,729
Loans repaid		(5,939)	(4,888)
<b>Net cash generated (used in)/from financing activities</b>		<b>(15,473)</b>	<b>12,647</b>
<b>Net movement in cash and cash equivalents</b>		<b>9,024</b>	<b>(11,841)</b>
Opening balance		8,925	20,766
<b>Cash and cash equivalents at end of year</b>		<b>17,949</b>	<b>8,925</b>

## Cash Flow Statement

		2019-20 £'000	2018-19 £'000
<b>Adjustments to net surplus for non-cash movements</b>			
Depreciation and impairments	7	8,773	8,337
Valuation losses		0	226
IAS 19 non-cash pension entries		536	434
(Increase)/decrease in short term debtors	11	7,459	(8,045)
(Decrease)/increase in short term creditors	12	(1,749)	786
Sub Total		15,019	1,738
<b>Adjustments for items included in financing/investing activities</b>			
Interest received	6	(114)	(88)
Interest paid	6	9,534	9,194
Total Adjustments		<b>24,439</b>	<b>10,844</b>

## 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.

2018-19			2019-20		
Net Expenditure chargeable to General Fund	Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement		Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000
(38,380)	(8,807)	(47,187)	Net Cost of Services	(38,950)	(48,108)
31,021	19,039	50,060	Other income and expenditure	40,245	48,361
(7,359)	10,232	2,873	Surplus or (deficit)	1,295	253
			18,794	Opening General Fund Balance	11,435
			(7,359)	Surplus or (deficit)	1,295
			<b>11,435</b>	<b>Closing General Fund Balance</b>	<b>12,730</b>

## 2. Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2020 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
<b>Pensions Liability</b>	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.
<b>Property Valuation</b>	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. In the five year between valuations a review is undertaken to determine whether an annual desktop indexation exercise is required to ensure the

		<p>carrying value reflects the current value. The review considers the condition of the asset, its utility and usage, the market conditions, the lifespan and materiality. On review it was determined that a desktop exercise was not required and that the carrying value of properties reasonably and accurately reflect the current value.</p>
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#### 4. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 26 June 2020. 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 2020 they have been taken into account.

The most notable post balance sheet event is the impact of the worldwide Covid-19 crises. This commenced towards the end of the financial year and is described in the Narrative Statement.

#### 5. Adjustments between Accounting Basis and Funding Basis under Regulations

	2019-20 £'000	2018-19 £'000
<b>Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:</b>		
Depreciation* (note 7)	8,773	8,337
Impairments and revaluation losses*	0	226
Reversal of items relating to IAS19 Retirement Benefits	536	435
	<b>9,309</b>	<b>8,998</b>
<b>Amounts not included in the Comprehensive Income and Expenditure Account but required by Statute to be included:</b>		
Statutory provision for the Repayment of Debt* (note 14)	(8,263)	(7,497)
Revenue financing to Capital (note 14)	(17)	(11,735)
Other	0	(1)
	<b>(8,280)</b>	<b>(19,233)</b>
<b>Transfer (from)/to general reserves</b>		
Accumulated Absences Account (note 14)	13	3
	<b>13</b>	<b>3</b>

Net additional amount to be credited to general balances for the year	<b>1,042</b>	<b>(10,232)</b>
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\* Adjustments impact capital adjustment account (unusable reserve)

## 6. Financing and Investment Income and Expenditure

	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Interest payable and similar charges	5,535	5,192
Pensions interest and expected return on pensions assets	164	194
PPP financing interest	3,548	3,619
PPP contingent rents	287	189
Interest receivable and similar income	(114)	(88)
	<b>9,420</b>	<b>9,106</b>

## 7. Property, Plant and Equipment

	<b>Land and Buildings Freehold</b>	<b>Land and Buildings Leasehold</b>	<b>Fixed Plant and Vehicles</b>	<b>TOTAL</b>
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2019	<b>220,658</b>	<b>0</b>	<b>467</b>	<b>221,125</b>
Additions	0	0	17	17
Gross book value at 31 March 2020	<b>220,658</b>	<b>0</b>	<b>484</b>	<b>221,142</b>
Accumulated depreciation at 1 April 2019	<b>0</b>	<b>0</b>	<b>(153)</b>	<b>(153)</b>
Depreciation charge for the year	(8,690)	0	(83)	<b>(8,773)</b>
Accumulated depreciation at 31 March 2020	<b>(8,690)</b>	<b>0</b>	<b>(236)</b>	<b>(8,926)</b>
Net book Value at 01 April 2019	<b>220,658</b>	<b>0</b>	<b>314</b>	<b>220,972</b>
Net book Value at 31 March 2020	<b>211,968</b>	<b>0</b>	<b>248</b>	<b>212,216</b>

Land and buildings include assets under PPP arrangement with net book value of £209.3 million. A full valuation exercise valued properties at 31 March 2019. For valuation purposes as of 31 March 2020, a management review was carried out as described in Note 3.

	Land and Buildings Freehold	Land and Buildings Leasehold	Fixed Plant and Vehicles	TOTAL
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2018	<b>197,305</b>	<b>8,708</b>	<b>667</b>	<b>206,680</b>
Additions	38,312	0	122	<b>38,434</b>
Disposals	0	0	(322)	<b>(322)</b>
Leasehold buyout	8,708	(8,708)	0	<b>0</b>
Revaluation increases/(decreases) recognised in Revaluation Reserve	(23,441)	0	0	<b>(23,441)</b>
Revaluation increases/(decreases) recognised in Comprehensive income and expenditure statement	(226)	0	0	<b>(226)</b>
Gross book value at 1 April 2019	<b>220,658</b>	<b>0</b>	<b>467</b>	<b>221,125</b>
Accumulated depreciation brought forward	<b>(7,852)</b>	<b>(363)</b>	<b>(321)</b>	<b>(8,536)</b>
Disposals	0	0	259	<b>259</b>
Depreciation charge for the year	(7,943)	(303)	(91)	<b>(8,337)</b>
Leasehold buyout	(666)	666	0	<b>0</b>
Depreciation written out to Revaluation Reserve	16,461	0	0	<b>16,461</b>
Accumulated depreciation carried forward	<b>0</b>	<b>0</b>	<b>(153)</b>	<b>(153)</b>
Net book Value at 31 March 2019	<b>220,658</b>	<b>0</b>	<b>314</b>	<b>220,972</b>
Net book Value at 31 March 2018	<b>189,453</b>	<b>8,345</b>	<b>346</b>	<b>198,144</b>

## 8. Capital Work in Progress

	2019-20	2018-19
	£'000	£'000
Opening balance	83	161
Expenditure in year	292	368
Recognised in long term assets	0	(446)
Closing balance	<b>375</b>	<b>83</b>



## 9. Financial Instruments

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

	Long term		Current	
	2019-20	2018-19	2019-20	2018-19
	£'000	£'000	£'000	£'000
<b>Financial Assets – Amortised Cost</b>				
Cash and cash equivalents	0	0	17,949	8,925
Trade debtors and prepayments	0	0	2,110	2,325
<b>Financial Liabilities – Amortised Cost</b>				
Trade creditors	0	0	4,876	6,629
Long term borrowing	(88,172)	(90,292)	(2,119)	(2,012)
PPP liability	(108,661)	(112,662)	(4,001)	(3,926)

### 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 calculated internal rate of return at 31 March 2020
- 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

	2019-20		2018-19	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Long term borrowing (note 13)	90,291	99,343	92,304	95,751
PPP liability	112,662	116,413	116,588	120,437

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 as the valuation of the underlying debt is derived from observable inputs and not from quoted prices in active markets. The valuation is derived from a predefined and predictable cashflow using a net present value approach.

### 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 2020 the Authority holds no variable rate borrowings as they are all fixed rates. Therefore there is no predicted impact for this on the Comprehensive Income and Expenditure Statement.

## 10. Cash and Cash Equivalents

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

	2019-20	2018-19
	£'000	£'000
Bank balance (HSBC)	449	1,925
Deposit placed with the London Borough of Ealing	17,500	7,000
<b>Total</b>	<b>17,949</b>	<b>8,925</b>

## 11. Short Term Debtors

	2019-20	2018-19
	£'000	£'000
Other Local Authorities	775	1,073
Central Government Bodies	1,853	8,995
Other Entities and Individuals	102	369
Prepayments and Accrued Income	1,961	1,713
<b>Total</b>	<b>4,691</b>	<b>12,150</b>

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	2019-20	2018-19
	£'000	£'000
< 90 days	83	440
90 – 180 days	2	3
> 180 days	163	0
<b>Total</b>	<b>248</b>	<b>443</b>

## 12. Short Term Creditors

	2019-20 £'000	2018-19 £'000
Other Entities and Individuals	(4,574)	(6,208)
Other Local Authorities	(1,089)	(1,204)
<b>Total</b>	<b>(5,663)</b>	<b>(7,412)</b>

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

## 13. Borrowing

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

	2019-20 £'000	2018-19 £'000
Opening balance	(92,304)	(66,607)
Loans in year	0	(26,729)
Repayments	2,013	1,032
<b>Closing balance</b>	<b>(90,291)</b>	<b>(92,304)</b>

At 31 March 2020 £164,000 loan interest payable within 12 months was accrued and is included within short term creditors

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

Analysis by maturity

	2019-20 £'000	2018-19 £'000
<b>Short term element</b>	<b>(2,119)</b>	<b>(2,012)</b>
Between 2 and 4 years	(9,692)	(9,189)
Between 5 and 10 years	(15,543)	(14,694)
10 years or more	(62,937)	(66,409)
<b>Long term element</b>	<b>(88,172)</b>	<b>(90,292)</b>

Total liability	<b>(90,291)</b>	<b>(92,304)</b>
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## 14. Unusable Reserves

	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Revaluation reserve	(7,768)	(7,768)
Capital adjustment account	(6,148)	(6,641)
Pensions reserve	7,799	7,195
Accumulated absences account	31	18
	<b>(6,086)</b>	<b>(7,196)</b>

### (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.

	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Balance as at 1 April	(7,768)	(15,194)
Revaluation gains	0	0
Revaluation losses not taken through CIES	0	6,981
Adjustment for indexation of valuation	0	0
Amount written off to Capital Adjustment Account	0	445
Balance at 31 March	<b>(7,768)</b>	<b>(7,768)</b>

### (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.

	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Balance as at 1 April	(6,641)	4,474
Depreciation	8,773	8,336
Statutory provision for repayment of debt	(8,263)	(7,497)
Impairment and revaluation	0	226
Amounts written out of Revaluation Reserve	0	(445)
Net written out amount of the cost of non-current assets consumed in the year	(6,131)	5,094
Revenue financing to capital	(17)	(11,735)
Balance at 31 March	<b>(6,148)</b>	<b>(6,641)</b>

### (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.

	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Balance as at 1 April	7,195	7,853
Actuarial gains or losses on pension assets and liabilities	68	(1,093)
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	886	775
Employer's pensions contributions and direct payments to pensioners payable in the year	(350)	(340)
Balance at 31 March	<b>7,799</b>	<b>7,195</b>

### (iv) Accumulated Absences Account

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2020. 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.

	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Balance as at 1 April	18	15
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	13	3
Balance at 31 March	<b>31</b>	<b>18</b>

## 15. Officers' Remuneration

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

	<b>Salary and Termination Benefits (£)</b>		<b>Pension Contributions (£)</b>		<b>Total (£)</b>	
	<b>2019-20</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2018-19</b>
Director	134,544	102,955	16,145	12,355	150,689	115,310
Clerk	10,719	11,319	1,286	1,358	12,005	12,677
Technical Advisor (to March)	10,719	11,319	1,286	1,358	12,005	12,677
Technical Adviser (from January)	2017	0	242	0	2259	0
Treasurer	10,719	11,319	1,286	1,358	12,005	12,677

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:

	<b>2019-20</b>	<b>2018-19</b>
<b>Remuneration Band including exit packages</b>	<b>No of employees</b>	<b>No of employees</b>
£50,000 to £54,999	0	1
£55,000 to £59,999	0	2
£60,000 to £64,999	1	0
£65,000 to £69,999	1	0
£70,000 to £74,999	1	0
£85,000 to £89,999	1	1

## Members Allowances

No member allowances have been paid in year.



## 16. External Audit Fees

The audit fees reflected in the accounts are as follows:

	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Audit of the Authority	17	18
Other services	0	0
<b>Total Fees</b>	<b>17</b>	<b>18</b>

## 17. Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of International Accounting Standard 24 (IAS 24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS 24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from each of the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and its operations are financed by an annual levy on the constituent boroughs. Borough loans have also been used to finance large capital investments. The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2019-20. 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.

	<b>Brent</b>	<b>Ealing</b>	<b>Harrow</b>	<b>Hillingdon</b>	<b>Hounslow</b>	<b>Richmond</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
Pay as you Throw	8,609	9,717	6,331	9,031	7,625	5,332	46,645
Fixed Cost Levy	1,823	2,263	1,694	1,934	1,679	1,743	11,136
Total Levies	10,432	11,980	8,025	10,965	9,304	7,075	57,781
Agency and other income	373	0	0	0	0	0	373
<b>Total 2019-20</b>	<b>10,805</b>	<b>11,980</b>	<b>8,025</b>	<b>10,965</b>	<b>9,304</b>	<b>7,075</b>	<b>58,154</b>
Total 2018-19	10,974	12,261	8,167	11,113	9,556	7,528	59,599

<b>Interest 2019-20</b>	<b>1,236</b>	<b>1,236</b>	<b>1,236</b>	<b>0</b>	<b>0</b>	<b>1,236</b>	<b>4,944</b>
Interest 2018-19	1,255	1,255	1,255	0	0	1,255	5,020
<b>Expenditure</b>							
Waste Transport and Disposal Costs	0	0	0	0	3	0	3
Rent and Rates	100	0	0	385	0	0	485
Support Services	0	2	27	9	3	0	41
Other	0	1	11	4	0	0	16
<b>Total 2019-20</b>	<b>100</b>	<b>3</b>	<b>38</b>	<b>398</b>	<b>6</b>	<b>0</b>	<b>545</b>
Total 2018-19	98	57	56	461	70	0	742
	<b>Brent</b>	<b>Ealing</b>	<b>Harrow</b>	<b>Hillingdon</b>	<b>Hounslow</b>	<b>Richmond</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Debtors 2019-20</b>	<b>728</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>775</b>
Debtors 2018-19	751	0	0	321	0	0	1,072
<b>Creditors 2019-20</b>	<b>135</b>	<b>478</b>	<b>67</b>	<b>223</b>	<b>62</b>	<b>125</b>	<b>1,090</b>
Creditors 2018-19	208	434	143	89	174	156	1,204
<b>Borrowings 2019-20</b>	<b>16,115</b>	<b>16,115</b>	<b>16,115</b>	<b>0</b>	<b>0</b>	<b>16,115</b>	<b>64,460</b>
Borrowings 2018-19	16,394	16,394	16,394	0	0	16,394	65,576
<b>Cash / equivalents 2019-20</b>	<b>0</b>	<b>17,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,500</b>
Cash / equivalents 2018-19	0	7,000	0	0	0	0	7,000

## 18. Leases

The Authority does not hold any finance or operating leases.

## 19. Other Liabilities

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

	<b>2019-20</b>	<b>2018-19</b>
Energy from waste facility:	£'000	£'000
Opening balance	116,588	120,444
Developer's contribution	0	0
Reduced through unitary payments	(3,926)	(3,856)
<b>Closing balance</b>	<b>112,662</b>	<b>116,588</b>

<b>PPP liability repayments</b>	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
<b>Within one year</b>	<b>1,233</b>	<b>2,768</b>	<b>4,001</b>
Two to five years	5,786	11,073	16,859
Six to ten years	9,609	13,840	23,449
Eleven to fifteen years	13,152	13,841	26,993
Sixteen to twenty years	18,003	13,840	31,843
Twenty to twenty five years	5,816	3,701	9,517
<b>Long term liability</b>	<b>52,366</b>	<b>56,295</b>	<b>108,661</b>
<b>Total repayments</b>	<b>53,599</b>	<b>59,063</b>	<b>112,662</b>

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

## 20. Defined Benefit Pension Scheme

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

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

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

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

Pension costs are a very minor proportion of total spending and the effects of the defined benefit scheme and its valuation on the timing, uncertainty and risk around cash flows is not material.

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

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

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

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

<b>Balance sheet disclosure</b>	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Present value of funded obligation	(24,982)	(26,767)
Fair value of Scheme Assets (bid value)	17,355	19,777
<b>Net Liability</b>	<b>(7,627)</b>	<b>(6,990)</b>
Present value of unfunded obligations	(172)	(205)
<b>Net Liability in Balance Sheet</b>	<b>(7,799)</b>	<b>(7,195)</b>

### Comprehensive Income and Expenditure Statement

	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Service costs	696	557
Net interest on defined liability	164	194
Administrative expenses	26	24
	<b>886</b>	<b>775</b>

### Reconciliation of the present value of the scheme liabilities:

**2019-20** **2018-19**

	£'000	£'000
Opening balance as at 1 April	26,972	26,342
Current service cost	555	551
Interest cost	626	656
Change in financial assumptions	(3,937)	1,521
Change in demographic assumptions	372	(1,036)
Experience (gain)/loss on liabilities	975	0
Liabilities assumed/extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(837)	(1,363)
Past service costs including curtailments	141	6
Contributions by scheme participants and other employers	301	308
Unfunded pension payments	(14)	(13)
	<b>25,154</b>	<b>26,972</b>
Closing balance as at 31 March		

### Reconciliation of fair value of the scheme (plan)

<b>assets:</b>	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Opening balance as at 1 April	19,777	18,489
Interest on assets	462	462
Return on assets less interest	(2,166)	1,578
Other actuarial gains	(492)	0
Administration expenses	(26)	(24)
Employer contributions	350	340
Contributions by scheme participants and other employers	301	308
Benefits paid	(851)	(1,376)
Settlement prices received/(paid)	0	0
	<b>17,355</b>	<b>19,777</b>
Closing balance as at 31 March		

<b>Assumptions as at</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>% p.a.</b>	<b>% p.a.</b>	<b>% p.a.</b>
Discount rate	2.55%	2.35%	2.55%
Pension increases	1.90%	2.50%	2.30%
Salary increases	2.90%	4.00%	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%).

<b>Life expectancy from age 65 (years)</b>		<b>31 March 2020</b>	<b>31 March 2019</b>
Retiring today	Males	22.3	20.5
	Females	23.6	23.0
Retiring in 20 years	Males	22.8	22.3
	Females	25.9	24.7

<b>Sensitivity analysis on major assumptions</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	24,724	25,154	25,593
▪ Projected service cost	488	500	512
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	25,184	25,154	25,125
▪ Projected service cost	500	500	500
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	25,565	25,154	24,750
▪ Projected service cost	512	500	488
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	25,995	25,154	24,340
▪ Projected service cost	517	500	484

<b>Re-measurements in other comprehensive income</b>	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Return on plan assets in excess of interest	(2,166)	1,578
Other actuarial gains on assets	(492)	0
Change in financial assumptions	3,937	(1,521)
Change in demographic assumptions	(372)	1,036
Experience gain on defined benefit obligation	(975)	0
<b>Total</b>	<b>(68)</b>	<b>1,093</b>

<b>Projected pension expense for next year</b>	<b>2020-21</b>
	£'000
Service cost	500
Net interest on the defined liability	196
Administration expenses	23
<b>Total</b>	<b>719</b>

<b>Employer contributions</b>	<b>158</b>
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<b>Assets by Class</b>	<b>2019-20</b>	<b>2018-19</b>
	£'000	£'000
Equities	9,400	10,759
Target Return Portfolio	4,230	5,274
Infrastructure	1,218	1,192
Property	1,585	1,860
Cash	922	692
<b>Total</b>	<b>17,355</b>	<b>19,777</b>

<b>Analysis of 2019-20 Assets</b>	<b>% Quoted</b>	<b>% Unquoted</b>
<b>Equities</b>		
Real Estate	1.4%	
Consumer Discretionary	4.9%	
Consumer Staples	7.2%	
Energy	0.4%	
Financials	5.7%	
Health Care	2.7%	
Industrials	5.0%	
Information Technology	6.9%	
Materials	1.1%	
Communication Services	2.5%	
Utilities	1.2%	
Fixed Income & Other	0.0%	
Trade Cash/Pending	2.1%	
Synthetic Equity	0.9%	
<b>Private Equity</b>		8.3%
<b>Fixed Income</b>	4.9%	
<b>Total Return</b>		
Investment/Hedge funds and unit trusts	12.1%	
<b>Credit</b>		7.4%
<b>Infrastructure</b>		7.0%
<b>Real Estate</b>		9.1%
<b>Cash</b>		
Cash	2.0%	
LDI	6.2%	
Currency Hedge (Forward Contracts)		0.9%
<b>Total</b>	<b>67.3%</b>	<b>32.7%</b>

## 21. Contingent Liabilities

At 31 March 2020 there was no contingent liability (31 March 2019: nil)

## Annual Governance Statement 2019-20

### 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
- 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
- Joint Waste Management Strategy
- 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:

- Performance Management
- Business Continuity
- General Ledger

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.

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Councillor Graham Henson,

Chair to the Authority

26 June 2020

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Hugh Peart,

Clerk

26 June 2020

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

### **Opinion**

We have audited the financial statements of West London Waste Authority for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement; the Balance Sheet; the Movement in Reserves Statement; the Cashflow Statement; and the related notes 1 to 21.

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 2019/20.

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 2020 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 2019/20.

### **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 below. We are independent of West London Waste 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 (C&AG) AGN01, 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.

### **Emphasis of Matter**

We draw attention to Note 4 of the financial statements, which describes the financial and operational consequences the Authority is facing as a result of COVID-19 which is impacting supply chains and in some instances personnel available for work/or being able to access offices. Our opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

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

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

## **Other information**

The other information comprises the information included in the Narrative Statement set out on pages 2 to 7, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

### ***Arrangements to secure economy, efficiency and effectiveness in the use of resources***

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, West London Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

## **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;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Responsibility of the Treasurer**

As explained more fully in the Statement of the Treasurer's Responsibilities set out on pages 15, 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 2019/20, and for being satisfied that they give a true and fair view.

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.

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

## ***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 criterion issued by the Comptroller and Auditor General in November 2017, as to whether the West London Waste Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the 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 2020.

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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

### **Certificate**

We certify that we have completed the audit of the accounts of West London Waste Authority 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 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 West London Waste Authority and the West London Waste Authority members as a body, for our audit work, for this report, or for the opinions we have formed.

*Maria Grindley (Associate Partner)*

*Ernst & Young LLP*

*Reading*

*Xx July 2020*

*The maintenance and integrity of the West London Waste Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.[Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.]*

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WEST LONDON WASTE AUTHORITY

Report of the Treasurer and Managing Director

26 June 2020

**Budget Monitoring Report Period 2 (May)**

**SUMMARY**

This report provides an update on financial and operational matters

**RECOMMENDATION(S)**

The Authority is asked to:-

- 1) Note the current financial position, forecast for 2020/21 and sensitivity analysis
- 2) Note the KPIs will be reported at the next Authority meeting
- 3) Note the financial decisions taken under the Scheme of Delegation to Officers

**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 below:

High Level Summary

	P02 Budget £ 000s	P02 Actual £ 000s	P02 Variance £ 000s	Year Budget £ 000s	Year Forecast £ 000s	Year Variance £ 000s
<b>Expenditure</b>						
Employees	362	345	(17)	2,173	2,120	(53)
Premises	435	443	9	2,607	2,604	(3)
Waste Transfer and Disposal	7,986	7,481	(505)	47,917	48,869	952
Supplies and Services	150	98	(52)	900	947	47
Depreciation	1,463	1,473	10	8,778	8,788	10
Financing and Other	1,047	1,065	19	6,280	6,299	19
Concession Adjustment	(716)	(706)	10	(4,296)	(4,286)	10
	<b>10,726</b>	<b>10,200</b>	<b>(526)</b>	<b>64,359</b>	<b>65,341</b>	<b>983</b>
<b>Income</b>						
Levies	(10,379)	(10,644)	(265)	(62,273)	(63,128)	(855)
Trade and Other	(348)	(308)	39	(2,085)	(2,020)	66
	<b>(10,726)</b>	<b>(10,952)</b>	<b>(226)</b>	<b>(64,359)</b>	<b>(65,148)</b>	<b>(789)</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>(752)</b>	<b>(752)</b>	<b>0</b>	<b>193</b>	<b>193</b>

The summary shows how financial performance compares to the budget for both the period and the forecast for the year. The impact of the Covid-19 crises is the main feature of the performance so far this year and in particular its impact on waste flows and so the Waste Transport and Disposal (WTD) costs and Levies. All other budgets are broadly on target.

In terms of WTD, whilst the overall picture shows a 6% underspend (£505k) in the period, there are underlying adverse and favourable variances.



Firstly, in terms of PAYT waste, with more people working and studying from home and the introduction of the furlough scheme, there were increased volumes of household collected waste.

During the period collected residual waste was £199k or 3% more than budget reflecting the additional volumes collected.

Similarly, mixed organic collections were £84k or 60% more than budget reflecting additional volumes collected.

For green waste three boroughs saw very large increases compared to budget through the period. This was offset by the commencement of green waste collections later in the period by two boroughs. Hence a small underspend of £8k. All green waste services are now running and considering May data alone, this shows collection volumes at 23% above budgeted levels.

The increased volume and growth in costs of household collected waste is mirrored by an increase in the amount boroughs will have to pay through the PAYT levy and this totals £265k for the period. This has been shared with borough Finance Directors to help them with planning and making any claims for additional costs to the government. The PAYT charge is adjusted on a quarterly basis to reflect actual tonnages.

Secondly, in terms of FCL waste, the closure of HRRCs to the public in March resulted in significantly reduced overall waste volumes across all waste materials for the period. This was partly offset by the subsequent opening of HRRCs to the public in May and increased volumes for that short period.

Residual waste is the main component of HRRC waste costs. So focussing on that, during the period it was £425k or 51% lower than budgeted.

All of the above will be familiar patterns from the weekly services reports which have been shared with members and borough EDs over the last two months.

Looking ahead, under the current circumstances forecasting is subject to considerable uncertainty. Therefore the forecast has been produced with a little more sophistication (to try and highlight some of the variables) and with the assumptions detailed below for the WTD. The impact on WTD of changing key assumptions has also been provided to give a flavour of the range of possible outcomes.

So, in terms of WTD costs the forecast in the summary above has been built as follows.

The collections activity (PAYT) and HRRC activity (FCL) have been considered separately with a focus on the main waste streams which account for the vast majority of spend.

For residual waste collections (PAYT) the forecast uses the current level of activity e.g. residual waste for April and May is 3% up on budget and fairly stable. This level has been projected for the first half year with the second half year forecast at budgeted levels.

For green waste collections (PAYT) most boroughs were collecting waste throughout May but not April, therefore just May's data (which is 23% above budget) has been used in forecasting green spend for the first half year with the remainder of the year at budgeted levels.

For mixed organic collections (PAYT) volumes are 60% above budget. This level has been used for the first half year and budgeted levels for the rest of the year.

All of the above have been mirrored in the PAYT levy which is forecasting that boroughs in total will have to pay £855k million through the quarterly reconciliation exercises for the additional volumes of waste delivered.

For HRRCs (FCL), sites were closed to the public for April and only opened in mid May, so there is very little data for forecasting (only two weeks) and therefore focuses on the largest component, the residual waste.

This shows weekly residual waste was 30% higher than the budgeted weekly level. The residual forecast assumes this level for the remainder of the first half of the year with HRRC waste flows returning to budgeted levels for the second half of the year.

Other HRRC waste materials are forecast at budgeted levels.

The total of the above WTD forecasting results in an overall WTD overspend of £952k for the year.

The standard breakdown can be found in Appendix 1 which separates out the main types of waste streams and distinguishes between PAYT and FCL activities and summarises the above.

However, given uncertainties ahead below is a table that shows how the WTD spend would change under the modified set of assumptions, principally extending the current pattern throughout the whole year.

Scenario	WTD forecast overspend (000s)	Notes
Base case - as described above	£952k	
As base case but with residual collections continuing at higher level throughout year	+ £657k	Passed on to boroughs through PAYT levy
As base case but with green collections continuing at higher level throughout year	+ £63k	Passed on to boroughs through PAYT levy
As base case but with mixed organic collections continuing at higher level throughout year	+ £264k	Passed on to boroughs through PAYT levy
As base case but with HRRC residual waste extrapolated for the whole year	+ £824k	Absorbed through Authority reserves

It is important to note that HRRC waste forecasting is subject to greatest uncertainty as it uses a two week span of data which given it represented the first full weeks of HRRC opening clearly will have limitations.

However the above sensitivities highlight that the duration of the impact of the crises is fundamental to the outcomes with the residual waste volumes being the biggest component of that, so the key area of focus for managing financial impact of Covid-19.

## 2. KPIs for 2019/20

Gathering weekly data and information for the management of the Covid-19 crises has taken precedence during the last 2 months and at the time of writing the KPI performance for April and May are unavailable.

Management will ensure these are made available for the next Authority meeting.

## 3. Delegated decisions

To provide further transparency of operational arrangements, this standard section of the budget monitoring report summarises any significant financial decisions made by the Managing Director and/or Chief Officers under the Scheme of Delegations since those reported to the last Authority meeting.

In January the Authority delegated award of a Dry Recycling contract for LB Ealing to the Managing Director in consultation with the Chair. The contract was awarded to Viridor Waste Management in April with a total value of £9.7 million over 5 years. This was the best scoring bid in total and best priced bid out of the bids from three contractors. The procurement allows for boroughs to join at a later date under the same terms and conditions.

## 4. Financial Implications – These are detailed in the report.

## 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.

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## Appendix 1

Pay As You Throw	Period 02				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	6,347	6,545	199	3% more waste	38,079	38,736	657	1st half year 3% up and 2nd half year at budgeted levels
Waste - Food	54	68	14		322	339	18	
Waste - Mixed Organic	140	224	84	60% more waste	842	1,106	264	1st half year 60% up and 2nd half year at budgeted levels
				growth for some boroughs offset by later start to collections in other boroughs				1st half year at May rate 2nd half year at budgeted levels
Waste - Green	140	132	(8)		839	891	52	
Waste - Other	97	22	(75)	much lower volume of mattresses	581	526	(55)	
Depreciation	1,081	1,089	8		6,486	6,494	8	
Financing	684	699	15		4,103	4,118	15	
Premises	204	204	0		1,225	1,225	(0)	
Concession Accounting Adjustment	(607)	(587)	20		(3,645)	(3,625)	20	
				reflecting increased collection volumes				reflecting increased volumes forecast for 1st half year
Levy Income	(8,139)	(8,404)	(265)		(48,831)	(49,686)	(855)	
PAYT Net Expenditure	0	(7)	(7)		0	125	125	

Fixed Cost Levy	Period 02				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	362	345	(17)		2,173	2,120	(53)	
Premises	230	239	9		1,383	1,379	(3)	
								increased volume over last two weeks of May used to forecast for 1st half year then at budgeted levels
Waste - Residual	834	410	(425)	closure of HRRCs to public	5,006	5,317	311	forecast at budgeted levels
Waste - Green	65	0	(65)	closure of HRRCs to public	391	326	(65)	forecast at budgeted levels
Waste - Wood	172	37	(135)	closure of HRRCs to public	1,034	899	(135)	forecast at budgeted levels
Waste - Other	137	42	(95)	closure of HRRCs to public	824	729	(95)	forecast at budgeted levels
Supplies and Services	150	98	(52)		900	947	47	
Depreciation	382	384	2		2,292	2,294	2	
Financing	209	213	4		1,257	1,261	4	
Revenue Funding of Debt	153	153	0		920	920	0	
Concession Accounting Adjustment	(109)	(119)	(10)		(651)	(661)	(10)	
Trade Waste and Other Income	(348)	(308)	39		(2,085)	(2,020)	66	
Levy Income	(2,240)	(2,240)	0		(13,442)	(13,442)	0	
Fixed Cost Levy Net Expenditure	0	(745)	(745)		0	68	68	

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WEST LONDON WASTE AUTHORITY

Report of the Health and Safety Advisor and Operations  
Manager

26<sup>th</sup> June 2020

**Health & Safety: Annual review of performance in 2019-2020 and the plans for 2020-2021**

**SUMMARY**

This report reviews the Authority's Health & Safety arrangements for the year 2019-2020 and presents the Authority's Health & Safety Plan for 2020-2021.

**RECOMMENDATION(S)**

The Authority is asked to: -

- 1) Note the content of the Health and Safety Advisor's report (Appendix 1)
- 2) Note the actions taken in 2019 – 2020
- 3) Agree to the Action Plan for 2020-2021

1. **Introduction** – The Authority has Health & Safety (H&S) duties and responsibilities which are defined in legislation and expanded by developed policies and procedures. These duties also include maintaining an Authority Health & Safety Policy and a Statement of Responsibilities, as well as an annual review of Health & Safety issues. The production of a Health & Safety Action Plan for the coming year, as developed through effective consultation, and maintaining a suite of documents including risk assessments and safe working procedures.
2. **Covid-19** – Since March 2020 the Covid-19 pandemic has understandably altered risk control priorities and working practices. On the operational sites it has been necessary to alter behaviours in response to the virus, which has also presented opportunities for a greater level of collective involvement of staff in developing safe systems of work for operational tasks. This has included a greater level of signage and information for users of the sites, as well as a responsive and dynamic level of control for the day-to-day operations; developing a collective responsibility and involvement of all staff. Changes to operations have been fast paced and responsive to daily needs for example queue management, as well as day-to-day management of Covid-19 protocols on sites. The Abbey Road WTS and HRRC are now "Covid Secure".
3. **Health and Safety Action Plan for 2019-20** – the development and enhancement of health and safety standards throughout WLWA has been driven through a prioritised action plan approach. Appendix 1 sets out the progress against the actions developed for 2019-20. Of the 13 actions, only one has not been completed.
4. **Health and Safety Action Plan for 2020-21** - Over the next 12 months WLWA will move toward implementing an action plan focused on ingraining the health and safety culture into the fundamental procedures and thinking of the organisation, in line with our health and safety documentation which puts H&S front and centre.

- 5. Financial and Risk Implications** –The work identified in the action plan will require investment by the Authority. Procurement rules will be followed.
- 6. Legal Implications** – There are no legal implications as a result of this report.
- 7. Impact on Joint Municipal Waste Management Strategy (JMWMS)** – Health & Safety will impact on and be influenced by all the JWMS policies, but in particular policies 1, 3, 5, 6:
1. Effective and efficient operations focused on - **WHERE WE WANT TO BE IN THE FUTURE**
  3. Recognise the only workforce we have is our - **RESIDENTS and COLLEAGUES**
  5. We can't wait for legislation – **BE PROACTIVE**
  6. Joined up and consistent - **USING HIGH-QUALITY DATA**

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**Report Date: 11/06/2020**

Compiled by:  
Kevin Kerin CMIOSH IMaPS IIRSM  
Chartered Safety and Health Practitioner

## **Health & Safety: Annual Review of Performance in 2019-2020 and Plans for 2020-2021**

### **Report Summary**

This report details the current health and safety initiatives and actions being managed and promoted throughout the Authority. These initiatives are driven by the process of risk assessment, and implemented through a programme of information, training and supervision; as detailed in the headline requirements of the organisations' health and safety policy.

Covid-19 brings with it the greatest economic, financial and social challenge of the 21<sup>st</sup> century, after 9/11 and the 2008 financial crisis.

The escalation of the virus and required controls specific to both public and employee health and safety has understandably impacted the organisation, resulting in the development and implementation of enhanced occupational health controls, as shown within this report.

Faced with a complete review at both strategic and operational level, the works to achieve these occupational health and safety controls have been significant, requiring the collective involvement of all staff across WLWA.

A complete and systematic breakdown of all activities has been required across the organisation, using the risk assessment process to understand where Covid-19 risks are presented; prompting additional controls and an ever-present requirement for review and re-evaluation of risk control measures.

Information has been supplied regarding progress against action plans for both 2019/20 and 2020/21, with the development and implementation of enhanced risk controls and procedures. Information is also detailed regarding incidents; showing incident type and causation.





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HM Government

**Covid-19 Secure** – Since March 2020 the Covid-19 pandemic has understandably altered risk control priorities and working practices for the Authority. UK Government has provided 8 separate general guidance documents for industry, aiding organisations to achieve a standard of risk controls, thereby becoming “Covid-19 Secure”. **The development works achieved across WLWA has resulted in the quantifiable achievement of this Covid-secure standard.**

## Staying COVID-19 Secure in 2020

We confirm we have complied with the government's guidance on managing the risk of COVID-19

### • FIVE STEPS TO SAFER WORKING TOGETHER •

- ✓ We have carried out a **COVID-19 risk assessment** and shared the results with the people who work here
- ✓ We have **cleaning, handwashing and hygiene procedures** in line with guidance
- ✓ We have taken all reasonable steps to **help people work from home**
- ✓ We have taken all reasonable steps to **maintain a 2m distance** in the workplace
- ✓ Where people cannot be 2m apart, we have done everything practical to **manage transmission risk**

Employer \_\_\_\_\_ Date \_\_\_\_\_

Who to contact: \_\_\_\_\_ Your Health and Safety Representative  
(or the Health and Safety Executive at [www.hse.gov.uk](http://www.hse.gov.uk) or 0300 003 1647)

**Initiatives undertaken to achieve “Covid-19 Security” on operational sites and offices included:**

- Covid risk assessments undertaken for both site and office environments, and risk controls implemented, with enhanced supervision.
- Enhanced level of Covid signage as well as information and controls for HRRC and WTS (Staff and Site Users).



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EXAMPLE

- Facilitating the transition of employees to working from home. Working from home safety guidance issued, supported with DSE risk assessment processes.
- Enhanced levels of cleaning for operational sites and shared mobile plant, supported by risk assessment and information for operators.
- Guidance created for the use of vehicles, safe measures for car sharing and cleaning regimes.
- Signage and information on social distancing and regular hand cleaning.
- Regular review of working processes and updated information, guidance documents and training on Covid specific controls, including symptom awareness and procedures for self-isolation.
- All above actions have enhanced the occupational health and safety measures on sites as well as enabling the safe and controlled re-opening of the HRRC with controls continuously monitored for the site.

As a medium to long-term issue, the risks and applicable controls for the management of Covid-19 will be continuously monitored and assessed, against ongoing Governmental and industry developments and requirements.

## Summary of Covid-19 Actions



Covid-19 is now accepted as a medium to long term issue, which will need effective management of risks in all areas of Authority's activities. This has now prompted a review of the Authority's health and safety policy and ongoing management arrangements for information, instruction and training of all WLWA personnel.

Development works have been undertaken to



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achieve a dynamic approach to the risk assessment process of all tasks resulting in implementation or alteration of risk controls, as they are assessed, with escalated turnaround times for the provision of reviewed safe working practices.

This dynamic approach is best demonstrated by the substantial works undertaken to ensure the timely re-opening of the Abbey Road HRRC, which includes enhanced traffic control strategies, throughput management, as well as enhanced measures to protect and inform both the public and WLWA personnel.

Initiatives are currently being developed for a controlled return to work for the West Drayton office. The risks posed by Covid-19 will be under constant review and amendment, ensuring a total risk management approach to this threat.

**The HRRC opened to the public again on 18 May 2020.  
This reopening was achieved through:**

<b>Systematic assessment of all on-site and Covid-19 specific risks and required controls.</b>
<b>Collective responsibility and involvement of all persons on site.</b>
<b>Complete review of directional and public information signage, including Covid-19 controls</b>
<b>Development and implementation of health and safety training, including Covid-19 and vehicle marshalling.</b>
<b>Complete involvement of all staff on-site, enabling the safe and controlled re-opening of the HRRC</b>

## Where We Are Now – Employee Survey, and Where We Are Heading

### Where We Are Now

The high-level risks in relation to Covid-19 required a great deal of dynamic and short-range solutions to be developed, in order to ensure that our people and customers were kept safe and informed, whilst ensuring that we maintain a high level of service provision.

This has been made possible through systematic assessment of risks and the



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implementation of workable controls, enhanced by the collective involvement of personnel at an operational site level.

Covid-19 specific risk assessments have also been completed, for all operations. The results of risk assessments have been brought to the attention of all operational personnel, through controlled face-to-face training as well as guidance documents and toolbox talks.

Actions to protect our staff within the office environment resulted in the closing of the West Drayton office and personnel continuing 'business as usual' from a home working environment. This process was also controlled through the process of risk assessment, backed-up with information and guidance on health and safety risks and controls whilst working from home.

## Employee Survey

An employee survey recently completed for the Authority confirmed that in the majority, the organisation is performing strongly in developing strategies, as part of the wider risk management system.

There are also survey indicators showing where opportunities exist for enhancements of the present system.

The Authority has managed a balance between people, performance and creativity. As a result, our people feel valued and that WLWA is a great place to work. This provides an ideal platform from which to further develop an enhanced culture, including a greater level of involvement and ownership.

There are a number of opportunities where communication and collaboration can be developed further, along with a greater level of transparency and the passage of information regarding where the organisation is going and how external influences brought about by Covid-19 may affect the organisation.

## Where We Are Heading

As with all areas of health and safety, changes or alterations of risk provides us with a chance to review and adapt our developed risk management controls.

We are now facing a medium to long-term period, readily described as the 'new normal' way of working.

This has provided an opportunity for the organisation to re-evaluate the initial risk control measures implemented in order to reduce the risks posed by the virus. Furthermore, it has



Chartered Safety and Health Practitioner



Incorporated IMaPS

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enabled us to build-in a greater level of communication and inclusion, as part of the redevelopment of risk management and controls.

With a view to the longer-term risk reduction strategies needed for home working, greater focus will now be required regarding employee's mental wellbeing as well as their occupational health, which includes, ergonomics and ensuring the work/life balance is maintained. Greater levels of technological support will also need to be reviewed, comparable with the 'traditional' office levels. General communication, together with an enhanced level of inclusion will also need to be developed.

The day-to-day workings of the West Drayton office currently remain as originally designed; with members of staff attending the office under strictly controlled conditions and restrictions, for essential working elements which currently cannot be undertaken from the home working environment. This present arrangement is subject to ongoing risk assessment and review.

Operational activities at Abbey Road will also be subject to the process of ongoing monitoring and review of implemented controls. Initiatives are already in place regarding a greater level of inclusion, with personnel, with sustained inclusion of the wider site team. These actions will aid in enhancing the levels of involvement, fostering a level of collaboration and collective responsibility.

## 1. Action Plans



*in the Knowledge....*



## 2019/20 Actions Outstanding

### Review Job Descriptions to Include H&S Responsibilities (10% complete).

The H&S Advisor is waiting for updated job descriptions to be provided.

These outstanding actions will be escalated and completed, as a priority; enabling the close-out of the 2019/20 action plan.

## 2020/21 Action Plan



Chartered Safety and Health Practitioner



Incorporated IMaPS

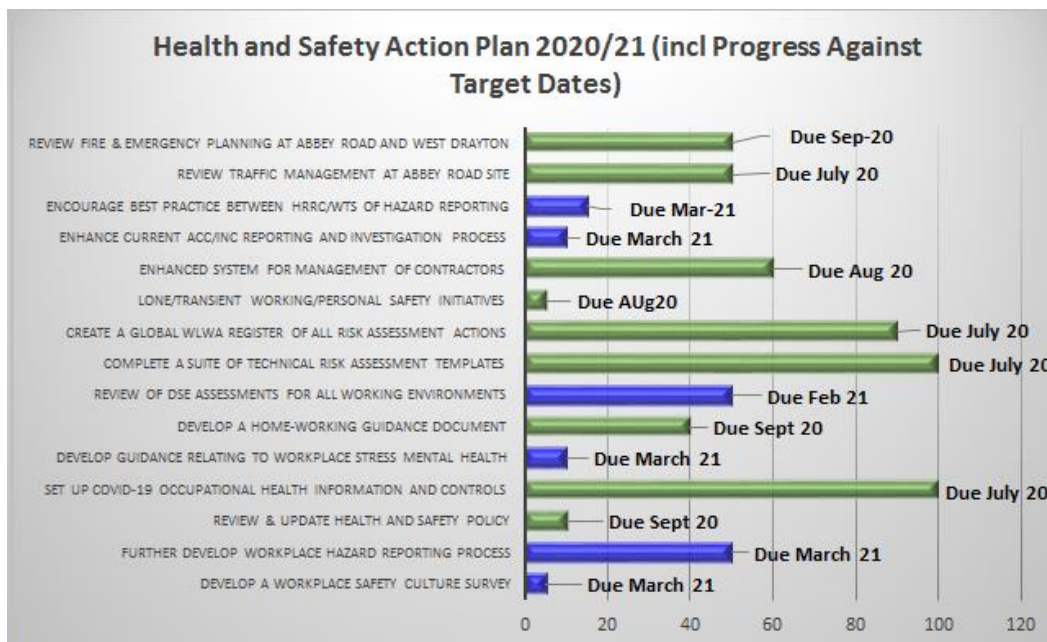
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This is a dynamic action plan, set for 20/21, which will be reviewed and amended regularly against progress on targets and new actions identified, by industry best practice and legal requirements.

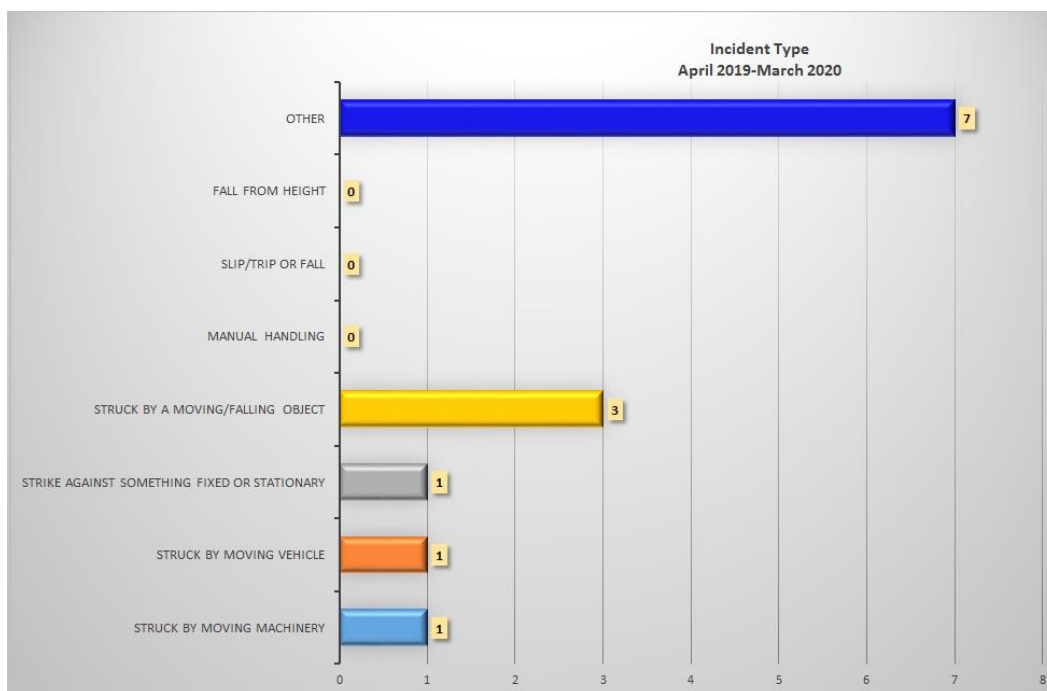
## Incident Data – April 2019 – March 2020

The graphs detailed below give visual representation of incident type and incident causation, based on reported information of incidents during this period. The number of 'other' category incidents provides an opportunity to investigate and allow greater detail of incident type, providing greater clarity going forward.

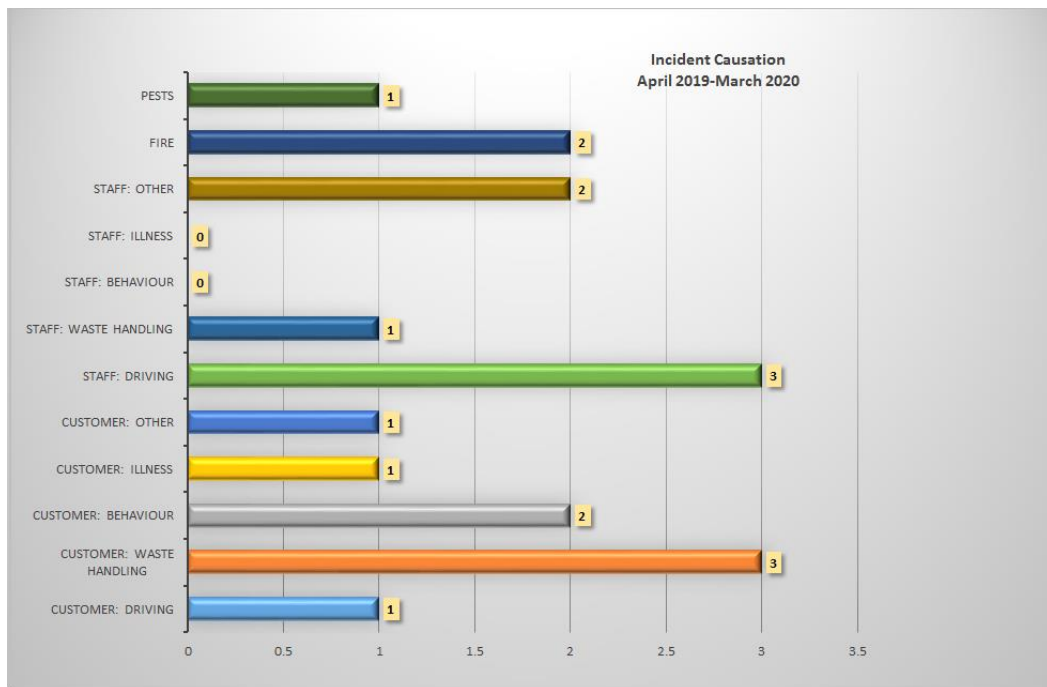


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## Incident Type



## Incident Causation



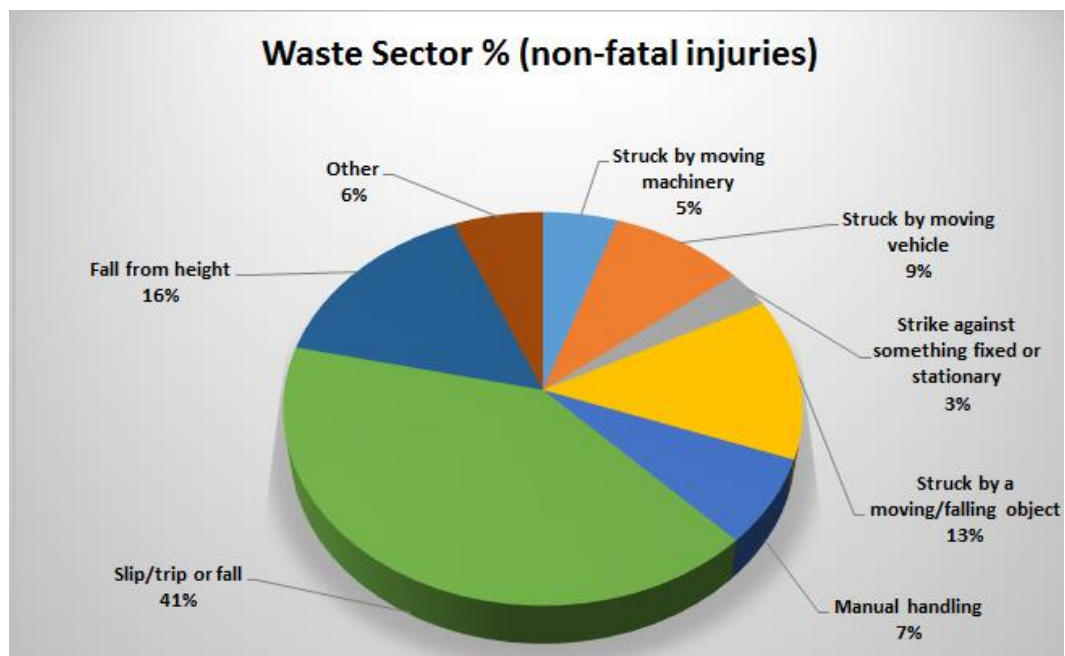
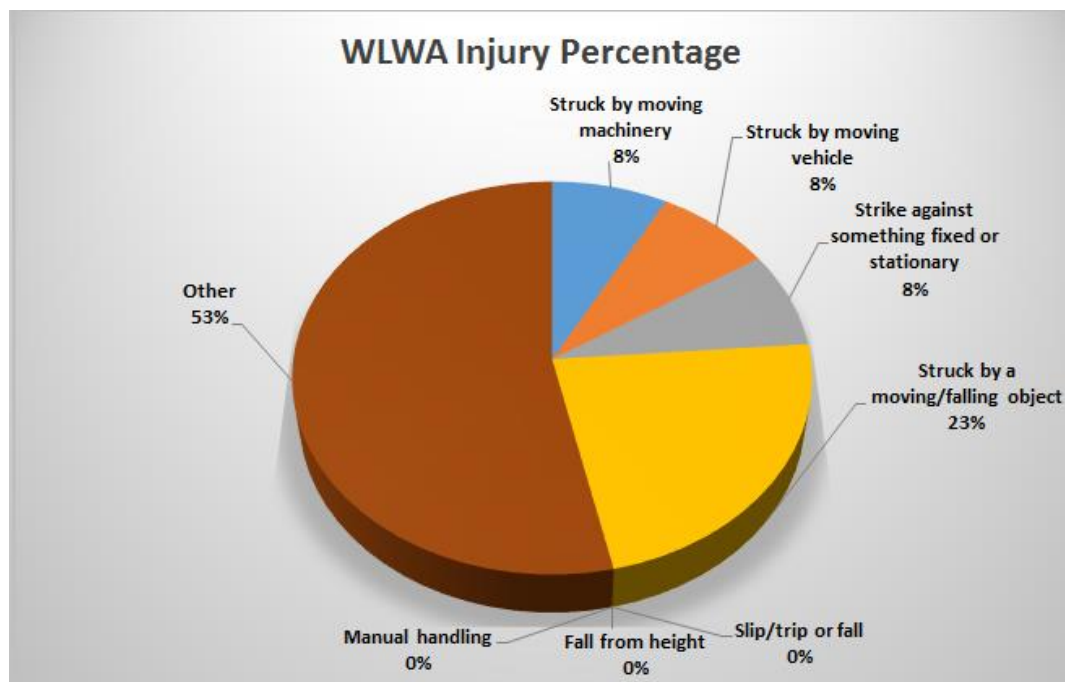




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## Comparison of Incident Type (WLWA Vs Waste Sector)

The graphs below give a visual comparison of the Authority injury percentages, against the waste sector percentages for this reporting period.



## WEST LONDON WASTE AUTHORITY

Report of the Managing Director and Chief Technical Advisor

26 June 2020

### Coronavirus Update and contingency planning

#### SUMMARY

This report provides details of the management and contingency planning related to the Covid 19 pandemic.

#### RECOMMENDATION(S)

The Authority is asked to:-

- 1) Note the increased cost and activity due to coronavirus and mitigations to date

**1. Background** – The Authority and Boroughs are operating waste and recycling services within a regularly changing legislative environment due to the Covid 19 pandemic. The primary focus is to keep people safe and to mitigate cost increases by supporting the West London Environment Directors Board objective to become carbon neutral by 2030 and deliver our joint municipal waste strategy outcomes:

- Effective and efficient operations focused on - **WHERE WE WANT TO BE IN THE FUTURE**
- Our climate emergency response is to focus on - **NO MORE WASTE**
- Recognise the only workforce we have is our - **RESIDENTS and COLLEAGUES**
- Tackling clean streets and flytipping – **WASTE IS A CRIME**
- We can't wait for legislation – **BE PROACTIVE**
- Joined up and consistent - **USING HIGH-QUALITY DATA**

**2. Keeping people safe** – The Health and Safety Update provides more detail on the immediate and ongoing activities undertaken to keep employees, contractors and residents visiting our sites safe. At the start of the Covid 19 pandemic one employee suddenly passed away and five employees identified as needing to shield. Most office based staff were able to work effectively from home. Maintaining operations and ensuring the resilience of operations across all of the West London sites was challenging as home working is not possible and the sites are all operated independently. The Managing Director relocated to the Abbey Road site to support the operational management of all HRRCs and small transfer stations.

**3. Employee survey** – At the end of May 2020 all employees were surveyed anonymously to understand their perceptions of how WLWA has managed the pandemic and the effect it has had on employees. Employees were also asked for feedback on organisational culture, employee experience, management training needs and employee wellbeing and happiness. The survey received a 94% response rate and overall, employees perceive West London Waste to have handled this crisis well. Employees feel safe, the organisation was deemed to have acted with compassion and understanding in providing flexible working options and communication has been effective. One outstanding achievement was that 100% of employees partaking in the survey felt the organisation had served its customers to the best of

its ability throughout this pandemic so far. Employees also identified the organisation as a great place to work, that it values its people and that it has created a strong team environment.

**4. Key Learning points** - To improve, employees identified that there is no such thing as too much communication and that greater transparency and involvement in how the covid-19 situation will change the way we work moving forward was needed. Providing consistent employee development opportunities was highlighted as an area we can do more in.. Culturally WLWA has been moving away from a hierarchical structure towards one that supports personal responsibility and accountability to increase productivity but organisational agility needs to keep pace. This culture change has also been faster with office based staff than on site at Abbey Road. Approximately 25% of employees are not as engaged as we would like. Virtual working, although positive in some ways has removed some of the cross-team opportunities which people miss and would like to re-establish.

**5. Actions** – Daily meetings have been established in the Operations teams. The senior management team, Officers Board and Members have been meeting weekly. The Environment Directors Board and Climate Emergency Group is meeting fortnightly. A series of virtual communications training sessions started at the same time as the survey took place to support personal leadership throughout a physically fractured organisation. The scale of change needed operationally due to Covid 19 helped to speed up culture change at Abbey Road.

**6. Next steps** - Next steps includes: establishing a new way of managing HRRCs including a booking system and expansion of the bulky waste collections across west London, reviewing the various meetings timetables, structure and approach, investigating the feasibility of temporary offices at Abbey Road to create more space, establishing cross cutting teams to work together on topics eg carbon reduction, communications, data management and HRRC improvements, and exploring methods of offering better organisational agility and clarity on the future.

**7. Cost contingency planning** – The March cost contingency planning paper demonstrated the cost impact of typical collection contingency measures with growth assumptions as we headed towards an uncertain pandemic situation. The West London Environment Directors commitment to Plan A services has resulted in very strong mitigation of increased costs and increased recycling by being focused on total system not individual budgets. The strength of the Environment Directors group continues with fortnightly meetings reviewing waste flows and focusing on green recovery across West London. The Environment Directors Board has been asked to lead the cross cutting theme of green recovery in the West London economic recovery plan. Food waste projects are restarting and the Borough value stream mapping exercises are being booked in for June and July. In operational activity the cost of running Abbey Road has increased and the revenue from trade waste and recycling is reduced. These costs have been mitigated as much as possible by re-purposing waste minimisation staff and recycling more from the trade waste.

**8. Annual accounts** – The production of the annual accounts in a pandemic situation with a newly recruited Senior Accountant was very challenging. The whole Finance team is to be commended for completing the work to a high standard in the normal timescale.

**9. HRRC development** – The Covid 19 pandemic has highlighted the interconnected nature of the sites in West London and the importance of managing sites collectively not individually.

Since re-opening, we are learning how to manage the sites within social / physical distancing guidelines. The number of people able to access sites is constrained, the smaller waste offtakes are less reliable and collection systems may need to adapt to support residents ability to dispose of waste without queuing for hours. Allowing residents to book visits and increasing bulky waste collection capacity is being investigated. Data is being collected from the waste minimisation surveys in Brent, Ealing, Hounslow and Richmond to support decisions on next steps.

**10. Financial Implications** – The increased costs of Covid are being recorded. Adaptation of the organisation is focused on mitigating cost increases by; maintaining and increasing the use of recycling streams through collections and HRRCs, and focusing on reducing waste with the food waste projects.

**11. Legal Implications** – The legislation and guidance relating to Covid 19 changes regularly. Officers are keeping up to date by reviewing and discussing updates at a weekly Officers Board and a weekly senior management team meeting cascading to weekly team meetings.

**12. Impact on Joint Municipal Waste Management Strategy** – Included in the report.

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## Projects and Waste Minimisation Update

### SUMMARY

This report provides an update on the Authority's waste minimisation, efficiency and joint working projects.

### RECOMMENDATION(S)

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

- 1. Introduction** - The waste programme as detailed in the March Authority paper has six key themes (Appendix 1), initiated by Officers and delivered in conjunction with the constituent Boroughs to develop collaborative working in West London. This report covers the main project updates and governance of the wider programme is managed through the WLWA senior management team.
- 2. Data** – This is a long-term strategic project, supporting waste data flow reporting and is aligned with the Resources and Waste Sector Deal, to capture and share up to date waste management data for the West London Boroughs. Officers have designed a data flow model to provide high level information and navigation through the different levels and dashboards (Appendix 2 Data). The system has been designed to increase awareness of and access to the existing data. Officers are working on access for Boroughs to near-live data and dashboards within the next three months.
- 3. Waste Minimisation (MJ)** – Officers have shifted focus from attending public events due to the Covid-19 lockdown to managing a range of waste reduction and improvement projects at Abbey Road Household Reuse and Recycling Centre. The improvements are focused on the customer experience and include infrastructure redesign and development, staff training and interacting with site users to gather usage data on HRRC versus kerbside and wider service usage. To capture and interrogate the data the team is asking all site users to complete a questionnaire on residency and waste types. This information is used to heatmap service users and inform on HRRC system usage (Appendix 3 HRRC Survey). The team is also actively monitoring the level of contamination within the waste recyclable waste streams to develop improved segregation systems to be adapted onto other HRRCs. This work has a direct impact on the value and quality of the resources recovered on site.
- 4. HRRCs / Sites** – Officers are in the process of reviewing and analysing the provision of HRRCs within the context of the whole waste system in the West London region and working with the Environment Directors on the fortnightly calls. Following the closure of the sites during the Covid-19 lockdown and the subsequent reopening, a number of risks and opportunities have arisen including site capacity.

The HRRCs are a constrained system with limited capacity due to social distancing that has led to queuing at sites. The ongoing restrictions have led officers to investigate alternative solutions to provide the service whilst also delivering carbon, air quality and customer service benefits. These include booking systems and enhanced bulky waste collections from households.

A booking system would ensure that there is sufficient time for residents to effectively segregate materials for recycling whilst on site as well as manage the dispersal of queues more evenly through the day. Officers are looking to implement a booking system for all users of the Abbey Rd

site from the 25<sup>th</sup> June. The data captured from the booking system will be used to inform on usage patterns, kerbside service limitations and trade abuse of resident services.

Officers have identified the opportunity to enhance the bulky waste home collections systems to help alleviate congestion and cut down on resident journeys to the HRRCs. Officers are arranging a pilot scheme to run across the West London specifically aimed at next day collections of material that would have otherwise been driven to the HRRCs. This system reduces traffic movement, reduces carbon, improves the traffic flow on the HRRCs and enhances customer experience with an ‘Uber’ style interface.

**Collections** – Officers are rolling out fill level sensors into the participating Boroughs with c.500 operational by the end of June. Work on the efficiency of the collections system operating across the sensors is ongoing and this project will be linked with the data project, please see sensors dashboard (Appendix 4).

The food waste project is progressing with most Boroughs completing the Value Stream Mapping of the services with WLWA officers (end June) to establish baseline for the existing services and agree business cases to access the investment. The VSM process will incorporate all of the lessons learnt from the Food Waste Comms project this year.

WLWA officers have used the Borough business cases to identify the potential cross boundary benefits that can be jointly delivered including, procurement, delivery systems and collections routing.

A full analysis and breakdown of the expected Return on Investment from each the business cases will be the basis for the approval of funds and milestone payments.

5. **Risk** – The Covid-19 lockdown has created an increased risk to all projects therefore the full programme is being reviewed to reassess the requirements for delivery given the current restrictions and possible benefits. The impact of the lockdown so far has been minimised through revised working practices and focusing on remote delivery.

There are still further consultations and a revised timetable for legislation is expected, related to the Resources and Waste Strategy, which must be considered during the development of all projects.

6. **Financial Implications** – During the budgeting for the 2020/2021 year there was no requirement for an additional bulky waste service or a booking system at the HRRCs. The delivery of these projects will be unbudgeted in 2020/21. The cost impact is currently unknown but it is expected to be low. The projects overall impact on the whole system is expected to help mitigate some of the costs due to Covid-19.

7. **Staffing Implications** – None

8. **Health and Safety Implications** – The Projects Team has moved predominantly to working from home during the Covid-19 pandemic. All fieldwork has been risk assessed for the tasks to be completed and have had additional Covid-19 controls included in the mitigation measures.

Members of the Waste Minimisation Team have moved to working on the Abbey Rd site during the pandemic and have all had the required inductions to operate on the site including the update for operations during the C19 pandemic.

9. **Legal Implications** - None

#### 10. **Joint Waste Management Strategy**

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

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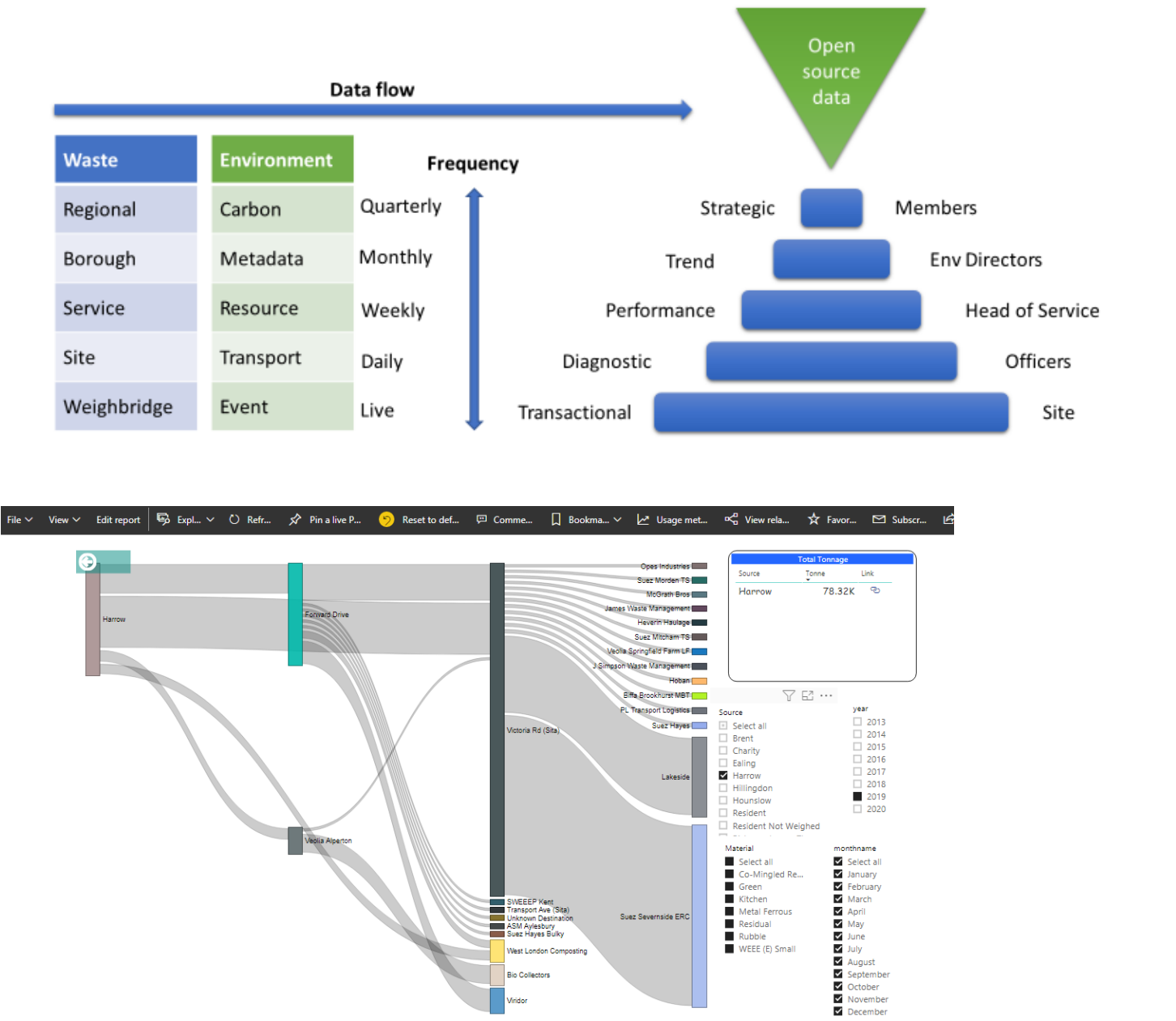
	<a href="mailto:mildredjeakins@westlondonwaste.gov.uk">mildredjeakins@westlondonwaste.gov.uk</a> Emma Beal, Managing Director <a href="mailto:emmabeal@westlondonwaste.gov.uk">emmabeal@westlondonwaste.gov.uk</a>	01895 545515
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Appendix 1 Programme Objectives

<b>Data</b>	<b>Objective 1: To view and share holistic data for the sub region</b>
<b>Waste Minimisation</b>	<b>Objective 2: To reduce waste and increase recycling</b>
<b>Collections</b>	<b>Objective 3: Align the collections strategy with the disposal strategy</b>
<b>Sites</b>	<b>Objective 4: To create a network of sites for recycling and reduce costs</b>
<b>Procurements</b>	<b>Objective 5: To reduce risk and increase opportunity</b>
<b>Recyclable Processing</b>	<b>Objective 6: To create recycling sorting capacity to reduce risk and jointly procure processing services</b>
<b>Strategic Partner Projects</b>	<b>Objective: Increase efficiency of the Transfer Station site and SERC</b>

Appendix 2 Data model and beta dashboards



Appendix 3 HRRC user survey paper

Appendix 3 HRRCs  
SurveySummary

Appendix 4 – Sensors dashboard



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WEST LONDON WASTE AUTHORITY

Report of the Head of Service Delivery & Operations Manager

26 June 2020

**Contracts and operations update**

**SUMMARY**

This report provides an update on the Authority's various waste treatment arrangements and procurements.

**RECOMMENDATION(S)** The Authority is asked to:

- 1) Note the information within this report.

**1. Introduction**

This report provides an update on WLWA's existing contracts and operations for managing west London's waste. This conforms to key strategic outcomes in the new draft joint strategy (JMWMS) 'Effective and efficient operations focused on where we want to be in the future', 'better transport', 'carbon neutral by 2030', and 'collaborative models in the sub-region and pan-London'.

**2. West London Residual Waste Services contract**

The contract is performing well. Performance against the contract targets is excellent, with landfill diversion for 2019/20 at 99.8% (target 96.1%) and recycling of residual waste at 5.7% (target 2.1%).

Despite the additional pressures of Coronavirus the contract services have been delivered well, due to effective infection prevention measures put in place by the contractor and careful management of staff absence (due to self-isolation) across the organisation. Wasteflows had been lower than forecast due to the closure of HRRCs, but have now increased to slightly above forecast since the HRRCs have re-opened. The contract sites are coping well with this increase.

Planned outages at Severnside Energy Recovery Facility (SERC) have been amended, with the major outage pushed back from June 2020 to March 2021.

WLWA and Suez are continuing to develop a programme of projects for improving the efficiency of the sites, including upgrades to waste loading and lifting equipment and improved fire suppression.

**3. Viridor residual waste contract (Lakeside)**

Lakeside ERF went through some short-notice maintenance at the start of lockdown, but this was managed well with waste being diverted to Viridor's Ardley ERF in Oxfordshire.

Deliveries to Lakeside are lower than forecast due to lower than expected direct deliveries from Boroughs. The annual schedule will be re-worked in the next two weeks following confirmation of the new outage dates for SERC. During lockdown, Townmead Road HRRC was able to separate black bag waste from bulky waste as they had more space (with the site being closed to the public). This black bag waste was sent to Lakeside to increase the tonnage. WLWA continues to work with Boroughs to identify opportunities to separate black bag waste at HRRCs.

**4. Food waste contract**

The contract covers the collection and treatment of kerbside collected food waste from Transport Avenue, Southall Lane and Alperton Lane transfer stations to Bio Collectors (in Mitcham) for

treatment by anaerobic digestion. We are currently in the second year of this 10 year contract (with an option for a five year extension) and the contractor is providing an excellent service.

Food waste has increased by 6% since the start of coronavirus lockdown compared to the same time last year. This is partly due to changes in resident behaviour as a result of the lockdown and has been facilitated by food waste communications projects which have increased residents' awareness of food waste services and increased their ability to participate in them.

Vehicles powered by the biogas from the anaerobic digestion plant are now being used for all collections from west London sites as of 01 May 2020.

## **5. Green waste and mixed organics contracts**

CountryStyle Recycling Ltd contract (Lot 1) – This contract covers the collection and treatment of green waste. The current contractor provides a very good level of service and WLWA and partners are happy with the service provided by CountryStyle Recycling. The initial term of this contract expired on 30 April 2020 and it has been extended for the maximum period of two years (expiring on 30/04/22).

West London Composting Ltd contract (Lot 1 and Lot 2) – This contractor provides an excellent service for the collection and treatment of green waste and mixed organic waste. The Lot 1 contract is for the treatment of green waste and the Lot 2 contract is specific to mixed organic waste. The initial term of both West London Composting Ltd contracts expired on 30 April 2020 and both contracts have been extended for the maximum period of two years (expiring on 30/04/22).

WLWA's green waste contractors have seen their tonnages impacted by coronavirus due to the temporary suspension of green waste collections in Richmond and Harrow and the temporary closure of HRRCs, however service delivery was not affected and tonnages have now returned to normal levels.

## **6. Transport contracts**

The contract for transporting non-recyclable waste from HRRCs, provided by J Shorten & Sons Ltd, was been extended by two years from 1 May 2020 following agreement at the January Authority meeting.

The Suez Transport contract is for the removal of segregated materials from the HRRC sites in roll-on roll-off containers. This was been extended by two years from 1 June 2020 following agreement at the January Authority meeting.

Both contracts experienced a decrease in collections when HRRCs were temporarily closed but these have now returned to normal levels and the contractors have managing pick-ups effectively in order to avoid the busiest times at the HRRCs.

## **7. Dry Recyclables**

This new contract covers the collection of Ealing Council's dry mixed recyclables from Greenford depot (Ealing) for processing at Viridor's MRF at Crayford. Procurement was competed in January 2020 and the contract was awarded to Viridor.

The contract commenced on 6 June 2020 and will run for five years with 12 month rolling break clauses (to enable new arrangements to be sought if necessary, as a result of legislative changes or other market changes. The contract itself will be between WLWA and Viridor, with all operational costs charged through to Ealing on a monthly basis. Any revenue earned from the sale of materials is paid to Ealing, also on a monthly basis. The procurement of this contract allows more Boroughs to join at a later date under the same terms and conditions. Haulage of the dry recyclables to Viridor's MRF is done through the existing transport contract with J Shorten & Sons.

## **8. Abbey Road WTS**

A number of improvement works at the site have now been completed, with several being fast-tracked during the time when the site was unavailable to the public. All repairs identified as part of the 'fire damage project' (from the WLWA Health and Safety Action Plan 2019/20) are now complete with the steelwork repairs and new netting fixed to the steelwork. In addition areas of fencing around the WTS have been repaired or replaced, 2 large areas of cracked concrete have been replaced and new signage has been positioned to improve the user journey around site.

## **9. Abbey Road HRRC**

Residents returning to the HRRC after 18 May have noticed a number of differences in the look and feel of the site. There are new clearer signs to help residents sort their recyclables from their non-recyclables, bins have been freshly painted, a new wildflower meadow is being grown and items thought to be rubbish have been upcycled to help inspire reuse. Visitors are talking to site staff about how and why they use the service and many have taken to Google to leave 5 star reviews complimenting helpful and friendly staff and an efficiently run service.

As with all HRRCs there have been significant queues as the items generated during lockdown clear outs and tidy ups are brought in and the number of people on the site is restricted to help with social distancing requirements to keep both visitors and staff safe. A van booking system has been introduced to help manage the queues, all residents using a van to transport items are asked to book a timeslot.

Social distancing and infection prevention measures for site staff have been put in place since the start of the pandemic and are being constantly reviewed and improved.

## **10. Other West London HRRCs**

All sites re-opened on 18 May (11 May for Hillingdon) with a number of measures in place to encourage social distancing. With reduced numbers of vehicles able to access the sites at any one time there has been significant queueing at all sites with disruption on surrounding roads.

WLWA and the Boroughs are collaborating at a new level in order to support the running of HRRCs. As part of this WLWA officers have been helping site staff at Ealing, Hounslow and Richmond deliver surveys of customers while they queue. Initial data shows a significant increase in garden waste across most sites, probably as a result of people being at home and having time to do more gardening. Data is also being collected on where users are travelling from and how they use the sites in order to better understand service requirements. Tonnage data is also being collected and analysed weekly to look at the change in material types and quantities,.

## **11. Health and Safety**

Contractors have taken major steps to reduce the risk of Coronavirus infection across their operations. Measures include social distancing on sites, routine cleaning and decontamination of plant and equipment and adjustment of shift patterns to keep groups of staff separate.

At WLWA's Abbey Road site, Coronavirus prevention measures designed to protect staff and customers have been introduced, with toolbox talks used to help communicate the information. The measures include:

- Social distancing rules for driving vehicles, managing the site, using communal areas and offices and interface with the public
- Rules for the cleaning of touch-points on vehicles and plant and enhanced cleaning of offices and communal areas
- Restrictions on the physical handling of wastes
- Shielding of staff who are at enhanced risk
- Provision of PPE including face mask and guidance on its usage
- Restrictions on the number of site users at any one time

- Clear signage and markings on site for staff and customers
- Weekly review of all standards and safe systems of work

## 12. Financial Implications

The impacts of coronavirus have led to changes in waste flows, notably a 6% increase in all kerbside collected waste and a decrease during lockdown of waste from Borough HRRCs. Calculations are currently taking place to estimate the budget impact of these changes and it is anticipated that costs will be higher than forecast. Tonnages are being monitored closely each week in order to inform the budget forecasts which will be communicated to Boroughs in the coming weeks.

The textiles offtake market is currently risky due to a lack of outlets (closed charity shops and reduced international material flows). Cost and carbon emissions will increase significantly if textiles need to be managed via the residual waste stream. The situation is being managed directly with Government who are being lobbied to introduce Extended Producer Responsibility for textiles.

Social distancing is increasing health and safety and cost risks at HRRCs. WLWA is working with the Boroughs to mitigate this up-front by capturing waste through collection systems rather than HRRCs (as described in the Projects Update).

## 13. Staffing Implications

More staff are being utilised to manage the Abbey Road HRRC and provide support at Borough HRRCs. As part of this change, Waste Minimisation Officers have been re-purposed to support the HRRCs in order to help hold back the growth of waste and make sure recycling is maximised.

## 14. Legal Implications

WLERL (the residual waste services contractor) has given notification of a Force Majeure event in relation to the Coronavirus crisis, but has not requested any specific relief at this stage. WLWA has received legal advice on the matter and is working closely with the contractor to minimise the impacts of Coronavirus.

The Coronavirus situation continues to evolve rapidly and WLWA is keeping up to date on the latest Government guidance and legislation, continuously adapting operations and seeking legal advice where necessary.

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

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WEST LONDON WASTE AUTHORITY

Report of the Contracts Manager

26 June 2020

**Procurement update**

**SUMMARY**

This report provides an update on changes to the Authority's procurement rules.

**RECOMMENDATION(S)** The Authority is asked to:

- 1) Agree the Authorisation Tables for the procurement of Supplies/ services and the procurement of Works which will form part of the updated WLWA Procurement Rules.

**1. Introduction**

At the Authority meeting in March 2020 the WLWA Procurement Report provided a summary of the main proposed changes to the WLWA procurement rules. These included:

- The development of a Procurement Review Board which comprise the Managing Director, Senior Management Team and Contracts Manager.
- Business cases for procurements will be put forward by WLWA managers to the Procurement Review Board as part of the procurement planning process. Each case will be discussed to assess the difficulties and benefits of each procurement, including all market research and pre-market engagement work that has been undertaken to understand the market complexity. The Procurement Review Board will carry out a rigorous assessment of each procurement project and will make a collective decision regarding each recommended procurement route.

Annexe AA contains the authorisation tables for approval. These authorisation tables set out the proposed value bands, governance process and contract approval level for each procurement threshold. There are two separate authorisation tables one covering the procurement of works and the other covering the procurement of supplies and services.

Once the authorisation tables have been approved the Contract and Procurement Rules document will be updated and brought to the September 2020 Authority Meeting for approval.

**2. Health and Safety - None**

**3. Financial Implications -** These procurement rules provide a framework to help ensure that all works and services are procured in a way that delivers best value for money for the Authority

**4. Staffing Implications - None.**

**5. Legal Implications –** The requirements of the Public Contracts Regulations are incorporated within the procurement rules.

**6. Joint Waste Management Strategy Implication -** The draft procurement rules are designed to help deliver the Authority's Joint Waste Management Strategy policies, particularly 'Effective and efficient operations focused on where we want to be in the future'.

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## Annexe A Authorisation tables

**Table 1 - Contracts and Procurement Authorisation Table for the Procurement of Supplies and Services**

	Total Aggregate Contract Value <sup>1</sup>	How many quotes are required?	How should WLWA approach the market?	Who leads the procurement?	Should the Contracts be formally advertised?	Documentation Required	Governance Process	Who must approve contract award? <sup>2</sup>
1.	Less than £5,000	Obtain and retain a minimum of one quote.	Though not required, evidence of exploring solutions is strongly advised.	Responsible Officer	No	Quotation(s) and any evidence of premarket engagement to be kept in the central file.	None <b>NO WAIVER REQUIRED</b>	Project / Budget Manager
2.	£5,000 to £50,000	Advertised through Dynamic Purchasing System (DPS).  <b>OR</b>  Supplier selected through Borough Framework or local/national Frameworks where permitted. Terms of Framework Agreement to be followed noting that mini-competitions may be required.  <b>OR</b>  Minimum of three solutions with quotations required.	Obtain a minimum of three solutions with quotes.	Responsible Officer	If over £25,000 consider advertising on, e.g. Contracts Finder or DPS.	Notify the Contracts and Procurement Manager at the outset of procurement.  Minimum of 3 solutions with quotations obtained.  All documentation and evidence of any premarket engagement to be kept in the central file.  Circumstances where only one suitable provider exists need to be notified to the Contracts and Procurement Manager for consideration.	Contracts and Procurement Manager to log evidence.  <b>NO WAIVER REQUIRED</b>	Budget holder

<sup>1</sup> Contracts should not be artificially underestimated or disaggregated into two or more separate Contracts where the intent is to avoid the application of the Contract Procedure Rules or Public Procurement Regulations.

<sup>2</sup> Decision to award must be made by a separate individual to the Responsible Officer that is making the recommendation to award.

	Total Aggregate Contract Value <sup>1</sup>	How many quotes are required?	How should WLWA approach the market?	Who leads the procurement?	Should the Contracts be formally advertised?	Documentation Required	Governance Process	Who must approve contract award? <sup>2</sup>
3.	<b>Supplies &amp; Services Contracts</b>  £50,000 to EU Threshold for Supplies and Services (£189,330)	Same as item 2.	Approach to be determined by PRB	Manager / Responsible Officer.	Same as item 2.	A contract must be put in place which will depend upon the value and complexity of the procurement.  Business case proposals developed as appropriate for project size/complexity.  All documentation and evidence of any premarket engagement to be kept in the central file.  Circumstances where only one suitable provider exists will be discussed by the Procurement Review Board as part of the Strategic Procurement meetings.	Business Case to be approved by the Procurement Review Board prior to procurement commencement.	Procurement Review Board  Contracts to be signed by members of the Senior Management Team
4.	<b>Supplies &amp; Services Contracts</b>  Over EU Threshold for Supplies and Services (£189,330)	Advertised through DPS  <b>OR</b>  Borough Framework or local/national Frameworks where permitted. Terms of Framework Agreement to be followed noting that mini-competitions may be required.  <b>OR</b>  Formal OJEU tender process required tendered in accordance with PCR.	Most economically advantageous tender must be selected, achieving Best Value and Value for Money for the Authority to be determined by PRB	Manager / Responsible Officer	<b>Yes</b>  Formal OJEU tender process required.  <b>Use of E-Procurement portal is mandatory.</b>  Procurement <u>must</u> also be advertised on Contracts Finder.	<b>Formal tender documents to be prepared pursuant to the PCR.</b> ITT/ITPD documents will include: terms & conditions of the contract, service specification, method statement questions, pricing document, and information to tenderers, including evaluation criteria.  The financial status of the bidder to be considered as part of tender evaluation. Requirement for a bond or guarantee to be considered.  OJEU and contracts finder contact notice and Contract Award Notice.	Business Case to be approved by the Procurement Review Board prior to procurement commencement	Procurement award report to Members is required.  <b>Chief Officers and Members to approve contract award if contract value over 1 million</b>  <b>All Contracts over 1 million to be Sealed</b>

**Table 2 - Contracts and Procurement Authorisation Table for the Procurement of Works**

Total Aggregate Contract Value <sup>3</sup>	How many quotes are required?	How should WLWA approach the market?	Who leads the procurement?	Should the Contracts be formally advertised?	Documentation Required	Governance Process	Who must approve contract award? <sup>4</sup>
1. Less than £5,000	Obtain and retain a minimum of one quote.	Though not required, evidence of exploring solutions is strongly advised.	Responsible Officer	No	Quotation(s) and any evidence of premarket engagement to be kept in the central file.	None <b>NO WAIVER REQUIRED</b>	Project / Budget Manager
2. £5,000 to £50,000	Advertised through Dynamic Purchasing System (DPS).  <b>OR</b>  Supplier selected through Borough Framework or local/national Frameworks where permitted. Terms of Framework Agreement to be followed noting that mini-competitions may be required.  <b>OR</b>  Minimum of three solutions with quotations required.	Obtain a minimum of three solutions with quotes.	Responsible Officer	If over £25,000 consider advertising on, e.g. Contracts Finder or DPS.	Notify the Contracts and Procurement Manager at the outset of procurement.  Minimum of 3 solutions with quotations obtained.  All documentation and evidence of any premarket engagement to be kept in the central file.  Circumstances where only one suitable provider exists need to be notified to the Contracts and Procurement Manager for consideration.	Contracts and Procurement Manager to log evidence.  <b>NO WAIVER REQUIRED</b>	Budget holder

<sup>3</sup> Contracts should not be artificially underestimated or disaggregated into two or more separate Contracts where the intent is to avoid the application of the Contract Procedure Rules or Public Procurement Regulations.

<sup>4</sup> Decision to award must be made by a separate individual to the Responsible Officer that is making the recommendation to award.

	Total Aggregate Contract Value <sup>3</sup>	How many quotes are required?	How should WLWA approach the market?	Who leads the procurement?	Should the Contracts be formally advertised?	Documentation Required	Governance Process	Who must approve contract award? <sup>4</sup>
3.	<b>Works Contracts</b>  £50,000 to £1million  (Noting this is below EU Threshold for Works)	Same as item 2.	Approach to be determined by PRB	Manager / Responsible Officer.	Same as item 2.	A contract must be put in place which will depend upon the value and complexity of the procurement.  Business case proposals developed as appropriate for project size/complexity.  All documentation and evidence of any premarket engagement to be kept in the central file.  Circumstances where only one suitable provider exists will be discussed by the Procurement Review Board as part of the Strategic Procurement meetings.	Business Case to be approved by the Procurement Review Board prior to procurement commencement.	Procurement Review Board  Contracts to be signed by members of the Senior Management Team
4.	<b>Works Contracts</b>  £1million to EU Threshold for Works (£4,733,252)	Same as item 3.	Same as item 3.	Responsible Officer  Same as item 3.	Same as item 3.	A contract must be put in place which will depend upon the value and complexity of the procurement.  Request for Quotation ( <b>RFQ</b> ) documents will include: terms & conditions, service specification, method statement questions, pricing document, information to tenderers including evaluation criteria.  The financial status of the bidder to be considered as part of tender evaluation. Requirement for a bond or guarantee to be considered.	Business Case to be approved by the Procurement Review Board prior to procurement commencement	Procurement award report to Members is required  Chief Officers and Members to approve contract award if contract value over 1 million  All Contracts over 1 million to be Sealed.

5.

Total Aggregate Contract Value <sup>3</sup>	How many quotes are required?	How should WLWA approach the market?	Who leads the procurement?	Should the Contracts be formally advertised?	Documentation Required	Governance Process	Who must approve contract award? <sup>4</sup>
<b>Works Contracts</b> Over EU Threshold for Works (£4,733,252)	Advertised through DPS  <b>OR</b>  Borough Framework or local/national Frameworks where permitted. Terms of Framework Agreement to be followed noting that mini-competitions may be required.  <b>OR</b>  Formal OJEU tender process required tendered in accordance with PCR.	Most economically advantageous tender must be selected, achieving Best Value and Value for Money for the Authority to be determined by PRB	Manager / Responsible Officer	<b>Yes</b>  Formal OJEU tender process required.  <b>Use of E-Procurement portal is mandatory.</b>  Procurement <b>must</b> also be advertised on Contracts Finder.	<b>Formal tender documents to be prepared pursuant to the PCR.</b> ITT/ITPD documents will include: terms & conditions of the contract, service specification, method statement questions, pricing document, and information to tenderers, including evaluation criteria.  The financial status of the bidder to be considered as part of tender evaluation. Requirement for a bond or guarantee to be considered.  OJEU and contracts finder contact notice and Contract Award Notice.	Business Case to be approved by the Procurement Review Board prior to procurement commencement	Procurement award report to Members is required.  Chief Officers and Members to approve contract award if contract value over 1 million  <b>All Contracts to be Sealed</b>