West London Waste Authority

Statement of Accounts

For the year ended 31 March 2017

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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 Borough Partnership Meetings between officers of the Authority and officers of the constituent boroughs.

The main administrative offices of the WLWA are located in Hounslow Civic Centre. At the end of the year WLWA employed 36 staff (previous year: 33). WLWA is headed by the Managing Director (appointed September 2016) and three part-time chief officers – The Clerk, Treasurer and Chief Technical Adviser, who are 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, health and safety and occupational health advice
- London Borough of Ealing – treasury, payroll, ICT, finance systems;
- 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 there has been a major shift of focus on how waste is disposed of – moving from the landfilling of waste towards increased 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 Joint Waste Management Strategy.

In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long term contracts that will see most of the constituent boroughs' waste that cannot be recycled or composted used to produce energy. A key part of this was entering into a long term Public Private Partnership arrangement and constructing a new energy from waste recovery centre which commenced full service during the year in December 2016. This will provide for 300,000 tonnes of waste per year to be treated, in addition to the 90,000 tonnes already going to energy recovery. The electricity generated will be sufficient to power over 50,000 homes.

This delivers one of the key objectives of the Joint Waste Management Strategy and crucially this new approach will mean that a minimum of 96% of waste will not go to landfill so avoiding 83,000 tonnes of carbon dioxide emissions each year.

Activity

The principal statutory responsibility for the Authority 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 3.0% rise in volume of borough collected waste being received by the Authority to 576,000 tonnes for the year. During the year, 84.7% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

	2016-17 Tonnes	**2015-16 Tonnes**
Recycling and reuse	86,000	66,000
Composting	85,000	84,000
Energy recovery	317,000	134,000
Landfill	88,000	275,000
Total waste	**576,000**	**559,000**

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 73,000 tonnes. Of this householders deposited 40,000 tonnes; 21,000 tonnes was trade waste and 12,000 tonnes was borough collected waste. A breakdown is provided below.

	2016-17 Tonnes	2015-16 Tonnes
Household residual waste	40,000	42,000
Household recycle and re-used waste	39,000	26,000
Household composted waste	16,000	14,000
Trade residual waste	21,000	22,000
Borough residual street cleansing waste	12,000	13,000
Total Household Re-use and Recycling Centre waste	**128,000**	**117,000**

Financial Performance

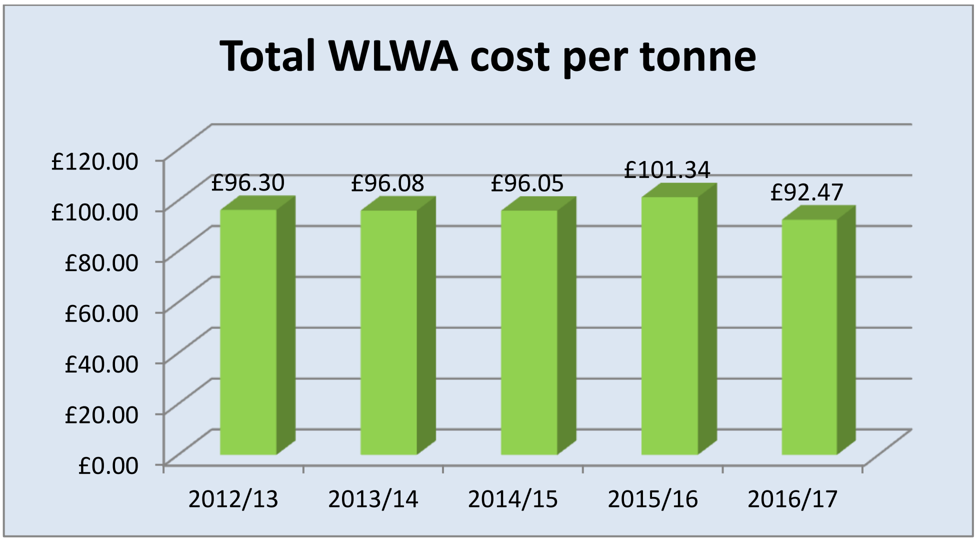
WLWA is primarily financed by an annual levy on the constituent boroughs. Other income is generated from sources such as charges paid by the boroughs and businesses for the disposal of non-household waste. For the levy, boroughs' tonnages are the basis for the majority of the apportionment with some 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 £55.3 million, a reduction from £59.1 million in 2015-16. The net cost of services for the year was £54.3 million, a reduction of £2.2 million from the previous year's £56.5 million, resulting largely from the move away from landfill to converting waste into energy at the new recovery centre. The overall result showed a deficit on provision of services of £1.8 million comparable with £2.5 million in the previous year with the change resulting from revaluation losses.

An actuarial loss on the pension liability valuation of £0.5 million (compared to an actuarial gain of £1.2 million in the previous year) and the property revaluation gains of £15.8 million (nil last year) has resulted in total comprehensive income and expenditure for the year of £13.5 million (2015-16: £3.7 million).

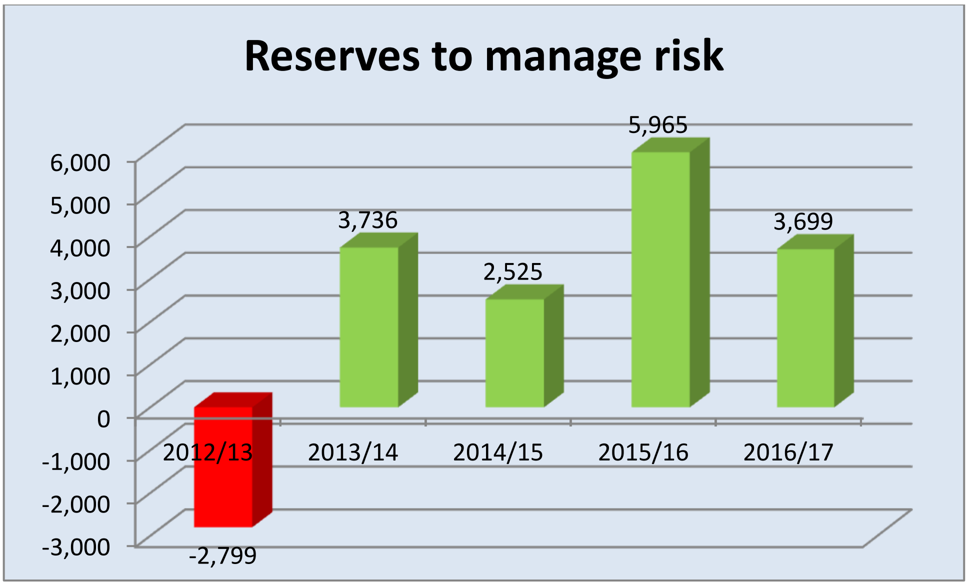
The Authority's aim for 2016-17 was to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from Boroughs. The Authority has achieved this target.

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 a five year period in the chart that follows.



The key feature illustrated by this chart is that the Authority's cost per tonne has reduced over the last five years. This reflects the effective control of costs and spending over the period and improving efficiency.

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 a financial buffer to better manage unexpected risks.



The construction of a new energy recovery centre is a major milestone for the Authority, delivering a key aim of the Joint Waste management Strategy to move waste away from landfill and use waste to generate energy instead.

The construction was completed in 2016, and the Severnside Energy Recovery Centre came into full service in December of that year. Since then waste has been transported to the new energy recovery facility and through modern processes the waste has been used to generate enough electricity to power approximately 50,000 homes. The revenue generated from the sale of the power and recycling produced at the facility offset some of the cost of the operations.

The Authority's capital contribution towards the overall construction project totals £59.1million and was funded by loans from 4 of the constituent Boroughs. The Suez consortium also made capital contributions of £123.4 million. Together with capitalised interest of £7.6 million the costs were recognised at start of full service as part of the Authority's long term assets.

Subsequent independent end of year property valuations assessed the value to be higher resulting in notional gains reflected in the revaluation reserve. Together with notional gains for other properties the revaluation reserve balance at year end stands at £16.9 million.

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 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
Buildings	21-25
Fixed Plant	8-12
Vehicles and equipment	7-8

Financial Instruments

Financial instruments represent transactions, with a contract, which result in a financial asset for one entity and a financial liability for another. Financial instruments cover both financial liabilities and assets.

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest of the instrument.

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

The Authority's financial assets comprise of bank balances and loans and receivables. Loans and receivables are financial assets that have a fixed or determinable payment, but are not quoted on an active market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest of the instrument.

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. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangements is dependent on the use of specific assets.

Finance Leases

Items of property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at their fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).The asset recognised is matched by a liability of the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Items of property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent free period at the commencement of the lease).

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.

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 tri-annual valuation date (31 March 2017). 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 four 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.

(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 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. The last valuation was undertaken by Wilks Head and Eve Chartered Surveyors in March 2017. The specialist nature of waste disposal properties and consequently absence of comparative market price requires valuations to be undertaken using depreciated replacement cost with an instant build approach in accordance with CIPFA's Code of Practice. 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 repairs and maintenance is charged to the Comprehensive Income and Expenditure Statement in the period which it is incurred.

Provisions

Bad debt provisions are included within the Accounts based on the ageing of debt and management judgement where there is uncertainty regarding bad and doubtful debts.

Revenue Recognition

Levy Income is recognised on an accruals basis. Additionally the Authority operates a Pay as you Throw (PAYT) system with partner boroughs. Under this system boroughs are initially billed on estimated tonnages to be disposed of. On a quarterly basis reconciliation is performed on actual tonnages and boroughs are reimbursed or charged additionally, based on difference between estimated and actual tonnage. The trade, agency and other income recognised for the year is based on revenue generated from actual tonnages.

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.

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 2017 and the Authority's financial position as at 31 March 2017.

Ian O'Donnell
Treasurer
22 September 2017

Audit Committee

I can confirm that these Accounts were considered by the Audit Committee at their meeting on Friday, 22 September 2017 and recommended for Approval by the Authority. The accounts were approved by the Authority on 22 September 2017.

Signed on behalf of West London Waste Authority
Councillor Bassam Mahfouz (Chair)
22 September 2017

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	2016-17 £'000	2015-16 £'000
Gross expenditure			
Employees		(1,837)	(1,852)
Premises		(3,258)	(2,242)
Waste transport and disposal		(44,601)	(53,378)
Other supplies and payments		(791)	(1,174)
Impairments and revaluation losses		(3,805)	(27)
Depreciation	7	(2,539)	(68)
Total		**(56,831)**	**(58,741)**
Gross income			
Trade waste		1,330	1,308
Agency		437	431
Miscellaneous income		765	548
Total		**2,532**	**2,287**
Net cost of services		**(54,299)**	**(56,454)**
Financing and investment income and expenditure	6	(2,770)	(194)
Levies on constituent councils	17	55,277	59,125
Total		**52,507**	**58,931**
(Deficit)/Surplus on provision of services		**(1,792)**	**2,477**
Revaluation gains on properties		15,752	0
Actuarial (loss)/gain on pension liability	20	(474)	1,193
Other comprehensive income and expenditure		**15,278**	**1,193**
Total comprehensive income and expenditure		**13,486**	**3,670**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. 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". The unaudited accounts were issued on 5 June 2017 and the audited accounts were authorised for issue on 22 September 2017.

		2016-17 £'000	2015-16 £'000
Property, plant and equipment	7	204,796	5,166
Capital work in progress	8	69	152,149
Long Term Assets		**204,865**	**157,315**
Cash and cash equivalents	10	18,798	12,458
Short term debtors	11	3,809	3,295
Current Assets		**22,607**	**15,753**
Total Assets		**227,472**	**173,068**
Short term creditors	12	(9,227)	(6,081)
Current Liabilities		**(9,227)**	**(6,081)**
Long term borrowing	13	(66,650)	(52,495)
Other long term liabilities	19	(122,316)	(99,619)
Pension fund liability	20	(8,643)	(7,723)
Long Term Liabilities		**(197,609)**	**(159,837)**
Net Assets		**20,636**	**7,150**
Usable Reserves		16,832	12,091
Unusable reserves	14	3,804	(4,941)
Total Reserves		**20,636**	**7,150**

Movement in Reserves Statement

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

	Total Usable Reserves £'000	**Unusable Reserves** £'000	**Total Authority Reserves** £'000
Balance at 1 April 2016	**12,091**	**(4,941)**	**7,150**
Deficit on provision of services (accounting basis)	(1,792)		(1,792)
Other comprehensive expenditure		15,278	15,278
Total comprehensive expenditure	(1,792)	15,278	13,486
Adjustments between accounting basis and funding basis under regulations (Note 5)	6,533	(6,533)	0
Increase/(decrease) in year	**4,741**	**8,745**	**13,486**
Balance at 31 March 2017	**16,832**	**3,804**	**20,636**

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:

	2016-17 £'000	**2015-16** £'000
Net deficit on the provision of services	(1,792)	2,477
Adjustments to net surplus	10,403	1,644
Net cash generated from/(used in) operating activities	**8,611**	**4,121**
Investment activities		
Payments for capital work in progress	(11,427)	(15,773)
Payments for plant and equipment	(162)	(45)
Proceeds from disposal of plant and equipment	0	5
Interest received	60	61
Net cash used in investment activities	**(11,529)**	**(15,752)**
Financing activities		
Interest paid	(2,135)	0
Loans raised	11,393	15,772
Loans repaid	0	0
Other	0	0
Net cash generated from financing activities	**9,258**	**15,772**
Net movement in cash and cash equivalents	6,340	4,141
Opening balance	12,458	8,317
Cash and cash equivalents at end of year	**18,798**	**12,458**

Cash Flow Statement

	2016-17 £'000	2015-16 £'000
Adjustments to net surplus for non-cash movements		
Depreciation and impairments	6,344	95
IAS 19 non-cash pension entries	447	406
Decrease/(increase) in short term debtors	529	179
Increase/(decrease) in short term creditors	3,146	1,025
Other adjustments	(1,094)	0
Sub Total	9,372	1,705
Adjustments for items included in financing/investing activities		
Interest received	(60)	(61)
Interest paid	1,091	0
Total Adjustments	**10,403**	**1,644**

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 Statement of Recommended Practice (SORP).

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.

2015-16					2016-17		
Net Expenditure chargeable to General Fund	Other adjustments	Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Expenditure chargeable to General Fund	Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000		£'000	£'000	£'000
(56,437)	232	(249)	(56,454)	Net Cost of Services	(47,777)	(6,522)	(54,299)
59,028		(97)	58,931	Other income and expenditure	52,518	(11)	52,507
2,591	232	(346)	2,477	Surplus or (deficit)	4,741	(6,533)	(1,792)
			9,500	Opening General Fund Balance	12,091		
			2,591	Surplus or (deficit)	4,741		
			12,091	**Closing General Fund Balance**	**16,832**		

2. Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2017 for which there may be a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of net pension liability depends on a number of 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. A firm of consulting actuaries is engaged by the London Pensions Fund Authority to provide expert advice about the assumptions to be applied.	The actual results will only become apparent on crystallisation of the pension liability. However the effects on the net pension's liability of changes in individual assumptions can be measured and are illustrated in note 20.
Property Valuation	Independent professional property valuations take place every 5 years by surveyors appointed by the Authority. The valuations are undertaken in accordance with RICS and CIPFA rules and require the use of a variety of information and the judgement of surveyors in relation to market conditions, components and lifecycles.	The actual results will 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 valuation. For prudence where there are notional losses, these are immediately recognised in the income and expenditure statement.

4. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 22 September 2017. 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 2017 they have been taken into account.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

	2016-17	**2015-16**
	£'000	£'000
Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:		
Depreciation* (note 7)	2,539	68
Impairments and revaluation losses*	3,805	27
Reversal of items relating to IAS19 Retirement Benefits	446	407
	6,790	**502**
Amounts not included in the Comprehensive Income and Expenditure Account but required by Statute to be included:		
Statutory provision for the Repayment of Debt* (note 14)	(95)	(110)
Revenue financing to Capital (note 14)	(161)	(48)
	(256)	**(158)**
Transfer (from)/to general reserves		
Accumulated Absences Account (note 14)	(1)	2
	(1)	**2**
Net additional amount to be credited to general balances for the year	**6,533**	**346**

* Adjustments impact capital adjustment account (unusable reserve)

6. Financing and Investment Income and Expenditure

	2016-17	**2015-16**
	£'000	£'000
Interest payable and similar charges	1,471	0
Pensions interest and expected return on pensions assets	268	255
PPP financing interest	1,091	0
Interest receivable and similar income	(60)	(61)
	2,770	**194**

7. Property, Plant and Equipment

	Land and Buildings Freehold	**Land and Buildings Leasehold**	**Fixed Plant and Vehicles**	**TOTAL**
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2016	**5,125**	**0**	**733**	**5,858**
Additions	181,769	8,302	150	**190,221**
Disposals			(131)	**(131)**
Revaluation increases/(decreases) recognised in Revaluation Reserve	11,218	1,952		**13,170**
Revaluation increases (decreases) recognised in income and expenditure	(2,259)	(1,546)		**(3,805)**
Gross book value at 1 April 2017	**195,853**	**8,708**	**752**	**205,313**
Accumulated depreciation brought forward	**(100)**	**0**	**(592)**	**(692)**
Disposals			131	**131**
Depreciation charge for the year	(2,156)	(327)	(56)	**(2,539)**
Depreciation written out to Revaluation Reserve	2,256	327		**2,583**
Accumulated depreciation carried forward	**0**	**0**	**(517)**	**(517)**
Net book Value at 31 March 2017	**195,853**	**8,708**	**235**	**204,796**
Net book Value at 31 March 2016	**5,025**	**0**	**141**	**5,166**

Leasehold land and buildings represent assets under PPP arrangement (as outlined in the Narrative Report and Accounting Policies). Land and buildings are valued regularly and in March 2017 an independent valuation was undertaken by Wilks Head and Eve Chartered Surveyors in accordance with RICS rules. The results are reflected in the accounts and detailed above.

8. Capital Work in Progress

	2016-17	2015-16
	£'000	£'000
Opening balance	152,149	100,156
Expenditure in year	26,352	48,745
Interest capitalised in year	2,762	3,248
Recognised in long term assets	(181,194)	0
Closing balance	**69**	**152,149**

The new energy from waste facility constructed under a PPP contract with the Suez consortium commenced full service in December 2016, resulting in major expenditure on capital works being transferred to long term assets (reflected in Note 7).

9. Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Authority) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet is made up of the following categories of "financial instruments". There are no significant differences between the carrying value and the fair value of these items.

	Long term		Current	
	2016-17	2015-16	2016-17	2015-16
	£’000	£’000	£’000	£’000
Financial Assets				
Cash and bank balances	0	0	18,798	12,458
Loans and receivables	0	0	0	0
Financial Liabilities				
Long Term Borrowing	(65,708)	(52,495)	(942)	0

<u>Fair Values of Assets and Liabilities</u>

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:

- An interest rate of 7.604% at 31 March 2017 for loans from Boroughs
- No early repayment or impairment is recognised
- 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

	2016-17		**2015-16**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£'000	£'000	£'000	£'000
Borough Loans (note 17)	66,650	69,879	52,495	55,059

The fair value of outstanding borough loans is greater than the carrying amount due to fixed rate loans having interest rates higher than rates available for similar loans in the market at balance sheet date. The valuation of financial instruments is classified into 3 levels according to the quality and reliability of the data used to determine fair values. Loans 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 resulting from loans, 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 2017 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:

	2016-17	**2015-16**
	£'000	£'000
Bank balance (HSBC)	4,798	3,458
Deposit placed with the London Borough of Ealing	14,000	9,000
Total	**18,798**	**12,458**

11. Short Term Debtors

	2016-17	2015-16
	£'000	£'000
Other Local Authorities	177	83
Central Government Bodies	1,853	2,654
Other Entities and Individuals	295	117
Prepayments and Accrued Income	1,484	441
Total	**3,809**	**3,295**

In determining the recoverability of Short Term Debtors, the Authority considers the credit quality of the receivable. Credit risk is considered to be low as the majority of balance relates to the HMRC.

Provisions for doubtful debts are recognised against trade receivables, based on estimated irrecoverable amounts determined by debt analysis and management judgement. Short Term Debtors disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period.

Age of receivables due	2016-17	2015-16
	£'000	£'000
< 90 days	103	200
90 – 180 days	0	0
> 180 days	0	0
Total	**103**	**200**

12. Short Term Creditors

	2016-17	2015-16
	£'000	£'000
Other Entities and Individuals	(6,888)	(4,871)
Other Local Authorities	(2,339)	(1,210)
Total	**(9,227)**	**(6,081)**

13. Long Term 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 table below reflects the long term portion of these loans.

	2016-17	**2015-16**
	£'000	£'000
Opening balance	(52,495)	(33,474)
Loans in year	(11,393)	(15,773)
Interest accrued	(2,762)	(3,248)
Closing balance	**(66,650)**	**(52,495)**

Analysis by maturity	**2016-17**	**2015-16**
	£'000	£'000
5 years or less	(5,516)	(4,348)
Between 5 and 10 years	(8,015)	(6,315)
10 years or more	(53,119)	(41,832)
Long term liability	**(66,650)**	**(52,495)**

14. Unusable Reserves

	2016-17	**2015-16**
	£'000	£'000
Revaluation reserve	(16,937)	(1,185)
Capital adjustment account	4,479	(1,609)
Pensions reserve	8,643	7,723
Accumulated absences account	11	12
	(3,804)	**4,941**

(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.

	2016-17	2015-16
	£'000	£'000
Balance as at 1 April	(1,185)	(1,185)
Revaluation gains	(16,937)	0
Revaluation losses not taken through CIES	1,185	0
Balance at 31 March	**(16,937)**	**(1,185)**

(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.

	2016-17	2015-16
	£'000	£'000
Balance as at 1 April	(1,609)	(1,544)
Depreciation	2,539	68
Statutory provision for repayment of debt	(95)	(110)
Impairment and revaluation	3,805	27
Net written out amount of the cost of non-current assets consumed in the year	4,640	(1,559)
Other adjustments	0	(2)
Revenue financing to capital	(161)	(48)
Balance at 31 March	**4,479**	**(1,609)**

(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.

	2016-17	**2015-16**
	£'000	£'000
Balance as at 1 April	7,723	8,510
Actuarial gains or losses on pension assets and liabilities	474	(1,193)
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	940	725
Employer's pensions contributions and direct payments to pensioners payable in the year	(494)	(319)
Balance at 31 March	**8,643**	**7,723**

(iv) Accumulated Absences Account

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2017. 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.

	2016-17	**2015-16**
	£'000	£'000
Balance as at 1 April	12	10
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	(1)	2
Balance at 31 March	**11**	**12**

15. Officers' Remuneration

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

	Salary and Termination Benefits (£)		Pension Contributions (£)		Total (£)	
	2016-17	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**
Director (commencing 19/09/2016)	53,299		9,594		62,893	
Director (ending 31/3/2016)		89,847		12,174		102,021
Clerk (commencing 10/4/2015)	10,000	9,750	1,800	1,755	11,800	11,505
Clerk (ending 9/4/2015)		276		50		326
Technical Advisor	10,000	10,000	1,800	1,800	11,800	11,800
Treasurer	10,000	10,000	1,800	1,800	11,800	11,800

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:

	2016-17	**2015-16**
Remuneration Band including exit packages	No of employees	No of employees
£50,000 to £54,999		1
£65,000 to £69,999		1
£75,000 to £79,999	1	
£80,000 to £84,999		
£175,000 to £179,999	1	1

During the year, following a restructure and compulsory redundancies to deliver long term savings one employee received redundancy payments within the £60,000 to £80,000 band.

Members Allowances

No member allowances have been paid in year.

16. External Audit Fees

The audit fees reflected in the accounts are as follows:

	2016-17	**2015-16**
	£'000	£'000
Audit of the Authority	20	20
Other services	20	0
Total Fees	**40**	**20**

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 is financed by an annual levy on the constituent boroughs.

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 2016-17. No related party transactions were declared. During 2016-17 the officer in the post of Clerk to the Authority is also Chief Officer at the Borough of Harrow. The Treasurer and the Technical Advisor are also Chief Officers at the Borough of Ealing. The Authority pays the individuals directly for the services they provide. The Authority also receives support services from Ealing, Hillingdon, Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account.

	Brent	**Ealing**	**Harrow**	**Hillingdon**	**Hounslow**	**Richmond**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Pay as you Throw	8,342	9,868	5,693	7,947	7,545	5,501	44,896
Fixed Cost Levy	1,695	2,118	1,566	1,780	1,557	1,665	10,381
Total Levies	10,037	11,986	7,259	9,727	9,102	7,166	55,277
Agency and other income	437	65	0	0	0	0	502
Total 2016-17	**10,474**	**12,051**	**7,259**	**9,727**	**9,102**	**7,166**	**55,779**
Total 2015-16	10,883	13,557	7,950	10,564	9,811	7,582	60,347
Expenditure							
Waste Transport and Disposal Costs	0	0	0	141	30	0	171
Rent and Rates	78	0	0	333	0	0	411
Support Services	0	64	29	12	7	0	112
Other	111	144	107	122	106	115	705
Total 2016-17	**189**	**208**	**136**	**608**	**143**	**115**	**1,399**
	232	226	117	535	194	117	1,421

Total 2015-16

	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debtors 2016-17	**276**	**321**	**261**	**0**	**112**	**261**	**1,231**
Debtors 2015-16	0	83	0	0	0	0	83
Creditors 2016-17	**963**	**275**	**82**	**308**	**28**	**683**	**2,339**
Creditors 2015-16	149	252	329	288	147	45	1,210
Loans 2016-17	**16,663**	**16,663**	**16,663**	**0**	**0**	**16,661**	**66,650**
Loans 2015-16	13,124	13,124	13,124	0	0	13,123	52,495
Investments 2016-17	**0**	**14,000**	**0**	**0**	**0**	**0**	**14,000**
Investments 2015-16	0	9,000	0	0	0	0	9,000

18. Leases

Finance Leases

All finance leases concluded in 2014-15.

Operating Leases

The Authority uses plant and equipment financed under the terms of operating leases, with typical lives ranging from five to ten years. The Authority's operating leases for plant and machinery, analysed by years are:

	2016-17	**2015-16**
	£'000	£'000
Within 1 year	63	147
Between 2 and 5 years	0	59
Total	**63**	**206**

In addition, The Authority has rental leases at the main transfer station sites. Values shown are annual rents for each site.

	2016-17	2015-16
	£'000	£'000
Victoria Road (until March 2098)	540	540
Transport Avenue (until September 2020, with rights to extend to 2098)	700	700
Total	**1,240**	**1,240**

19. Other Long Term Liabilities

The project to build an energy from waste plant (as outlined in the Narrative Report) includes investment by the Suez consortium which the Authority will benefit from over the life of the contract. A liability is recognised as project assets are completed, equal to the fair value of each asset less any capital contribution. This benefit will be realised when the plant becomes operational, over the life of the contract.

	2016-17	2015-16
Energy from waste facility:	£'000	£'000
Opening balance	99,619	66,683
Developer's contribution	23,791	32,936
Reduced through unitary payments	(1,094)	0
Closing balance	**122,316**	**99,619**

PPP liability repayments	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	1,017	2,699	3,716
Two to five years	4,772	10,797	15,569
Six to ten years	7,924	13,496	21,420
Eleven to fifteen years	10,847	13,496	24,343
Sixteen to twenty years	14,847	13,496	28,343
Twenty to twenty five years	17,219	11,706	28,925
Total repayments	**56,626**	**65,690**	**122,316**

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 new 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 tri-annual valuation date. 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, Retirement Benefits (IAS 19) in respect of retirement benefits. Details are provided to the Authority by the Actuary (currently Barnett Waddingham) via the LPFA. The notes to the Core Accounts provide details of how the Authority has met these requirements.

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

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge that is required to be made is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of General Fund via the Movement in Reserves Statement.

Changes in the net pension liability arising as a result of past events which are not concurrent with the assumptions made in the course of the last actuarial valuation, or as a result of revised actuarial assumptions are charged to the Pensions Reserve.

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

Balance sheet disclosure	2016-17	2015-16
	£'000	£'000
Present value of funded obligation	(26,592)	(22,445)
Fair value of Scheme Assets (bid value)	18,172	14,926
Net Liability	**(8,420)**	**(7,519)**
Present value of unfunded obligations	(223)	(204)
Net Liability in Balance Sheet	**(8,643)**	**(7,723)**

Comprehensive Income and Expenditure Statement

	2016-17	2015-16
	£'000	£'000
Service costs	653	447
Net interest on defined liability	268	255
Administrative expenses	19	23
	940	**725**

Reconciliation of the present value of the scheme liabilities:	2016-17	2015-16
	£'000	£'000
Opening balance as at 1 April	22,649	23,694
Current service cost	368	447
Interest cost	789	724
Change in financial assumptions	4,455	(1,778)
Change in demographic assumptions	(271)	0
Experience (gain)/loss on liabilities	(876)	0
Liabilities assumed/extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(944)	(808)
Past service costs including curtailments	285	0
Contributions by scheme participants and other employers	373	383
Unfunded pension payments	(13)	(13)
Closing balance as at 31 March	**26,815**	**22,649**

Reconciliation of fair value of the scheme (plan) assets:	2016-17	2015-16
	£'000	£'000
Opening balance as at 1 April	14,926	15,185
Interest on assets	521	469
Return on assets less interest	2,537	(585)
Other actuarial gains	297	0

Administration expenses	(19)	(23)
Employer contributions	494	318
Contributions by scheme participants and other employers	373	383
Benefits paid	(957)	(821)
Settlement prices received/(paid)	0	0
Closing balance as at 31 March	**18,172**	**14,926**

Assumptions

As at	31 March 2017		31 March 2016		31 March 2015	
	% p.a.	**Real**	**% p.a.**	**Real**	**% p.a.**	**Real**
RPI increases	3.5%	-	3.1%	-	3.1%	-
CPI increases	2.6%	-	2.2%	-0.9%	2.3%	-0.8%
Salary increases	4.1%	-	4.0%	0.9%	4.1%	1.0%
Pension increases	2.6%	-	2.2%	-0.9%	2.3%	-0.8%
Discount rate	2.6%	-	3.5%	0.4%	3.1%	0.0%

Life expectancy from age 65 (years)		31 March 2017	31 March 2016
Retiring today	Males	21.4	21.8
	Females	23.9	24.4
Retiring in 20 years	Males	23.8	24.2
	Females	26.2	26.7

Sensitivity analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	26,392	26,815	27,246
▪ Projected service cost	743	758	773
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	26,866	26,815	26,764
▪ Projected service cost	758	758	758
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	27,194	26,815	26,442
▪ Projected service cost	773	758	743
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	27,857	26,815	25,814
▪ Projected service cost	782	758	734

Re-measurements in other comprehensive income	**2016-17**	**2015-16**
	£'000	£'000
Return on plan assets in excess of interest	2,537	(585)
Other actuarial gains/(losses) on assets	297	0
Change in financial assumptions	(4,455)	1,778
Change in demographic assumptions	271	0
Experience gain/(loss) on defined benefit obligation	876	0
Total	**(474)**	**1,193**

Projected pension expense for next year	**2017-18**
	£'000
Service cost	758
Net interest on the defined liability/(asset)	221
Administration expenses	24
Total	**1,003**
Employer contributions	**305**

Assets by Class	**2016-17**	**2015-16**
	£'000	£'000
Equities	10,768	6,933
LDI/Cashflow matching	0	1,513
Target Return Portfolio	3,840	3,175
Infrastructure	957	818
Commodities	0	67
Property	926	533
Cash	1,681	1,887
Total	**18,172**	**14,926**

Analysis of 2016-17 Assets	**% Quoted**	**% Unquoted**
Equities		
Real Estate	0.7%	0.0%
Consumer Discretionary	4.0%	0.0%
Consumer Staples	7.0%	0.0%
Financials	4.1%	0.0%
Health Care	5.1%	0.0%
Industrials	6.2%	0.0%
Information Technology	5.5%	0.0%
Materials	0.7%	0.0%
Telecommunication Services	0.6%	0.0%
Utilities	1.0%	0.0%
Investment funds and unit trusts	6.3%	0.0%
Trade Cash/Pending	0.6%	0.0%
Synthetic Equity (Futures)	7.2%	0.0%

BlackRock DDG		
Equities	0.5%	0.0%
Bonds	1.1%	0.0%
Cash	0.3%	0.0%
Investment/Hedge funds and unit trusts	0.8%	0.2%
Private Equity	0.0%	10.4%
Total Return		
Investment/Hedge funds and unit trusts	10.4%	4.3%
Credit	0.0%	3.6%
Infrastructure		
Commodity funds	0.2%	0.4%
Infrastructure	0.3%	4.3%
Real Estate	0.0%	5.1%
Cash		
Cash	2.5%	0.0%
LDI	19.2%	(7.2%)
Synthesized cash	2.3%	0.0%
Synthetic Equity (Futures)	(7.2%)	0.0%
Currency Hedge (Forward Contracts)	0.0%	(0.4%)
Total	**79%**	**21%**

21. Contingent Liabilities

At 31 March 2017 there was one contingent liability (2015/16: nil). This related to a disputed contract claim amounting to £600,000 which has been refuted. It is not possible to predict the outcome of the claim or the financial impact. The outcome will be dependent on whether the claim is pursued and the result of subsequent legal processes.

Annual Governance Statement 2016-17

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
- Monthly 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

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:

- Creditors
- Governance
- Risk
- Waste Minimisation

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. No material risks or issues have been identified and no action plan is necessary.

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

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

Councillor Bassam Mahfouz,	Hugh Peart,
Chair to the Authority	Clerk
22 September 2017	22 September 2017

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

Opinion on the Authority financial statements

We have audited the financial statements of West London Waste Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Movement in Reserves Statement;
- Cash Flow 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 2015/16.

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 Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities set out on page 14, the Treasurer is responsible for the preparation of the Authority's 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2017 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the year ended 31 March 2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report 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.

Conclusion on West London Waste Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

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.

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 2015, as to whether 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 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 2017.

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, West London Waste Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2015, 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 2017.

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.

Helen Thompson

for and on behalf of Ernst & Young LLP, Appointed Auditor

22 September 2017