

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.

| Financial Performance 2018/19 | Budget £000s | Actual £000s | Variance £000s |
|--------------------------------------|-------------------------|-------------------------|---------------------------|
| Expenditure | | | |
| 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 |

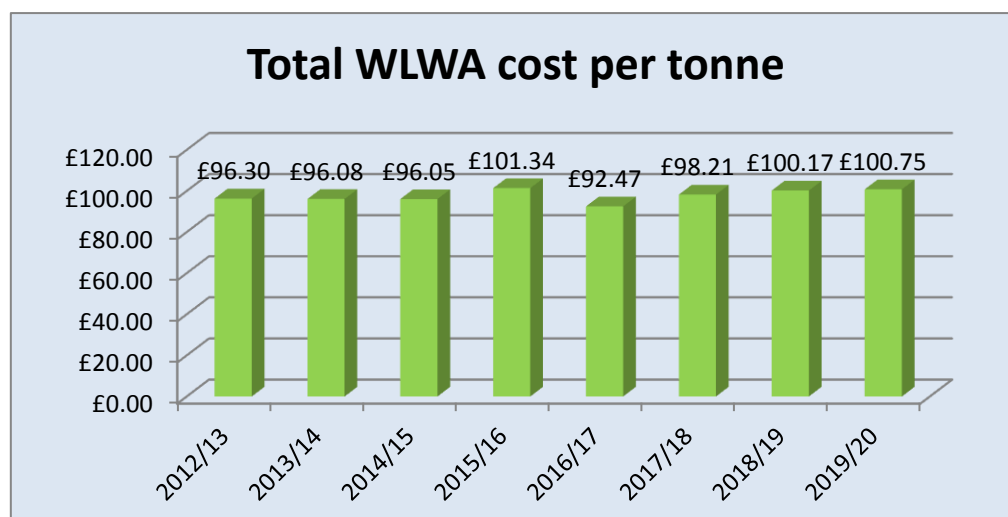
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|---|-----------------|-----------------|----------------|
| Financing | 6,546 | 5,707 | (839) |
| Concession adjustment | (4,215) | (4,338) | (123) |
| | 62,723 | 60,501 | (2,222) |
| Income | | | |
| Levies | (60,810) | *(57,781) | 3,029 |
| Trade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

*Net of £1.9 million disbursement to boroughs

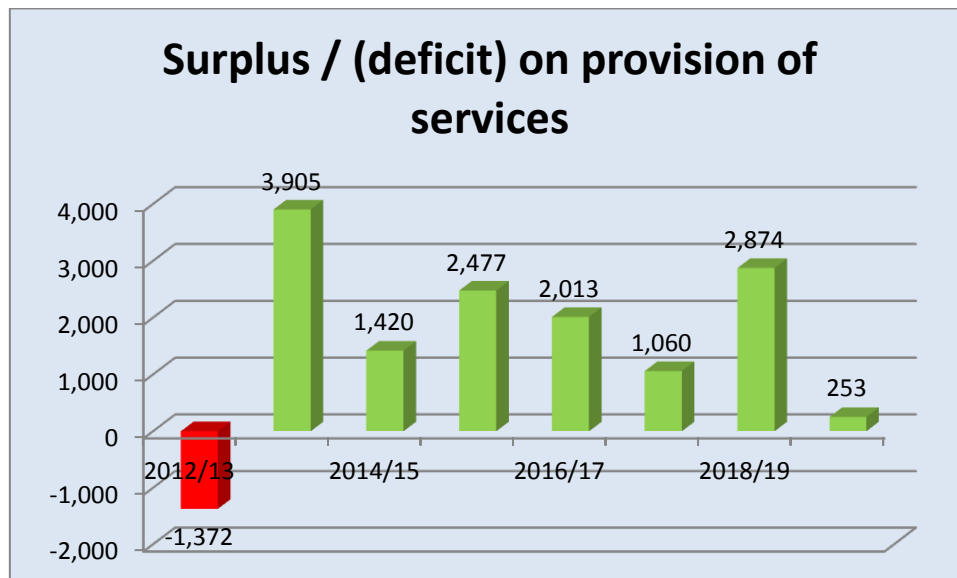
13. The operational performance above delivered a surplus of £0.253 million. Effective financial control has ensured this is broadly in line with the forecasts in previous reports to Authority throughout the year.

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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