

Draft Statement of Accounts for the year ending 31 March 2021

SUMMARY

This report presents the draft 2020/21 Statement of Accounts

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Note the draft Statement of Accounts for 2020/21 (Appendix 2).

Introduction

1. As per last year, the statutory deadline for publishing signed and certified Statement of Accounts has been extended by legislation to the end of November as a result of the impact of Covid-19. The extension also applies to the coming financial year. Never the less, draft 2020/21 accounts were produced as usual in April and were ready for audit by EY, our external auditors during May and June.
2. However, as previously reported the entire audit sector are still dealing with many 2019/20 local authority audits (Appendix 3). This has resulted in EY's work and report in relation to the WLWA 2020/21 audit being delayed. Therefore the final recommendation to approve the accounts will be reported to the September Authority and will be accompanied by EY's audit report.
3. Although EY's work is in its early stages we are not expecting any major changes and a summary of the draft statement of accounts is provided below.

Statement of Accounts

4. The Statement of Accounts can be found in Appendix 2. The key sections of the draft accounts are explained below:
5. Narrative Statement (page 2) – This section provides background about the Authority's operations. It also summarises the financial position and performance for the year.
6. Accounting Policies (page 8) – This section explains the Authority's key accounting policies. These are long standing and pretty much standard local authority accounting policies which are used in maintaining records and producing the financial statements

7. Statement of Responsibilities for the Statement of Accounts (page 15) - This is a brief statement outlining the Authority's requirements in relation to the Accounts and the role and responsibility of the Treasurer, principally to ensure the accounts present a true and fair view of the Authority's finances. This is where the Treasurer certifies the Statement of Accounts and the Chair signs them on behalf of the Authority.
8. Comprehensive Income and Expenditure Statement (page 17) – This is a core financial statement. It shows the financial performance during the year. The operating performance is highlighted in the deficit on provision of services of £0.395 million. Following adjustment for an increase in the pension liability (and this year no property valuation adjustments) this results in the total comprehensive expenditure of £3.067 million.
9. Balance Sheet (page 18) – This is another core financial statement. It shows the financial position or strength of the Authority at the end of the year. The overall picture of the balance sheet is strong with a positive net worth of £15.750 million. Continuing the healthy trend, this means the Authority has more assets than liabilities.
10. Notes to the Core Financial Statements (pages 22 – 42) – these provide details, breakdown and analyses in accordance with various disclosure requirements for most of the items identified in the above 2 core statements.
11. Annual Governance Statement (page 43) – This is a key statement within the Accounts that outlines the Authority's view of the effectiveness of its governance and internal control framework. The statement identifies the Authority's duties and lists the main elements of the corporate governance framework most of which are reported to Authority meetings during the year.
12. Independent Auditors Report (page 46) – This provides our external auditor's opinion and confirms the accounts present a true and fair view of the Authority's finances. The opinion will be per their report and the statement will be updated for the latest EY template once they complete their work.

2020/21 Out-turn

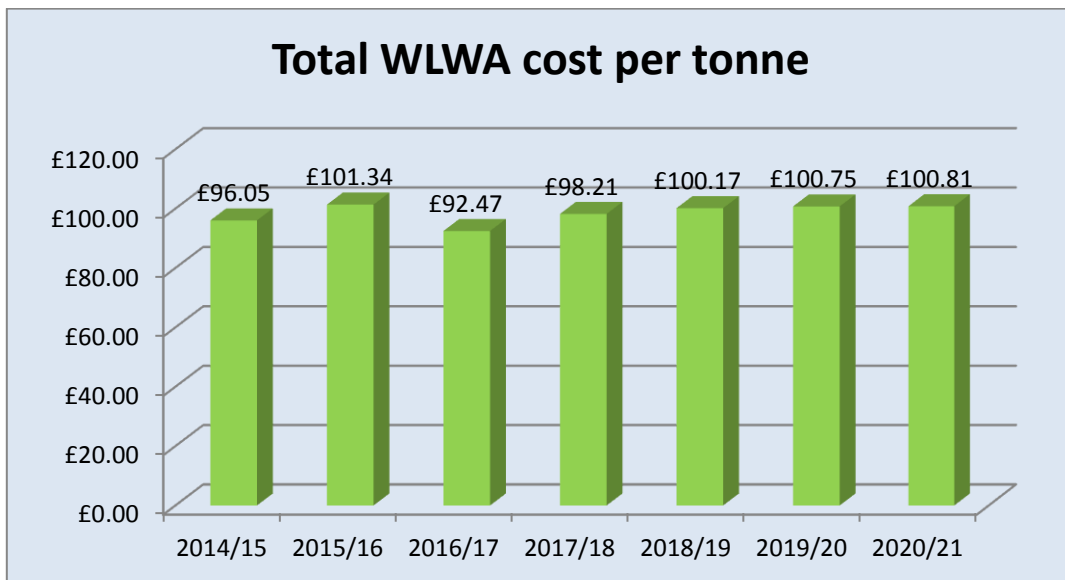
13. The financial performance for the year is provided in the table below and compares the actual performance to the budgeted level in a more familiar budget monitoring format which groups spends in an operational way.

Financial Performance 2020/2021	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Employees	2,173	2,433	261
Premises	2,607	2,572	(35)
Waste, Transport and Disposal	47,917	49,011	1,094
Other supplies	900	1,405	505
Depreciation	8,778	8,770	(8)

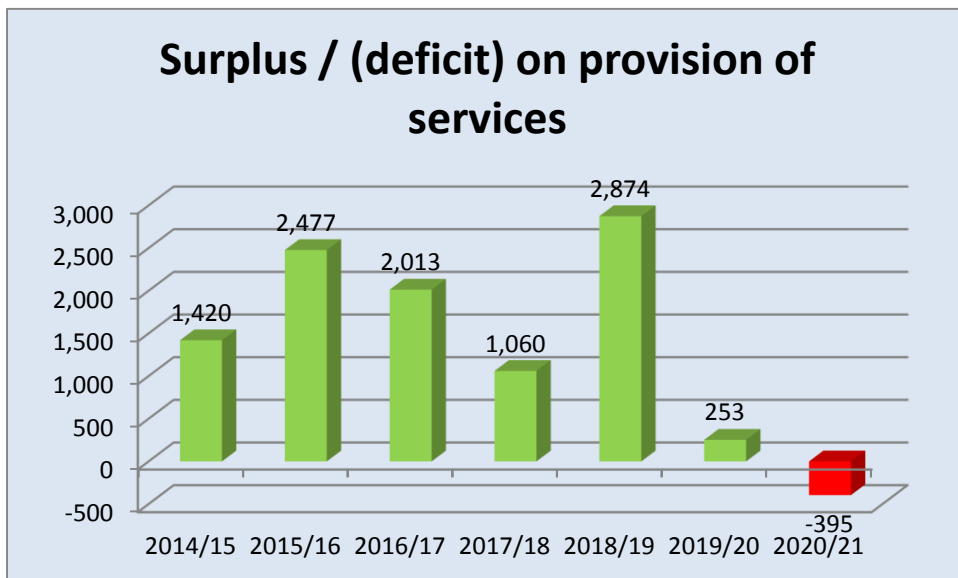
Financing	6,280	6,460	180
Concession adjustment	(4,296)	(4,296)	0
	64,359	66,355	1,997
Income			
Levies	(62,273)	(63,391)	(1,118)
Food waste funding disbursement	0	3,000	3,000
Trade and other	(2,085)	(4,649)	(2,564)
	(64,359)	(65,040)	(682)
Budget deficit	0	1,315	1,315
Revenue funding of debt*	0	(920)	(920)
Deficit on provision of services	0	395	395
Actuarial loss on pension liability	0	2,672	2,672
Total comprehensive expenditure	0	3,067	3,067

* This item reflects the difference between CIPFAs public sector accounting requirement (for budgeting / treasury) and the statutory accounting standards (for annual financial statements). It relates to the charging to revenue over 20 years of the purchase of transfer station land in 2018, as reported previously.

14. The operational performance above delivered a small deficit of £0.395 million. Appendix 2 provides the usual budget monitoring breakdown between PAYT and FCL activities.
15. 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.
16. The key feature illustrated by this chart is that the Authority’s cost per tonne is only 4.95% more than it was in 2014/15 with a 0.06% growth on the previous year. This reflects the Authority’s ability to deliver on service but maintaining costs, with a year on year increase in tonnages. 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.



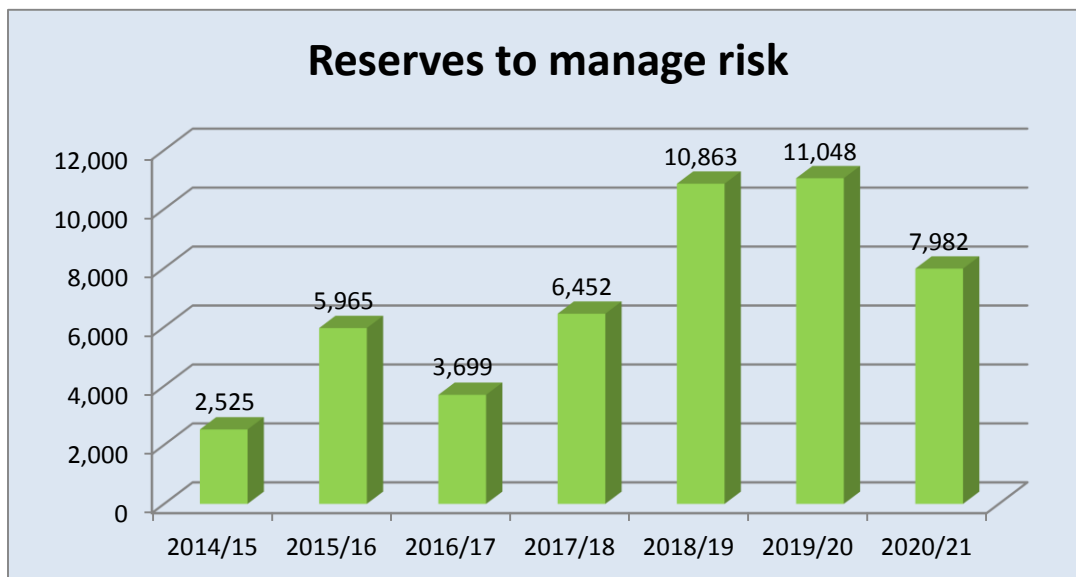
17. It is also useful to consider how the operational performance (i.e. surplus / deficit on provision of services) has moved over the same period of time. This is illustrated in the chart below which shows that even though the Authority is in a small deficit position this year, this is after disbursement of £3.0 million for food waste projects. The position year on year has broadly been maintained ensuring that sufficient funds were generated from day to day activities to meet day to day obligations and food waste project funding.



18. 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

19. 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.



20. The chart illustrates that over time the Authority has improved its position and maintained a reasonable level of reserves as a financial buffer and therefore has been in a better position to manage any unexpected risks

21. 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.

22. Given the ongoing Covid-19 crises, this year the opportunity does not arise as it is important to retain all reserves to manage any consequential financial risks

Year-end valuations

23. This year's pension valuation by the LPFA's actuaries showed that the deficit has increased by £3.2 million to £11.0 principally resulting from the impact of the pandemic on markets. However future contributions will continue to ensure 100% funding of the scheme by 2030.

24. It is important to note that these valuation adjustments (gains and losses) are artificial and they can be very arbitrary. They can depend on the nature of item, the individual valuers' judgement of the valuation approach and the economic and market conditions at a particular snapshot in time.

25. The valuation adjustments are recognised in the accounts but not realised. The valuations are for accounting purposes only and do not represent any cash in or out of the Authority. The Authority has over several years experienced valuations bouncing up and down with sizeable adjustments.

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

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

28. 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 requirement

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 11
	jaypatel@westlondonwaste.gov.uk	
	Emma Beal, Managing Director	01895 54 55 15
	emmabeal@westlondonwaste.gov.uk	
	Ian O'Donnell, Treasurer	
	ianodonnell@westlondonwaste.gov.uk	
	Sapna Dhanani, Finance Manager	
	sapnadhanani@westlondonwaste.gov.uk	

Appendix 1

Pay As You Throw	Period 12				2020-21 Actual			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	38,079	38,419	340	5% more waste offset by lower landfill volume and savings	38,079	38,419	340	5% more waste offset by lower landfill volume and savings
Waste - Food	322	337	15		322	337	15	
Waste - Mixed Organic	842	866	24	3% more waste	842	866	24	3% more waste
Waste - Green	839	916	77	growth for some boroughs offset by later start to collections in other boroughs	839	916	77	growth for some boroughs offset by later start to collections in other boroughs
Waste - Other	581	926	345	much lower volume of hardcore, mattresses and wood	581	926	345	much lower volume of hardcore, mattresses and wood
Depreciation	6,486	6,729	243	variance offset between PAYT and FCL allocation	6,486	6,729	243	variance offset between PAYT and FCL allocation
Financing	4,103	4,316	213	variance offset between PAYT and FCL allocation	4,103	4,316	213	variance offset between PAYT and FCL allocation
Premises	1,225	1,030	(194)		1,225	1,030	(194)	
Concession Accounting Adjustment	(3,645)	(3,826)	(181)	variance offset between PAYT and FCL allocation	(3,645)	(3,826)	(181)	variance offset between PAYT and FCL allocation
Levy Income	(48,831)	(49,949)	(1,118)	reflecting increased collection volumes	(48,831)	(49,949)	(1,118)	reflecting increased collection volumes
PAYT Deficit	0	(235)	(235)		0	(235)	(235)	

Fixed Cost Levy	Period 12				2020-21 Actual			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	2,173	2,433	261	unbudgeted pension charge	2,173	2,433	261	unbudgeted pension charge
Premises	1,383	1,542	159		1,383	1,542	159	
Waste - Residual	5,006	4,281	(725)	closure of HRRCs to public	5,006	4,281	(725)	closure of HRRCs to public
Waste - Green	391	208	(183)	closure of HRRCs to public	391	208	(183)	closure of HRRCs to public
Waste - Wood	1,034	694	(339)	closure of HRRCs to public	1,034	694	(339)	closure of HRRCs to public
Waste - Other	824	126	(698)	closure of HRRCs to public	824	126	(698)	closure of HRRCs to public
Waste - MRF	0	2,241	2,241	DMR for Ealing	0	2,241	2,241	DMR for Ealing
Supplies and Services	900	1,405	505	WLWA's share of the increase in SERC insurance premium is £663k	900	1,405	505	WLWA's share of the increase in SERC insurance premium is £663k
Depreciation	2,292	2,041	(251)	variance offset between PAYT and FCL allocation	2,292	2,041	(251)	variance offset between PAYT and FCL allocation
Financing	1,257	1,224	(33)	variance offset between PAYT and FCL allocation	1,257	1,224	(33)	variance offset between PAYT and FCL allocation
Revenue Funding of Debt	920	920	(0)		920	920	(0)	
Concession Accounting Adjustment	(651)	(470)	181	variance offset between PAYT and FCL allocation	(651)	(470)	181	variance offset between PAYT and FCL allocation
Trade Waste and Other Income	(2,085)	(2,409)	(323)	increased trade waste	(2,085)	(2,409)	(323)	increased trade waste
MRF Income	0	(2,241)	(2,241)	DMR for Ealing	0	(2,241)	(2,241)	DMR for Ealing
Levy Income	(13,442)	(13,442)	(0)		(13,442)	(13,442)	(0)	
Fixed Cost Levy Deficit	0	(1,447)	(1,447)		0	(1,447)	(1,447)	

Total	(1,681)
Food Waste Projects	3,000
Budget surplus / (deficit)	1,319