

West London Waste Authority **Statement of Accounts**

For the year ended 31 March 2021

DRAFT

West London Waste

Treating waste as a valuable resource

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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 also meet an Audit Committee during the year to consider matters of risk, control and governance. Additionally, there are regular partnership meetings between officers of the Authority and officers of the constituent boroughs.

At the end of the year WLWA employed 36 staff (previous year: 35) in two locations, the main administrative office in West Drayton and a small transfer station in Brent. WLWA is headed by the Managing Director and three part-time chief officers – The Clerk, Treasurer and Chief Technical Adviser, who are normally also full time chief officers employed in the constituent boroughs. Having close working relationships with the boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:

- London Borough of Ealing – treasury, payroll
- London Borough of Harrow – legal, insurance, procurement and committee services
- London Borough of Hounslow – dynamic procurement system (DPS)
- London Borough of Hillingdon – internal audit

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

In recent years the focus has been on how waste is disposed of – increasing reuse, recycling, composting and recovery of energy and materials. The Authority has taken on the role of coordinating waste minimisation, that is, the prevention of waste arising. This work requires close co-operation with the constituent boroughs, achieved through an agreed long term Joint Waste Management Strategy. A key objective of this strategy is to improve the recycling rate which is reflected in a target of 65% agreed by boroughs and a longer term push for increased circular economy.

In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long term contracts that ensure most of the constituent boroughs' waste that cannot be recycled or composted is used to produce energy. These long term arrangements provide for 390,000 tonnes of waste per year to be treated at energy from waste recovery centres, and the anaerobic digestion - contract (for example, 50,000 tonnes of food waste recycling per annum which offers significant savings in comparison to disposal of residual waste).

The arrangements deliver one of the key objectives of the Joint Waste Management Strategy and mean that only a very small percentage of waste goes to landfill. They also guarantee an outlet for the majority of west London's waste for the next 20 years and dampen the effect of pricing inflation over that period.

Activity

The year was dominated by the impact of the coronavirus pandemic. With waste collection and disposal being essential public services, these continued to be delivered and there was little overall impact on the Authority's financial performance and position for 2020-21. This reflects the success of the Authority's employees and management in collectively responding to and managing the significant operational changes resulting from the pandemic including quickly ensuring covid-safe working practices.

During this period the Authority successfully collaborated with constituent boroughs to manage waste more holistically across west London through sharing of information and resources and by adopting consistent approaches towards managing the implications of the pandemic. Examples of this include co-ordinating re-opening of household reuse and recycling centres, implementation of booking systems at very short notice at sites and formulating and putting in place contingency plans to deal with risks such as staff illness and changing waste flows.

Despite the challenges of the pandemic the Authority and constituent boroughs were also able to progress strategic projects to separate more food waste from residual household waste streams. The Authority's £3.0 million contribution supported boroughs' own funding to improve food waste recycling services to over 100,000 residents in west London.

The Authority routinely reviews business risks and has concluded that the current level of reserves at £15.8 million offers a reasonable level of cover to ensure adequate resilience. It should be noted that any major changes to the waste flows as a result of Covid-19 will be picked up and reflected in the established charging mechanisms, so the constituent authorities would bear any additional costs of this kind.

The principal statutory responsibility for the Authority remains unchanged and is to receive, treat, transport and dispose of waste collected by boroughs from their households. A breakdown of the boroughs’ collected waste is provided in the table below. This shows a 5.6% increase in the volume of borough collected waste being received by the Authority to 603,000 tonnes for the year. The year on year increase incorporates a new service commencing with London Borough of Ealing. West London Waste Authority have started treating the recycled waste for London Borough of Ealing, amounting to 22,000 tonnes in the year. During the year, 99.3% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

	2020-21	2019-20
	Tonnes	Tonnes
Recycling and reuse	89,000	61,000
Composting	86,000	89,000
Energy recovery	424,000	420,000
Landfill	4,000	1,000
Total waste	603,000	571,000

The Authority supports the constituent boroughs in providing household reuse and recycling centres for residents to deposit their waste. Some of these centres also take in trade waste and other borough collected waste such as street cleansing and fly tipping. The Authority is responsible for arranging the transport and composting or disposal of all the waste received at these sites except for the waste that the boroughs recycle. The above total includes the waste collected and disposed from these sites.

There are 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 agent of one of the boroughs.

For the year, within the above totals, residual waste sent for disposal from these centres totalled 84,000 tonnes. Of this, householders deposited 45,000 tonnes; 23,000 tonnes was trade waste and 16,000 tonnes was borough collected waste. Site closures early in the year and the introduction of covid-safe working practices at sites have resulted in lower volumes compared to last year. A breakdown follows.

	2020-21	2018-19
	Tonnes	Tonnes
Household residual waste	45,000	52,000
Household recycle and re-used waste	5,000	15,000
Household composted waste	10,000	17,000
Trade residual waste	23,000	24,000
Borough residual street cleansing waste	16,000	15,000
Total Household Re-use and Recycling Centre waste	99,000	

123,000

Financial Performance

WLWA is primarily financed by an annual levy on the constituent boroughs. Other income is generated from sources such as charges paid by businesses for the disposal of non-household waste. For the levy, boroughs' tonnages are the basis for the majority of the apportionment with some fixed costs allocated according to Council Tax Base (i.e. the number of Band D equivalent properties). Authority expenditure is primarily related to waste treatment and transport contracts with the private sector.

During the year, the Authority raised an annual levy on the constituent boroughs of £60.4 million, an increase from £57.8 million in 2018-19. This reflects the increase in household waste volumes resulting from the pandemic. During the year, there has been an increase of net cost of services to £51.4 million, a rise from the previous year's £48.1 million. Net financing costs remain flat at £9.4 million and the overall result showed a deficit on provision of services of £0.4 million compared to a surplus of £0.3 million in the previous year.

There were no five yearly valuations in 2020-21 and therefore no gains or losses on property valuations. An increase of actuarial loss on the pension liability valuation of £2.3 million (£0.07 million loss in the previous year) resulted in total comprehensive expenditure for the year of £3.4 million (total comprehensive income of £0.2 million in the previous year).

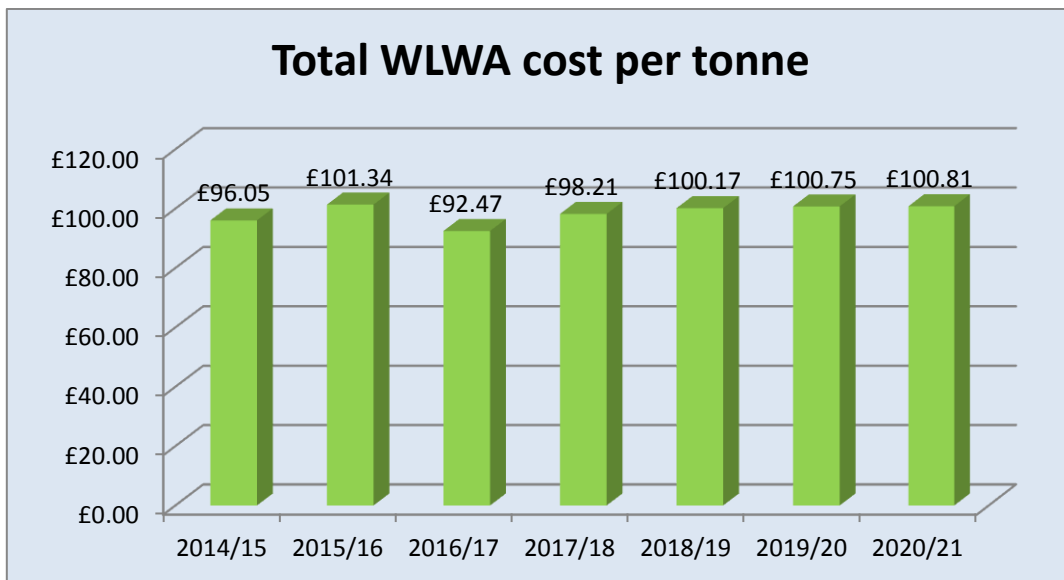
The Authority is entitled to a share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties. This totalled £2.5 million and is included within Miscellaneous income. £1.9 million of Miscellaneous Income is in relation to a trial at London Borough of Ealing for the disposal of dry mixed recyclable waste.

The Authority's aim for 2020-21 was to continue delivering ambitious business plan objectives and at the same time to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from Boroughs. The Authority has continued to achieve this target even throughout the Covid-19 pandemic.

The Authority's properties comprise of an energy from waste centre, three transfer stations and a head office building which have a balance sheet value of £204.6 million and have been funded by loans from constituent boroughs and the Public Works Loans Board with total balances of £88.2 million and a capital contribution balance from the Suez consortium of £108.9 million for the construction of the energy recovery centre.

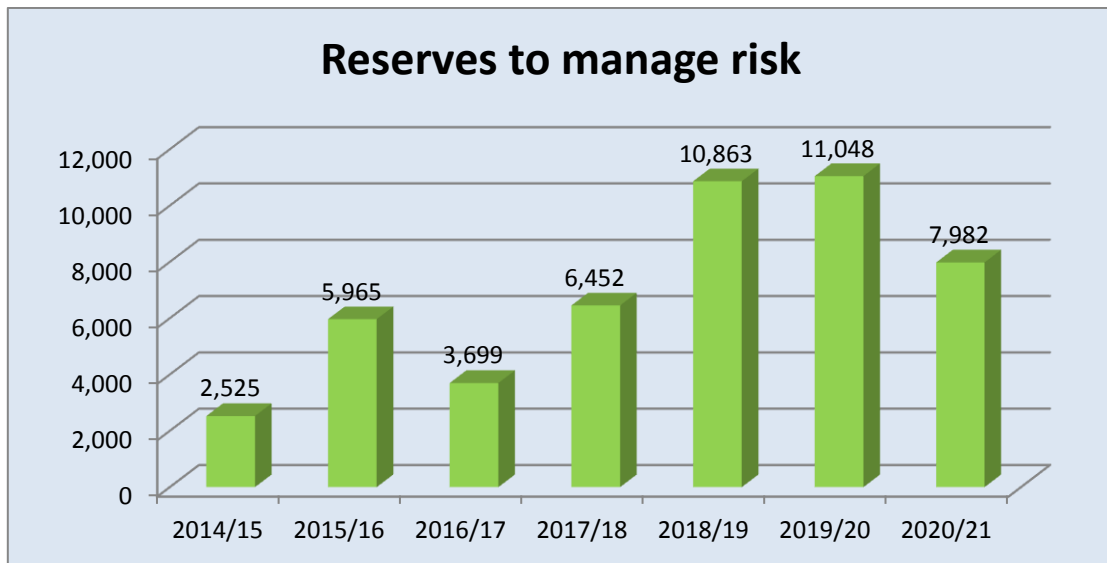
Looking ahead into the longer term, the Authority has a healthy reserve position to manage any risks in relation to continuing and indeed extending its service offering to constituent boroughs. There presently are no significant opportunities of any certainty or material risks facing the Authority. The Authority's long term financial plans incorporate sensitivity analysis to reflect the impact of key variables affecting the finances i.e. tonnage growth and inflation. The plans show a strong financial outlook including effective mitigation of risks, reflected in a low forecast of growth in costs and therefore levies. The plans also show a break even position throughout the medium term, despite a background of inflation and waste growth.

To put the numbers into context and provide a better perspective of financial performance, it helps to look at results over time. To this effect, the key measure is the Authority’s cost per tonne. This looks at how effectively the Authority has managed costs and is a key measure of efficiency and performance. The total cost of delivering services (Net Cost of Services plus Financing less Revaluation Losses) is divided by the total tonnes of waste (all materials) disposed by the Authority, to provide an overall cost per tonne figure. This has been plotted over seven years in the chart that follows.



The key feature illustrated by this chart is that the Authority’s cost per tonne is only 4.95% 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.

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. Prior to 2013-14, the Authority had more obligations and liabilities than it did assets and therefore held a negative reserve position. From 2013-14 the Authority has improved its position by building a stable level of reserves as the basis of a financial buffer to better manage unexpected risks.



Financial performance is reported to the Authority on a regular basis and matters of financial control are considered by the Audit Committee. The financial outturn and performance for the year shows that the Authority has achieved a position of financial stability, with operating performance delivering surpluses and a strong balance sheet reflected in net assets and positive reserves. The Authority’s long term capital investment also effectively manages the longer term risks of increasing landfill costs and tonnages and the Authority is well placed to continue delivering good value for money services to boroughs for the foreseeable future.

Accounting Policies

General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom that is recognised by Statute as representing proper accounting practices. They are also in line with the Accounts and Audit Regulations (2015).

Borrowing costs

Borrowing costs that can be directly attributed to the construction or manufacture of an asset for which a substantial period is required to bring the asset to its intended usable condition are capitalised as part of the costs of the relevant asset. All the other borrowing costs are expensed as incurred. Borrowing costs are the interest and other costs incurred by the Authority in connection with borrowing funds.

Capital Adjustment Account

This account sets out amounts set aside from revenue resources, or capital receipts, to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Capital Work in Progress

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Cash and Cash Equivalents

The Authority manages its own cash balances and holds balances during the year within its bank account and deposits funds (cash equivalents) under a service level agreement with the London Borough of Ealing.

Debtors and Creditors

The accounts are prepared on an accruals basis. Outstanding debtors and creditors are brought into the accounts at year-end. Where exact amounts are unknown at the time of closing the accounts, accruals are supported by activity and pricing data.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction, using the straight-line method, over their estimated useful lives, as follows:

Type of Asset	Years
Land Assets	60
Buildings	21-25
Fixed Plant	8-12
Vehicles and equipment	7-8

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. There must be a contract whether actual or implied.

In accordance with the standard IFRS9 (Financial Instruments), the Authority recognises financial assets and liabilities when the Authority becomes a party to contractual provisions and at which point they are classified and initially measured at transaction price. Subsequent measurement will follow the initial measurement so will be at amortised cost.

Financial assets are held for day to day operations so are settled in the short term (i.e. generally within a few weeks). This means the time value of money is unchanged from the initial value i.e. nil amortisation. There is no gain or loss to recognise through the amortisation process.

Financial liabilities that are held for day to day operations (i.e. trade creditors) are also settled in the short term and their value will remain unchanged from the initial value. There is no gain or loss to recognise through the amortisation process.

Financial liabilities held over a longer term (borrowing/loans/PPP) where the time value is relevant are subsequently measured using the effective interest method. In WLWA's case the actual interest rate of the borrowing is the effective interest rate. There is no gain or loss to recognise through the amortisation process.

The transaction costs in relation to loan debts are immaterial and consequently charged immediately to surplus and deficit on provision of services.

Impairment and credit losses for trade receivables are required for assets classified under the amortised cost basis. The Authority has assessed impairment and credit losses for trade receivables. Reviewing current debt the Authority has forecast bad debt going forwards and adjusted for credit losses.

The Authority's financial assets comprise of bank balances, investments and trade receivables. The Authority's financial liabilities comprise of borrowings, PPP liability and trade payables.

Going Concern

The Authority's Statement of Accounts have been prepared on a Going Concern basis, i.e. the accounts have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future. This conclusion is supported by the Authority's Business Plan and financial plans principally its medium to long term Financial Model which covers a period of 21 years from the balance sheet date of these accounts.

The financial plans show the Authority maintains suitable reserves to manage risks. The Section 73 Officer's recommendation of a minimum level of reserves of £7.4 million was approved by the Authority in January 2021. These are reviewed at least annually as part of the budget setting process. The reserves are also used to provide a buffer to absorb any variances from budgeted performance and so facilitate stability of levying to boroughs. The current reserve position as detailed in the balance sheet is largely reflected in the cash and equivalent balances. The forecast reserve position in 12 months from the audit report date of £12.4 million will also be fully reflected by the forecast cash position. There are no long term investments. These cash balances can be drawn down at short notice to support the cash position if needed. The Authority's cash flow projections demonstrate the Authority has no liquidity problems for the 12 months from the audit report date and no requirement for any borrowing for cash management purposes.

The financial plans are prudent and include the impacts of Covid-19. These principally relate to increased volumes from borough household waste collections resulting in additional expenditure which will be recovered through the levy to boroughs. They show that the Authority will maintain healthy reserve and cash positions over the longer term, that borrowing will be repaid and that the key driving factors of waste volumes and inflation are effectively managed over the longer term. These are reflected over the longer term through projected balanced budgets and levies to boroughs rising at significantly less than inflation in context of growing waste volumes.

Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Impairments

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Leasing - The Authority as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. There were no leases during 2019-20.

Minimum Revenue Provision (MRP)

Under Part IV of the Local Government and Housing Act 1989 the Authority is required to set aside a minimum revenue provision (MRP) as part of the means to finance capital expenditure. The Authority's policy is to apply, as prescribed, either the asset life or depreciation method and is based on 4% of the capital financing requirement.

Employee Benefits

Short term employee benefits (to be settled within 12 months other than termination benefits) are recognised when the employee renders the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

Pension Scheme

WLWA does not manage its own pension scheme but is an admitted body in the London Pensions Fund Authority (LPFA). This enables all WLWA staff to participate in the LPFA Pension Fund, which is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

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

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

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the triennial valuation date (31 March 2018). The WLWA is committed to provide for service benefits up to the valuation date.

The Code of Practice on Local Authority Accounting requires the Authority to apply accounting principles and to make disclosures under International Accounting Standard 19, Employee Benefits (IAS19). Details are provided to the Authority by the LPFA's Actuary (currently Barnett Waddingham). The Notes to the Core Financial Statements provide details of how the Authority has met these requirements.

Post Balance Sheet Events

Events after the balance sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

No events have been identified to the date of signing these accounts.

Public Private Partnership Contracts

Public Private Partnership (PPP) and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor.

As the Authority is deemed to control the services that are provided under its PPP schemes, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) is balanced by the recognition of a liability for amounts due to the contractor to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority and measured at current value.

The amounts payable to the PPP contractor each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – interest and other financing charges on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability including deferred revenue balance – applied to write down the Balance Sheet liability towards the PPP contractor.
- Life cycle costs – reflecting the consumption of components and the cost of their replacement

(The profile of write-downs is calculated using the same principles as for a finance lease)

Property, Plant and Equipment

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by the Authority.

All property, plant and equipment are used in operations and measured at current value. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The expenses incurred for construction of the fixed asset are normally not capitalised (other than major projects spanning multiple years) but are charged to the Comprehensive Income and Expenditure Statement in the year to which they relate.

Land and buildings are normally re-valued every five years applying Fair Value assumptions using independent professional valuations to reflect the current value to the Authority in their existing use. Where appropriate a re-valuation will be carried out within a five year period. In between full or quinquennial valuations a review is undertaken to determine whether or not annual indexation should be applied to ensure the carrying value continues to reflect the current value. Non-property assets will be carried at historical cost as a proxy for current value.

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the Authority and the cost of the item can be determined reliably. Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value.

Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised.

Other expenditure that does not generate additional future economic benefits or service potential, such as rates, repairs and maintenance is charged to the Comprehensive Income and Expenditure Statement in the period which it is incurred.

Revenue Recognition

In accordance with the Waste Regulations and Disposal (Authorities) Order 1985 and the IFRS 15 (Revenue from Contracts) the Authority apportions costs in a manner agreed with boroughs then raises and notifies boroughs of an annual levy which is a statutory requirement for the boroughs to pay. This is charged in 12 equal instalments over the year. Revenue is recognised on the date of each instalment. The levies are then adjusted on a quarterly basis to reflect the actual service (i.e. tonnages of waste disposed) with boroughs receiving an additional charge or rebate. The adjustment is recognised in the revenue and any unsettled balance at year end reflected in creditors or debtors. Trade, agency and other income are recognised at the point of service delivery and sale.

Borough Service Costs

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

VAT

All income and expenditure is shown net of VAT.

Reserves

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

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 2021 and the Authority's financial position as at 31 March 2021.

Ian O'Donnell
Treasurer
25 June 2021

Authority

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

Signed on behalf of West London Waste Authority
Councillor Graham Henson (Chair)
25 June 2021

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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	2020-21 £'000	2019-20 £'000
Gross expenditure			
Employees		(2,433)	(2,426)
Premises		(2,572)	(2,561)
Waste transport and disposal		(40,855)	(36,297)
Other supplies and payments		(1,405)	(1,023)
Impairments and revaluation losses		0	0
Depreciation	7	(8,770)	(8,773)
Total		(56,035)	(51,080)
Gross income			
Trade waste		1,724	1,810
Agency		373	373
Miscellaneous income		2,552	789
Total		4,649	2,972
Net cost of services		(51,386)	(48,108)
Net financing and investment income and expenditure	6	(9,400)	(9,420)
Levies on constituent councils	17	60,391	57,781
Total		50,991	48,361
Surplus/(deficit) on provision of services		(395)	253
Gain / (loss) from revaluation of property	14	0	0
Actuarial (loss) / gain on pension liability	20	(2,672)	(68)
Other comprehensive income and expenditure		(2,672)	(68)
Total comprehensive income and expenditure		(3,067)	185

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The unaudited accounts were issued on 4 May 2020 and the audited accounts were authorised for issue on 26 June 2020.

		2020-21	2019-20
		£'000	£'000
Property, plant and equipment	7	203,961	212,216
Capital work in progress	8	83	375
Long Term Assets		204,044	212,591
Cash and cash equivalents	10	22,209	17,949
Short term debtors	11	8,436	4,691
Current Assets		30,645	22,640
Total Assets		234,689	235,231
Short term creditors	12	(11,079)	(5,663)
Short term borrowing	13	(2,233)	(2,119)
Current PPP liability	19	(4,080)	(4,001)
Current Liabilities		(17,392)	(11,783)
Long term borrowing	13	(85,940)	(88,172)
Other long term liabilities	19	(104,579)	(108,661)
Pension fund liability	20	(11,028)	(7,799)
Long Term Liabilities		(201,548)	(204,632)
Net Assets		15,750	18,816
Usable Reserves		13,227	12,730
Unusable reserves	14	2,523	6,086
Total Reserves		15,750	18,816

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 2020	12,730	6,086	18,816
Surplus on provision of services (accounting basis)	(395)	0	(395)
Other comprehensive expenditure	0	(2,672)	(2,672)
Total comprehensive expenditure	(395)	(2,672)	(3,067)
Adjustments between accounting basis and funding basis under regulations (Note 5)	891	(891)	0
Decrease in year	496	(3,563)	(3,067)
Balance at 31 March 2021	13,226	2,523	15,749

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

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:

		2020-21 £'000	2019-20 £'000
Net surplus/(deficit) on the provision of services		(395)	253
Adjustments to net surplus		23,003	24,439
Net cash generated from operating activities		22,608	24,692
<i>Investment activities</i>			
Payments for capital work in progress	8	292	(292)
Payments for property, plant and equipment	7	(515)	(17)
Interest received	6	69	114
Net cash used in investment activities		(155)	(195)
<i>Financing activities</i>			
Interest paid	6	(9,468)	(9,534)
Loans raised	13	0	0
Loans repaid		(6,120)	(5,939)
Net cash generated (used in)/from financing activities		(15,589)	(15,473)
Net movement in cash and cash equivalents		4,260	9,024
Opening balance		17,949	8,925
Cash and cash equivalents at end of year		22,209	17,949

Cash Flow Statement

		2020-21	2019-20
		£'000	£'000
Adjustments to net surplus for non-cash movements			
Depreciation and impairments	7	8,770	8,773
Valuation losses		0	0
IAS 19 non-cash pension entries		3,161	536
(Increase)/decrease in short term debtors	11	(3,746)	7,459
(Decrease)/increase in short term creditors	12	5,417	(1,749)
Sub Total		13,603	15,019
Adjustments for items included in financing/investing activities			
Interest received	6	(69)	(114)
Interest paid	6	9,468	9,534
Total Adjustments		23,003	24,439

Notes to the Core Financial Statements

The notes to the core financial statements (notes to the accounts) are provided to give additional information about items included in the core statements. The notes expand on some of the information and provide further explanation of a number of matters prescribed by accounting standards.

1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is used as a whole for decision making purposes in a single service authority with no directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019-20				2020-21		
Net Expenditure chargeable to General Fund	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
(38,950)	(9,158)	(48,108)	Net Cost of Services	(42,243)	(9,143)	(51,386)
40,245	8,116	48,361	Other income and expenditure	42,739	8,252	50,991
1,295	(1,042)	253	Surplus or (deficit)	496	(891)	(395)
			Opening General Fund Balance	12,730		
			Surplus or (deficit)	496		
12,730			Closing General Fund Balance	13,227		

2. Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2021 for which there may be a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of net pension liability depends on complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries engaged by the London Pensions Fund Authority provide expert advice about the assumptions applied.	The actual results will only become apparent on crystallisation of the pension liability. However the effects on the net pension's liability of changes in individual assumptions can be measured and are illustrated in note 20.
Property Valuation	Independent professional property valuations take place every 5 years by surveyors appointed by the Authority. The valuations are undertaken in accordance with RICS and CIPFA rules and require the use of a variety of information and the judgement of surveyors in relation to market conditions, components and lifecycles.	Actual results only become apparent on the disposal of property. However, the balance on the revaluation reserve in note 14 provides an indication of the level of notional gain resulting from valuations. For prudence where there are notional losses, these are immediately recognised in the income and expenditure statement. In the five year between valuations a review is undertaken to determine whether an annual desktop indexation

		exercise is required to ensure the carrying value reflects the current value. The review considers the condition of the asset, its utility and usage, the market conditions, the lifespan and materiality. Expectations do not differ from previous estimates in relation to residual value, useful life or depreciation. On review it was determined that a desktop exercise was not required and that the carrying value of properties reasonably and accurately reflect the current value.
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4. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 25 June 2021. 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 2021 they have been taken into account.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

	2020-21 £'000	2019-20 £'000
Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:		
Depreciation* (note 7)	8,770	8,773
Impairments and revaluation losses*	0	0
Reversal of items relating to IAS19 Retirement Benefits	557	536
	9,327	9,309
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)	(7,932)	(8,263)
Revenue financing to Capital (note 14)	(515)	(17)
Other	0	0
	(8,447)	(8,280)
Transfer (from)/to general reserves		
Accumulated Absences Account (note 14)	11	13

	11	13
Net additional amount to be credited to general balances for the year	891	1,042

* Adjustments impact capital adjustment account (unusable reserve)

6. Financing and Investment Income and Expenditure

	2020-21	2019-20
	£'000	£'000
Interest payable and similar charges	5,414	5,535
Pensions interest and expected return on pensions assets	195	164
PPP financing interest	3,473	3,548
PPP contingent rents	386	287
Interest receivable and similar income	(69)	(114)
	9,400	9,420

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 2020	220,658	0	484	221,142
Additions	515	0	0	515
Gross book value at 31 March 2021	221,173	0	484	221,657
Accumulated depreciation at 1 April 2020	(8,690)	0	(236)	(8,926)
Depreciation charge for the year	(8,699)	0	(71)	(8,770)
Accumulated depreciation at 31 March 2021	(17,389)	0	(307)	(17,696)
Net book Value at 01 April 2020	211,968	0	248	212,216
Net book Value at 31 March 2021	203,784	0	177	203,961

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

	Land and Buildings Freehold	Land and Buildings Leasehold	Fixed Plant and Vehicles	TOTAL
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2019	220,658	0	467	221,125
Additions	0	0	17	17
Disposals	0	0	0	0
Leasehold buyout	0	0	0	0
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	0	0	0
Revaluation increases/(decreases) recognised in Comprehensive income and expenditure statement	0	0	0	0
Gross book value at 1 April 2020	220,658	0	484	221,142
Accumulated depreciation brought forward	(8,690)	0	(236)	(8,926)
Disposals	0	0	0	0
Depreciation charge for the year	0	0	0	0
Leasehold buyout	0	0	0	0
Depreciation written out to Revaluation Reserve	0	0	0	0
Accumulated depreciation carried forward	(8,690)	0	(236)	(8,926)
Net book Value at 31 March 2020	211,968	0	248	212,216
Net book Value at 31 March 2019	220,658	0	314	220,972

8. Capital Work in Progress

	2020-21	2019-20
	£'000	£'000
Opening balance	375	83
Expenditure in year	0	292
Recognised in long term assets	(292)	0
Closing balance	83	375

9. Financial Instruments

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

	Long term		Current	
	2020-21	2019-20	2020-21	2019-20
	£'000	£'000	£'000	£'000
Financial Assets – Amortised Cost				
Cash and cash equivalents	0	0	22,209	17,949
Trade debtors and prepayments	0	0	4,520	2,110
Financial Liabilities – Amortised Cost				
Trade creditors	0	0	(10,276)	(4,876)
Long term borrowing	(85,940)	(88,172)	(2,233)	(2,119)
PPP liability	(104,579)	(108,661)	(4,081)	(4,001)

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The financial asset or liability's discount rate of return at 31 March 2021
- No early repayment or impairment
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

	2020-21		2019-20	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Long term borrowing (note 13)	88,172	91,445	90,291	95,288
PPP liability	108,659	127,566	112,662	121,624

The fair value for the year was provided by an independent professional valuer, Arlingclose, who are regulated by the Financial Conduct Authority. The higher fair values reflect that these essentially fixed rate instruments have higher interest rates than similar loans available in the market at balance sheet date. The loans and long term liabilities are valued at Level 2 as the valuation of the underlying debt is derived from observable inputs (i.e. estimated using market data) as they are not readily quoted or sold in active markets. The valuation is derived from future cash flows which are discounted at the equivalent interest rate the Authority would expect to obtain for the same product at 31 March 2021. The discount rates range between 1.70% and 7.60% to

reflect the particular features of each financial instrument and are set using market information including as the AA rated corporate bond yields, swap rates and margins.

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 2021 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:

	2020-21	2019-20
	£'000	£'000
Bank balance (HSBC)	4,709	449
Deposit placed with the London Borough of Ealing	17,500	17,500
Total	22,209	17,949

11. Short Term Debtors

	2020-21	2019-20
	£'000	£'000
Other Local Authorities	2,038	775
Central Government Bodies	3,716	1,853
Other Entities and Individuals	60	102
Prepayments and Accrued Income	2,622	1,961
Total	8,436	4,691

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

boroughs. Credit losses for doubtful debts are recognised against trade receivables, based on estimated irrecoverable amounts determined by debt analysis and management judgement.

Age of receivables due	2020-21	2019-20
	£'000	£'000
< 90 days	1,893	83
90 – 180 days	0	2
> 180 days	150	163
Total	2,043	248

12. Short Term Creditors

	2020-21	2019-20
	£'000	£'000
Other Entities and Individuals	(9,101)	(4,574)
Other Local Authorities	(1,978)	(1,089)
Total	(11,079)	(5,663)

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

13. Borrowing

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

	2020-21	2019-20
	£'000	£'000
Opening balance	(90,291)	(92,304)
Loans in year	0	0
Repayments	2,119	2,013
Closing balance	(88,172)	(90,291)

At 31 March 2021 £158,000 loan interest payable within 12 months was accrued and is included within short term creditors.

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

	2020-21	2019-20
	£'000	£'000
Analysis by maturity		
Short term element	(2,232)	(2,119)
Between 2 and 4 years	(10,229)	(9,692)
Between 5 and 10 years	(16,452)	(15,543)
10 years or more	(59,259)	(62,937)
Long term element	(85,940)	(88,172)
Total liability	(88,172)	(90,291)

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

	2020-21	2019-20
	£'000	£'000
Analysis by maturity		
Short term element	(7,524)	(7,528)
Between 2 and 4 years	(30,058)	(30,075)
Between 5 and 10 years	(37,458)	(37,486)
10 years or more	(81,794)	(89,273)
Long term element	(149,310)	(156,834)
Total liability	(156,834)	(164,362)

14. Unusable Reserves

	2020-21	2019-20
	£'000	£'000
Revaluation reserve	(7,768)	(7,768)
Capital adjustment account	(5,825)	(6,148)
Pensions reserve	11,028	7,799
Accumulated absences account	42	31
	(2,523)	(6,086)

(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.

	2020-21	2019-20
	£'000	£'000
Balance as at 1 April	(7,768)	(7,768)
Revaluation gains		0
Revaluation losses not taken through CIES		0
Adjustment for indexation of valuation		0
Amount written off to Capital Adjustment Account		0
	<hr/>	<hr/>
Balance at 31 March	(7,768)	(7,768)

(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.

	2019-20	2018-19
	£'000	£'000
Balance as at 1 April	(6,148)	(6,641)
Depreciation	8,770	8,773
Statutory provision for repayment of debt	(7,932)	(8,263)
Impairment and revaluation	0	0
Amounts written out of Revaluation Reserve	0	0
Net written out amount of the cost of non-current assets consumed in the year	(5,310)	(6,131)
Revenue financing to capital	(515)	(17)
	<hr/>	<hr/>
Balance at 31 March	(5,825)	(6,148)

(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.

	2020-21	2019-20
	£'000	£'000
Balance as at 1 April	7,799	7,195
Actuarial gains or losses on pension assets and liabilities	2,672	68
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	747	886
Employer's pensions contributions and direct payments to pensioners payable in the year	(190)	(350)
Balance at 31 March	11,028	7,799

(iv) Accumulated Absences Account

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2020. This reserve absorbs the differences that would otherwise arise in the General Fund from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

	2020-21	2019-20
	£'000	£'000
Balance as at 1 April	31	18
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	11	13

Balance at 31 March

42

31

15. Officers' Remuneration

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

	Salary and Termination Benefits (£)		Pension Contributions (£)		Total (£)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	Director	146,543	134,544	19,783	16,145	166,326
Clerk	11,014	10,719	1,487	1,286	12,501	12,005
Technical Advisor (to March)	0	10,719	0	1,286	0	12,005
Technical Adviser (from January)	11,014	2,017	248	242	11,504	2,259
Treasurer	11,014	10,719	1,487	1,286	12,501	12,005

The number of employees excluding Senior Officers whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band including exit packages	2020-21	2019-20
	No of employees	No of employees
£50,000 to £54,999	1	0
£55,000 to £59,999	1	0
£60,000 to £64,999	0	1
£65,000 to £69,999	1	1
£70,000 to £74,999	1	1
£85,000 to £89,999	0	1
£90,000 to £94,999	1	0

Members Allowances

£200 allowance to members is paid for attending Authority meetings.

16. External Audit Fees

The audit fees reflected in the accounts are as follows:

2020-21	2019-20
£'000	£'000

Audit of the Authority	112	17
Other services	0	0
Total Fees	112	17

17. Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of International Accounting Standard 24 (IAS 24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS 24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from each of the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and its operations are financed by an annual levy on the constituent boroughs. Borough loans have also been used to finance large capital investments. The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2019-20. No related party transactions were declared. At the end of the financial year the officers in the post of Clerk to the Authority and Chief Technical Advisor were also Chief Officers at the London Borough of Harrow. The Authority pays the individuals directly for the services they provide. The Authority also receives support services from Ealing, Hillingdon, Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account.

	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Pay as you Throw	9,186	10,252	6,769	9,507	8,499	5,735	49,949
Fixed Cost Levy	1,714	2,440	1,554	1,834	1,524	1,577	10,442
Total Levies	10,900	12,492	8,323	11,341	10,024	7,311	60,391
Agency and other income	373	2,241					373
Total 2020-21	11,273	14,733	8,323	11,341	10,024	7,311	63,005
Total 2019-20	10,805	11,980	8,025	10,965	9,304	7,075	58,154
Interest expense 2020-21	1,212	1,212	1,212	0	0	1,212	4,848
Interest expense 2019-20	1,236	1,236	1,236	0	0	1,236	4,944

Expenditure

Waste Transport and Disposal Costs					29		29
Rent and Rates	102			391			493
Support Services		9		13			22
Other				(3)	(1)		(4)
Total 2020-21	102	0	9	401	27	0	539

Total 2019-20	100	3	38	398	6	0	545
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	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debtors 2020-21	13	1,299			717	9	2,038
Debtors 2019-20	728	0	0	47	0	0	775
Creditors 2020-21	561	425	44	448		500	1,978
Creditors 2019-20	135	478	67	223	62	125	1,090
Borrowings 2020-21	15,816	15,816	15,816			15,816	63,264
Borrowings 2019-20	16,115	16,115	16,115	0	0	16,115	64,460
Cash / equivalents 2020-21		17,500					17,500
Cash / equivalents 2019-20	0	17,500	0	0	0	0	17,500

18. Leases

The Authority does not hold any finance or operating leases.

19. Other Liabilities

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

2020-21

2019-20

Energy from waste facility:	£'000	£'000
Opening balance	112,662	116,588
Developer's contribution	0	0
Reduced through unitary payments	(4,003)	(3,926)
Closing balance	108,659	112,662

PPP liability repayments	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	1,313	2,767	4,080
Two to five years	6,161	11,072	17,233
Six to ten years	10,231	13,840	24,071
Eleven to fifteen years	14,004	13,840	27,844
Sixteen to twenty years	19,169	13,841	33,010
Twenty to twenty five years	1,487	933	2,421
Long term liability	51,052	53,526	104,579
Total repayments	52,365	52,294	108,659

The table below shows the split by maturity including interest payments:

PPP liability repayments including interest	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	4,707	2,768	7,475
Two to five years	18,826	11,072	29,899
Six to ten years	23,533	13,840	37,374
Eleven to fifteen years	23,533	13,840	37,374
Sixteen to twenty years	23,533	13,840	37,374
Twenty to twenty five years	1,583	933	2,516
Long term liability	91,008	53,525	144,537
Total repayments	95,715	56,293	152,012

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

20. Defined Benefit Pension Scheme

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

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

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

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the triennial valuation date. The WLWA is committed to provide for service benefits up to the valuation date. Pension costs are a very minor proportion of total spending and the effects of the defined benefit scheme and its valuation on the timing, uncertainty and risk around cash flows is not material.

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

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

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

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

Balance sheet disclosure	2020-21	2019-20
	£'000	£'000
Present value of funded obligation	(31,734)	(24,982)
Fair value of Scheme Assets (bid value)	20,882	17,355
Net Liability	(10,030)	(7,627)
Present value of unfunded obligations	(176)	(172)
Net Liability in Balance Sheet	(11,028)	(7,799)

Comprehensive Income and Expenditure Statement

	2020-21	2019-20
	£'000	£'000
Service costs	529	696
Net interest on defined liability	195	164
Administrative expenses	23	26
	747	886

Reconciliation of the present value of the scheme liabilities:

	2020-21	2019-20
	£'000	£'000
Opening balance as at 1 April	25,154	26,972
Current service cost	529	555
Interest cost	627	626
Change in financial assumptions	7,197	(3,937)
Change in demographic assumptions	(260)	372
Experience (gain)/loss on liabilities	(344)	975
Liabilities assumed/extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(1,264)	(837)
Past service costs including curtailments	0	141
Contributions by scheme participants and other employers	285	301
Unfunded pension payments	(14)	(14)
	31,190	25,154
Closing balance as at 31 March	31,190	25,154

Reconciliation of fair value of the scheme (plan) assets:

	2020-21	2019-20
	£'000	£'000
Opening balance as at 1 April	17,335	19,777
Interest on assets	432	462
Return on assets less interest	3,921	(2,166)
Other actuarial gains		(492)
Administration expenses	(23)	(26)
Employer contributions	190	350
Contributions by scheme participants and other employers	282	301
Benefits paid	(1,278)	(851)
Settlement prices received/(paid)		0
	20,882	17,355
Closing balance as at 31 March	20,882	17,355

Assumptions as at	31 March 2021	31 March 2020	31 March 2019
	% p.a.	% p.a.	% p.a.
Discount rate	1.95%	2.55%	2.35%
Pension increases	2.80%	1.90%	2.50%
Salary increases	3.80%	2.90%	4.00%

The LPFA's actuary undertakes sensitivity analysis by looking at the impact on the present value of the scheme by flexing the assumptions (e.g. increasing discount rate by 0.1%).

Life expectancy from age 65 (years)		31 March 2021	31 March 2020
Retiring today	Males	22.1	22.3
	Females	23.6	23.6
Retiring in 20 years	Males	22.6	22.8
	Females	25.9	25.9

Sensitivity analysis on major assumptions	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	31,361	31,910	32,469
▪ Projected service cost	834	859	884
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	31,949	31,910	31,871
▪ Projected service cost	859	859	747
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	32,425	31,910	31,403
▪ Projected service cost	883	859	834
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	33,559	31,910	30,346
▪ Projected service cost	898	859	821

Re-measurements in other comprehensive income	2020-21	2019-20
	£'000	£'000
Return on plan assets in excess of interest	3,921	(2,166)
Other actuarial gains on assets		(492)
Change in financial assumptions	(7,197)	3,937
Change in demographic assumptions	260	(372)
Experience gain on defined benefit obligation	344	(975)
Total	(2,672)	(68)

Projected pension expense for next year	2021-22
	£'000
Service cost	859
Net interest on the defined liability	213
Administration expenses	27
Total	1,099

Employer contributions **186**

Assets by Class	2020-21	2019-20
	£'000	£'000
Equities	11,874	9,400
Target Return Portfolio	4,878	4,230
Infrastructure	1,732	1,218
Property	1,894	1,585
Cash	504	922
Total	20,882	17,355

Analysis of 2020-21 Assets	% Quoted	% Unquoted
Equities		
Real Estate	0.9%	
Consumer Discretionary	4.2%	
Consumer Staples	6.2%	
Energy	0.2%	
Financials	5.0%	
Health Care	3.3%	
Industrials	5.1%	
Information Technology	9.2%	
Materials	1.3%	
Communication Services	2.6%	
Utilities	0.9%	
Fixed Income & Other	0.0%	
Trade Cash/Pending	1.9%	
Synthetic Equity	1.2%	
Private Equity		8.5%
Fixed Income	4.2%	
Total Return		
Investment/Hedge funds and unit trusts	11.1%	
Credit		8.1%
Infrastructure		8.3%
Real Estate		9.1%
Cash		
Cash	1.4%	
LDI	6.3%	
Currency Hedge (Forward Contracts)		1.0%
Total	65.0%	35.0%

21. Contingent Liabilities

At 31 March 2021 there was no contingent liability (31 March 2020: nil)

Annual Governance Statement 2020-21

1. Scope of Responsibility

The WLWA is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging its responsibilities the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Authority's code can be obtained from WLWA's website (<http://westlondonwaste.gov.uk>). This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1) which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with its stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

The key elements of the Governance Framework include

- Production of business plans and long term financial forecasts
- Performance monitoring information (Key Performance Indicators)
- Statement of Accounts
- Schemes of delegation for Officers
- Regular scrutiny of operations at Chief Officer's meetings
- Audit Committee
- Regular progress meetings with members
- Internal Audit
- Whistle Blowing Policy
- Financial Regulations and Related Policies
- HR Policies providing a framework for the organisation culture
- Health & Safety Policy and annual action plans
- Public meetings, except for confidential items
- Clear communication with stakeholders
- Joint Waste Management Strategy
- Regular meetings with constituent borough Environment Directors and Finance Directors
- Consultation with constituent boroughs of Authority papers

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the internal auditor's annual report, and also by comments made by the external auditors.

The work of the Audit Committee includes monitoring the progress of action plans and ensuring appropriate systems of governance and internal control. The Audit Committee considered reports from the internal auditors on:

- Creditors
- Contracts and Procurement
- Treasury Management

The internal audit reports provide assurance about specific activities and over a number of years all of the Authority's activities will be audited. This year's reports provided substantial or reasonable assurance for reported areas, identified no high risk items/recommendations and almost all medium and low risk recommendations have been accepted and most implemented.

Risk registers were regularly reviewed at all levels within the Authority and were considered at each Audit Committee meeting. Financial performance was scrutinised and a strong focus on controlling spending delivered efficiency savings.

The Authority has been advised on the implications of the result of the review of the effectiveness of the Governance Framework by the Officers and Audit Committee and that it is agreed that the current arrangements can be regarded as fit for purpose in accordance with the Governance Framework.

5. Significant Governance Issues

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

Councillor Graham Henson,
Chair to the Authority
25 June 2021

Hugh Peart,
Clerk
25 June 2021

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

DRAFT