West London Waste Authority

Statement of Accounts

For the year ended 31 March 2019

On behalf of the Authority, I am satisfied that these draft Statement of Accounts provide a true and fair view of:

- the financial position of the Authority at the end of the financial year to which they relate and
- the Authority's income and expenditure for the year.



Ian O'Donnell, Treasurer
02 May 2019

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West London Waste
Let's be resourceful

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Narrative Report

Introduction

West London Waste Authority (WLWA) is a statutory joint waste disposal authority established on 1 January 1986 to undertake the waste disposal functions set out in the Waste Regulation and Disposal (Authorities) Order 1985 made under the Local Government Act 1985, Section 10.

WLWA undertakes the waste disposal function for its six constituent boroughs in west London and its administrative area covers a population of approximately 1.7 million and an area of 38,000 hectares.

The six boroughs are responsible for the collection of waste in their areas and the Authority's statutory responsibility is to arrange for the provision of:

- facilities for the receipt, recycling and disposal of waste which is collected by the six constituent boroughs;
- transport and disposal of waste which the constituent boroughs receive at their household reuse and recycling centres;
- household reuse and recycling centres; and
- the storage and disposal of abandoned vehicles which are removed by the constituent boroughs.

The Authority is governed by six Councillors, one from each of the six constituent boroughs: the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames. The members of the Authority usually meet five times each year. They are supported by an Audit Committee that meets regularly during the year to consider matters of risk, control and governance. Additionally, there are regular partnership meetings between officers of the Authority and officers of the constituent boroughs.

The main administrative offices of the WLWA are located in West Drayton following a move to a new head office in November 2018. At the end of the year WLWA employed 34 staff (previous year: 36). WLWA is headed by the Managing Director and three part-time chief officers – The Clerk, Treasurer and Chief Technical Adviser, who are normally also full time chief officers employed in the constituent boroughs. Having close working relationships with the boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:

- London Borough of Hounslow – human resources and health and safety advice
- London Borough of Ealing – treasury, payroll, ICT, finance systems
- London Borough of Harrow – legal, insurance, procurement and committee services
- London Borough of Hillingdon – internal audit

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

In recent years 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 Joint Waste Management Strategy. A key objective of this strategy is to improve the recycling rate which is reflected in a target of 50% agreed by boroughs.

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

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

Activity

The principal statutory responsibility for the Authority is to receive, treat, transport and dispose of waste collected by boroughs from their households. A breakdown of the borough's collected waste is provided in the table below. This shows a 0.7% rise in volume of borough collected waste being received by the Authority to 562,000 tonnes for the year. During the year, 98.9% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

	2018-19 Tonnes	**2017-18 Tonnes**
Recycling and reuse	61,000	71,000
Composting	87,000	87,000
Energy recovery	408,000	386,000
Landfill	6,000	14,000
Total waste	**562,000**	**558,000**

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

There are seven household reuse and recycling centres. The boroughs operate six of these (either directly themselves or through contractors) for which the Authority arranges transport and disposal through contracts with the private sector. The remaining site is operated by the Authority as agents of one of the boroughs.

For the year residual waste sent for disposal from these centres totalled 90,000 tonnes. Of this householders deposited 53,000 tonnes; 23,000 tonnes was trade waste and 14,000 tonnes was borough collected waste. A breakdown follows.

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	2018-19 Tonnes	2017-18 Tonnes
Household residual waste	53,000	49,000
Household recycle and re-used waste	17,000	30,000
Household composted waste	16,000	16,000
Trade residual waste	23,000	19,000
Borough residual street cleansing waste	14,000	11,000
Total Household Re-use and Recycling Centre waste	**123,000**	**125,000**

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 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 £59.1 million, an increase from £55.9 million in 2017-18. This corresponds with the planned increase in activity and prices reflected in the net cost of services to £47.1 million, from the previous year's £45.9 million. Net financing costs rose by £0.1 million to £9.1 million and the overall result showed a surplus on provision of services of £2.8 million compared to £1.1 million in the previous year.

An actuarial gain on the pension liability valuation of £1.1 million (£1.3 million in the previous year) and property revaluation losses £5.9 million (£1.3 million in the previous year) has resulted in total comprehensive expenditure for the year of £3.0 million (total comprehensive income of £1.0 million in the previous year).

The Authority's aim for 2018-19 was to commence delivering ambitious business plan objectives and at the same time to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from Boroughs. The Authority has achieved this target.

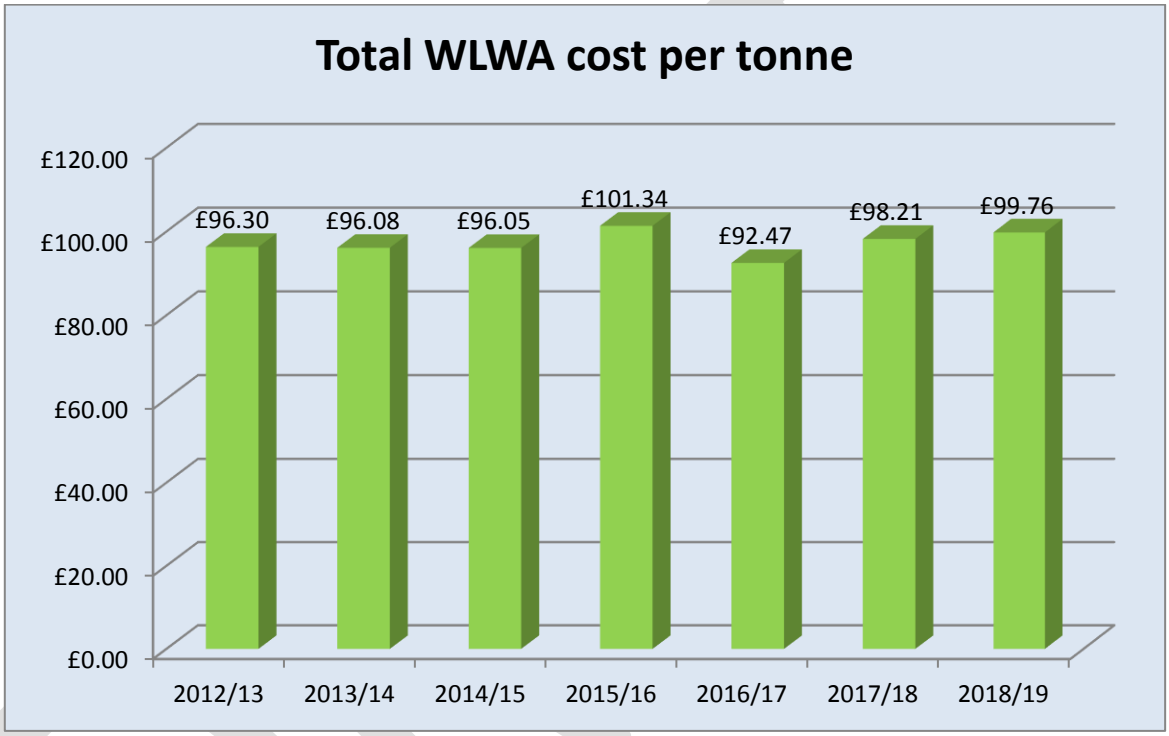
Key milestones achieved in 2018-19 include the purchase of the freeholds of two previously leased transfer station sites. This purchase will deliver long term cash savings, provide greater operational / development opportunities and ensure long term security / availability of local transfer stations for the receipt of west London waste.

Following the expiry of its previous rental agreement of office space, the Authority also purchased and established operations at a new head office in West Drayton.

The Authority's properties now comprise of an energy from waste centre, three transfer stations and a head office building. Full independent property valuations took place at the end of 2018/19 and are reflected in the balance sheet value of £221.0 million. The assets have been funded by loans

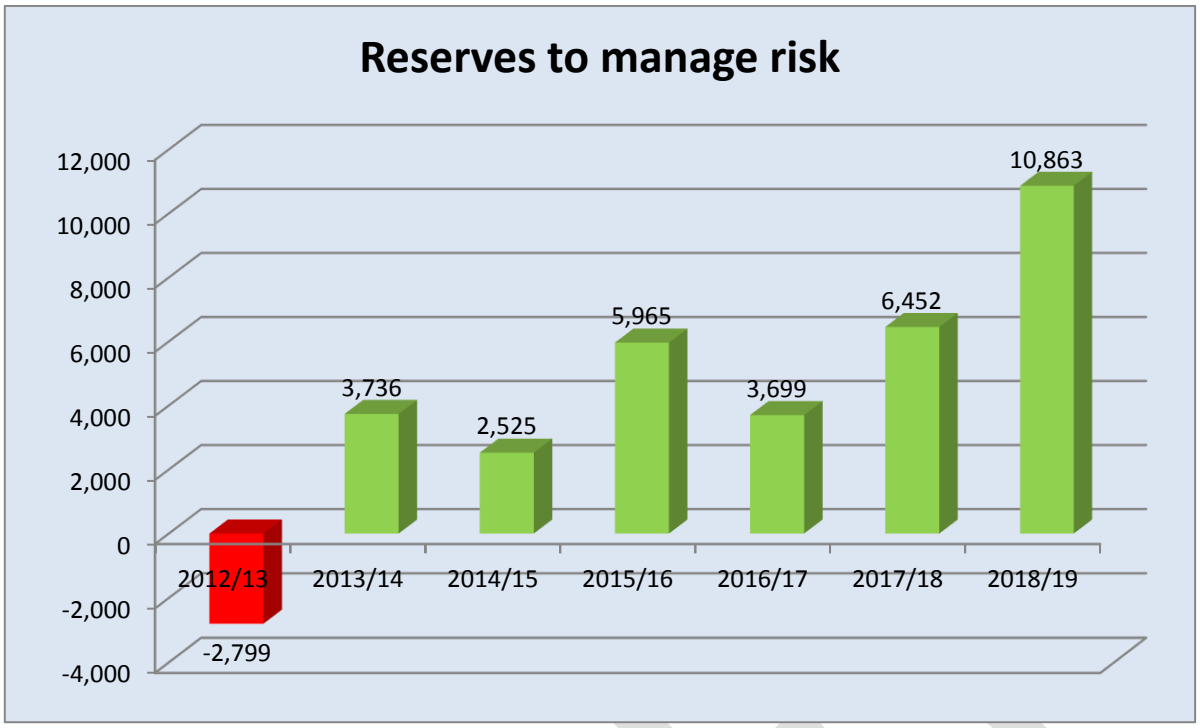
from constituent boroughs and the Public Works Loans Board with total balances of £92.3 million and a capital contribution balance from the Suez consortium of £116.6 million for the construction of the energy recovery centre.

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 3.5% more than it was in 2012/13 with just 1.5% growth on the previous year. This reflects the effective control of costs and spending over the period and improving efficiency. It is worth noting that 2016/17 included significant one off benefits resulting from the commencement of full service at the new energy recovery centre.

Once again, by considering a longer timeframe, the level of reserves available to manage risk provides better perspective about the Authority's financial health. So the chart below considers the Authority's reserves excluding the notional property revaluation over the same period. It illustrates that in 2012-13 the Authority had more obligations and liabilities than it did assets and therefore held a negative reserve position. From 2013-14 the Authority has improved this position by building a stable level of reserves as the basis of a financial buffer to better manage unexpected risks.



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

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Accounting Policies

General

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

Borrowing costs

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

Capital Adjustment Account

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

Capital Work in Progress

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

Cash and Cash Equivalents

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

Debtors and Creditors

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

Depreciation

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

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

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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.

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. This identified that historically the Authority had close to no bad debt. Reviewing current debt the Authority is also forecasting no bad debt going forwards therefore no adjustment is required for credit losses.

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

Going Concern

The Authority's Statement of Accounts have been prepared on a Going Concern basis, i.e. the accounts have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future. This conclusion is supported by the Authority's Business Plan and also its medium to long term Financial Model which covers a period of 25 years from the balance sheet date of these accounts.

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Government Grants and Other Contributions

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

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

Impairments

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

Leasing - The Authority as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangements is dependent on the use of specific assets.

Finance Leases

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

Lease payments are apportioned between:

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or

equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent free period at the commencement of the lease).

Minimum Revenue Provision (MRP)

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

Pension Scheme

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

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

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

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

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

Post Balance Sheet Events

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

Two types of events can be identified:

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

Public Private Partnership Contracts

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

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

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

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

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

Property, Plant and Equipment

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

All property, plant and equipment are used in operations and measured at current value. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The costs arising from financing the construction of the fixed asset are normally not capitalised (other than major projects

spanning multiple years) but are charged to the Comprehensive Income and Expenditure Statement in the year to which they relate.

Land and buildings are 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. A full valuation was undertaken by Vail Williams LLP March 2019. The specialist nature of waste disposal properties and consequently absence of comparative market price requires valuations to be undertaken using depreciated replacement cost with an instant build approach in accordance with CIPFA's Code of Practice. In between quinquennial valuations annual indexation is 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 repairs and maintenance is charged to the Comprehensive Income and Expenditure Statement in the period which it is incurred.

Provisions

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

Revenue Recognition

In accordance with the Waste Regulations and Disposal (Authorities) Order 1985 the Authority apportions costs in a manner agreed with boroughs then raises and notifies boroughs of an annual levy charged in 12 equal instalments over the year. Revenue is recognised on the date of each instalment. Trade, agency and other income are recognised at the point of service delivery and sale.

Service Borough Costs

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

VAT

All income and expenditure is shown net of VAT.

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 2019 and the Authority's financial position as at 31 March 2019.

Ian O'Donnell
Treasurer
28 June 2019

Authority

I can confirm that these Accounts were considered and approved by the Authority on 28 June 2019.

Signed on behalf of West London Waste Authority
Councillor Graham Henson (Chair)
28 June 2019

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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	2018-19 £'000	2017-18 £'000
Gross expenditure			
Employees		(2,138)	(2,056)
Premises		(3,647)	(3,499)
Waste transport and disposal		(34,496)	(33,509)
Other supplies and payments		(744)	(587)
Impairments and revaluation losses		(226)	(0)
Depreciation	7	(8,337)	(8,278)
Total		**(49,588)**	**(47,929)**
Gross income			
Trade waste		1,416	1,354
Agency		433	444
Miscellaneous income		552	282
Total		**2,401**	**2,080**
Net cost of services		**(47,187)**	**(45,849)**
Financing and investment income and expenditure	6	(9,106)	(8,953)
Levies on constituent councils	17	59,166	55,863
Total		**50,060**	**46,910**
Surplus/(Deficit) on provision of services		**2,873**	**1,061**
Loss on indexation and valuations	14	(6,981)	(1,355)
Actuarial gain/(loss) on pension liability	20	1,093	1,304
Other comprehensive income and expenditure		**(5,888)**	**(51)**
Total comprehensive income and expenditure		**(3,015)**	**1,010**

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Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets/(liabilities) of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserve is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations". The unaudited accounts were issued on 3 May 2019 and the audited accounts were authorised for issue on 19 June 2019.

		2018-19	2017-18
		£'000	£'000
Property, plant and equipment	7	220,972	198,144
Capital work in progress	8	83	161
Long Term Assets		**221,055**	**198,305**
Cash and cash equivalents	10	8,925	20,766
Short term debtors	11	12,150	4,105
Current Assets		**21,075**	**24,871**
Total Assets		**242,130**	**223,176**
Short term creditors	12	(7,412)	(6,626)
Short term borrowing	13	(2,012)	(1,033)
Current PPP liability	19	(3,926)	(3,856)
Current Liabilities		**(13,350)**	**(11,515)**
Long term borrowing	13	(90,292)	(65,574)
Other long term liabilities	19	(112,662)	(116,588)
Pension fund liability	20	(7,195)	(7,853)
Long Term Liabilities		**(210,149)**	**(190,015)**
Net Assets		**18,631**	**21,646**
Usable Reserves		11,435	18,794
Unusable reserves	14	7,196	2,852
Total Reserves		**18,631**	**21,646**

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

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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:

		2018-19	2017-19
		£'000	£'000
Net surplus on the provision of services		2,873	2,365
Adjustments to net surplus		10,844	13,544
Net cash generated from operating activities		**13,717**	**15,909**
Investment activities			
Payments for capital work in progress	8	(368)	(167)
Payments for property, plant and equipment	7	(37,925)	(1,026)
Interest received	6	88	61
Net cash used in investment activities		**(38,205)**	**(1,132)**
Financing activities			
Interest paid	6	(9,194)	(9,014)
Loans raised	13	26,729	900
Loans repaid		(4,888)	(4,695)
Net cash generated (used in)/from financing activities		**12,647**	**(12,809)**
Net movement in cash and cash equivalents		(11,841)	1,968
Opening balance		20,766	18,798
Cash and cash equivalents at end of year		**8,925**	**20,766**

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Cash Flow Statement

		2018-19 £'000	2017-18 £'000
Adjustments to net surplus for non-cash movements			
Depreciation and impairments	7	8,337	8,278
Valuation losses		226	
IAS 19 non-cash pension entries		434	(790)
(Increase)/decrease in short term debtors	11	(8,045)	(296)
(Decrease)/increase in short term creditors	12	786	(2,601)
Sub Total		1,738	4,591
Adjustments for items included in financing/investing activities			
Interest received	6	(88)	(61)
Interest paid	6	9,194	9,014
Total Adjustments		**10,844**	**13,544**

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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.

2017-18				2018-19		
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
(37,272)	(8,557)	(45,849)	Net Cost of Services	(38,380)	(8,807)	(47,187)
39,234	7,676	46,910	Other income and expenditure	31,021	19,039	50,060
1,962	(901)	1,061	Surplus or (deficit)	(7,359)	10,232	2,873
		16,832	Opening General Fund Balance	18,794		
		1,962	Surplus or (deficit)	(7,359)		
		18,794	**Closing General Fund Balance**	**11,435**		

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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 2019 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 annual desktop indexation exercises ensure the carrying value is adjusted to reflect the current value.

4. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 28 June 2019. 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 2019 they have been taken into account.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

	2018-19 £'000	2017-18 £'000
Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:		
Depreciation* (note 7)	8,337	8,278
Impairments and revaluation losses*	226	0
Reversal of items relating to IAS19 Retirement Benefits	435	514
	8,998	**8,792**
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)	(7,497)	(7,693)
Revenue financing to Capital (note 14)	(11,735)	(202)
Other	(1)	0
	(19,233)	**(7.895)**
Transfer (from)/to general reserves		
Accumulated Absences Account (note 14)	3	4
	3	**4**
Net additional amount to be debited to general balances for the year	**(10,232)**	**901**

* Adjustments impact capital adjustment account (unusable reserve)

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6. Financing and Investment Income and Expenditure

	2018-19	2017-18
	£'000	£'000
Interest payable and similar charges	5,192	5,052
Pensions interest and expected return on pensions assets	194	219
PPP financing interest	3,619	3,649
PPP contingent rents	189	94
Interest receivable and similar income	(88)	(61)
	9,106	**8,953**

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

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Land and buildings include assets under PPP arrangement with net book value of £225.2 million.

8. Capital Work in Progress

	2018-19	2017-18
	£'000	£'000
Opening balance	161	69
Expenditure in year	368	167
Recognised in long term assets	(446)	(75)
Closing balance	**83**	**161**

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	
	2018-19	2017-18	2018-19	2017-18
	£'000	£'000	£'000	£'000
Financial Assets – Amortised Cost				
Cash and cash equivalents	0	0	8,925	20,766
Trade debtors and prepayments	0	0	2,325	1,968
Financial Liabilities – Amortised Cost				
Trade creditors	0	0	6,629	(5,015)
Long term borrowing	(90,292)	(65,574)	(2,012)	(1,033)
PPP liability	(112,662)	(116,588)	(3,926)	(3,856)

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 interest rate at 31 March 2019
- 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

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	2018-19		2017-18	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Long term borrowing (note 13)	92,304	95,751	66,607	69,805
PPP liability	116,588	120,437	120,444	124,376

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 valuation of financial instruments is classified into 3 levels according to the quality and reliability of the data used to determine fair values. The loans and long term liabilities are valued at Level 2 as the valuation of the underlying debt is derived from observable inputs and not from quoted prices in active markets. The valuation is derived from a predefined and predictable cashflow using a net present value approach.

Nature and Extent of Risks arising from Financial Instruments

Overall Procedures for Managing Risk:

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services. The procedures for risk management in relation to key financial instruments are set out through the legal framework detailed within the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance.

In order to comply with the requirement that the Authority is required to set a balanced budget (Local Government Finance Act 1992) this is reported at the same time as the levy setting meeting. The annual Treasury Management Strategy outlines the detailed approach to managing risk in relation to financial instrument exposure. Actual performance is compared to the strategy and reported annually to members.

The Treasurer is responsible for all of the Authority's banking, borrowing and investment activities. Under a service level agreement, the London Borough of Ealing provides a low risk option for investing balances.

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

Credit risk for the Authority arises from deposits with banks and credit exposures to debtors. Deposits are not made with banks unless they are rated independently and meet the Authority's credit criteria, which are restricted to the upper end of the independent credit rating criteria. The credit risk around debtors is set out in Note 11.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

Through the Local Government Finance Act 1992, the Authority is required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that the Authority will be unable to raise finance to meet its commitments.

Refinancing and Maturity Risk

The Authority's approved Treasury strategy is set to avoid the risk of refinancing on unfavourable terms. The maturity analysis for borrowing is set out in Note 13. All trade and other payables are due to be paid in less than one year.

Market Risk

As at the 31 March 2018 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:

	2018-19	2017-18
	£'000	£'000
Bank balance (HSBC)	1,925	3,766
Deposit placed with the London Borough of Ealing	7,000	17,000
Total	**8,925**	**20,766**

11. Short Term Debtors

	2018-19	2017-18
	£'000	£'000
Other Local Authorities	1,073	12
Central Government Bodies	8,995	2,138
Other Entities and Individuals	369	181
Prepayments and Accrued Income	1,713	1,774
Total	**12,150**	**4,105**

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

Provisions for doubtful debts are recognised against trade receivables, based on estimated irrecoverable amounts determined by debt analysis and management judgement. At the time of this balance sheet no provision for doubtful debt was required as all receivables were not yet due.

Age of receivables due	2018-19	2017-18
	£'000	£'000
< 90 days	440	146
90 – 180 days	3	0
> 180 days	0	0
Total	**443**	**146**

12. Short Term Creditors

	2018-19	2017-18
	£'000	£'000
Other Entities and Individuals	(6,208)	(4,570)
Other Local Authorities	(1,204)	(2,056)
Total	**(7,412)**	**(6,626)**

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

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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%.

	2018-19	2017-18
	£'000	£'000
Opening balance	(66,607)	(66,650)
Loans in year	(26,729)	(900)
Repayments	1,032	943
Closing balance	**92,304**	**(66,607)**

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

Analysis by maturity	2018-19	2017-18
	£'000	£'000
Short term element	**(2,012)**	**(1,033)**
Between 2 and 4 years	(9,189)	(4,996)
Between 5 and 10 years	(14,694)	(8,755)
10 years or more	(66,409)	(51,823)
Long term element	**(90,292)**	**(65,574)**
Total liability	**(92,304)**	**(66,607)**

14. Unusable Reserves

	2018-19	2017-18
	£'000	£'000
Revaluation reserve	(7,768)	(15,194)
Capital adjustment account	(6,641)	4,474
Pensions reserve	7,195	7,853
Accumulated absences account	18	15
	(7,196)	**(2,852)**

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(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.

	2018-19	2017-18
	£'000	£'000
Balance as at 1 April	(15,194)	(16,937)
Revaluation gains	0	0
Revaluation losses not taken through CIES	6,981	0
Adjustment for indexation of valuation	0	1,355
Amount written off to Capital Adjustment Account	445	388
Balance at 31 March	**(7,768)**	**(15,194)**

(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.

	2018-19	2017-18
	£'000	£'000
Balance as at 1 April	4,474	4,479
Depreciation	8,336	8,278
Statutory provision for repayment of debt	(7,497)	(7,693)
Impairment and revaluation	226	0
Amounts written out of Revaluation Reserve	(445)	(388)
Net written out amount of the cost of non-current assets consumed in the year	5,094	4,676
Revenue financing to capital	(11,735)	(202)
Balance at 31 March	**(6,641)**	**4,474**

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(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.

	2018-19	2017-18
	£'000	£'000
Balance as at 1 April	7,853	8,643
Actuarial gains or losses on pension assets and liabilities	(1,093)	(1,304)
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	775	849
Employer's pensions contributions and direct payments to pensioners payable in the year	(340)	(335)
Balance at 31 March	**7,195**	**7,853**

(iv) Accumulated Absences Account

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2018. 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.

	2018-19	2017-18
	£'000	£'000
Balance as at 1 April	15	11
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	3	4
Balance at 31 March	**18**	**15**

15. Officers' Remuneration

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

	Salary and Termination Benefits (£)		Pension Contributions (£)		Total (£)	
	2018-19	**2017-18**	**2018-19**	**2017-18**	**2018-19**	**2017-18**
Director	102,955	100,935	12,355	12,112	115,310	113,047
Clerk	11,319	10,000	1,358	1,200	12,677	11,200
Technical Advisor	11,319	10,000	1,358	1,200	12,677	11,200
Treasurer	11,319	10,000	1,358	1,200	12,677	11,200

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:

	2018-19	**2017-18**
Remuneration Band including exit packages	No of employees	No of employees
£50,000 to £54,999	1	2
£55,000 to £59,999	2	
£60,000 to £64,999		1
£80,000 to £84,999		1
£85,000 to £89,999	1	1

During the year, following a restructure and compulsory redundancies to deliver long term savings one employee received redundancy payments (within the £30,000 to £35,000 band).

Members Allowances

No member allowances have been paid in year.

16. External Audit Fees

The audit fees reflected in the accounts are as follows:

	2018-19	**2017-18**
	£'000	£'000
Audit of the Authority	18	20
Other services	0	0
Total Fees	**18**	**20**

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17. Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of International Accounting Standard 24 (IAS 24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS 24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from each of the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and is financed by an annual levy on the constituent boroughs. The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2017-18. No related party transactions were declared. During 2017-18 the officer in the post of Clerk to the Authority is also Chief Officer at the Borough of Harrow. The Treasurer and the Technical Advisor are also Chief Officers at the Borough of Ealing. The Authority pays the individuals directly for the services they provide. The Authority also receives support services from Ealing, Hillingdon, Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account.

	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Pay as you Throw	8,540	9,788	6,318	9,000	7,709	5,597	46,952
Fixed Cost Levy	2,001	2,473	1,849	2,113	1,847	1,931	12,214
Total Levies	10,541	12,261	8,167	11,113	9,556	7,528	59,166
Agency and other income	433						433
Total 2018-19	**10,974**	**12,261**	**8,167**	**11,113**	**9,556**	**7,528**	**59,599**
Total 2017-18	10,625	11,834	7,688	10,043	8,980	7,198	56,368
Expenditure							
Waste Transport and Disposal Costs				88	32		120
Rent and Rates	98			363	29		490
Support Services		57	45	10	9		121
Other			11				
Total 2018-19	**98**	**57**	**56**	**461**	**70**	**0**	**742**
Total 2017-18	95	66	33	465	71	0	730

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	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debtors 2018-19	**751**	**0**	**0**	**321**	**0**	**0**	**1,072**
Debtors 2017-18	12	0	0	0	0	0	12
Creditors 2018-19	**208**	**434**	**143**	**89**	**174**	**156**	**1,204**
Creditors 2017-18	500	617	54	385	122	378	2,056
Loans 2018-19	**16,394**	**16,394**	**16,394**	**0**	**0**	**16,394**	**65,576**
Loans 2017-18	16,652	16,652	16,652	0	0	16,651	66,607
Investments 2018-19	**0**	**7,000**	**0**	**0**	**0**	**0**	**7,000**
Investments 2017-18	0	17,000	0	0	0	0	17,000

18. Leases

The Authority does not hold any finance leases.

The Authority's rental leases for the two main transfer station sites ended with the purchase of the sites during the year. There are no rental leases remaining. Values shown are annual rents for each site.

	2018-19	2017-18
	£'000	£'000
Victoria Road	0	720
Transport Avenue	0	825
Total	**0**	**1,545**

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 is recognised as project assets are completed, equal to the fair value of each asset less any capital contribution. This benefit will be realised over the life of the contract.

	2018-19	2017-18
Energy from waste facility:	£'000	£'000
Opening balance	120,444	122,316

Developer's contribution	0	1,880
Reduced through unitary payments	(3,856)	(3,752)
Closing balance	**116,588**	**120,444**

PPP liability repayments	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	**1,158**	**2,768**	**3,926**
Two to five years	5,434	11,072	16,506
Six to ten years	9,024	13,840	22,864
Eleven to fifteen years	12,352	13,840	26,192
Sixteen to twenty years	16,907	13,841	30,748
Twenty to twenty five years	9,883	6,469	16,352
Long term liability	**53,600**	**59,062**	**112,662**
Total repayments	**54,758**	**61,830**	**116,588**

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

20. Defined Benefit Pension Scheme

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

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

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

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

The Code of Practice on Local Authority Accounting requires the Authority to apply accounting principles and to make disclosures under International Accounting Standard 19, Retirement Benefits (IAS 19) in respect of retirement benefits. Details are provided to the Authority by the Actuary

(currently Barnett Waddingham) via the LPFA. The notes to the Core Accounts provide details of how the Authority has met these requirements.

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

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

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

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

Balance sheet disclosure	**2018-19**	**2017-18**
	£'000	£'000
Present value of funded obligation	(26,767)	(26,132)
Fair value of Scheme Assets (bid value)	19,777	18,489
Net Liability	**(6,990)**	**(7,643)**
Present value of unfunded obligations	(205)	(210)
Net Liability in Balance Sheet	**(7,195)**	**(7,853)**

Comprehensive Income and Expenditure Statement

	2018-19	**2017-18**
	£'000	£'000
Service costs	557	606
Net interest on defined liability	194	219
Administrative expenses	24	24
	775	**849**

Reconciliation of the present value of the scheme liabilities:	**2018-19**	**2017-18**
	£'000	£'000

Opening balance as at 1 April	26,342	26,815
Current service cost	551	604
Interest cost	656	686
Change in financial assumptions	1,521	(1,029)
Change in demographic assumptions	(1,036)	0
Experience (gain)/loss on liabilities	0	0
Liabilities assumed/extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(1,363)	(1,065)
Past service costs including curtailments	6	2
Contributions by scheme participants and other employers	308	342
Unfunded pension payments	(13)	(13)
Closing balance as at 31 March	**26,972**	**26,342**

Reconciliation of fair value of the scheme (plan) assets:	**2018-19**	**2017-18**
	£'000	£'000
Opening balance as at 1 April	18,489	18,172
Interest on assets	462	467
Return on assets less interest	1,578	275
Other actuarial gains	0	0
Administration expenses	(24)	(24)
Employer contributions	340	335
Contributions by scheme participants and other employers	308	342
Benefits paid	(1,376)	(1,078)
Settlement prices received/(paid)	0	0
Closing balance as at 31 March	**19,777**	**18,489**

Assumptions as at	**31 March 2019**	**31 March 2018**	**31 March 2017**
	% p.a.	**% p.a.**	**% p.a.**
Salary increases	4.00%	3.80%	4.10%
Pension increases	2.50%	2.30%	2.60%
Discount rate	2.35%	2.55%	2.60%

Life expectancy from age 65 (years)		**31 March 2019**	**31 March 2018**
Retiring today	Males	20.5	21.5
	Females	23.0	24.0
Retiring in 20 years	Males	22.3	23.9
	Females	24.7	26.3

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Sensitivity analysis	**£'000**	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	26,545	26,972	27,406
▪ Projected service cost	557	568	579
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	26,996	26,972	26,948
▪ Projected service cost	568	568	568
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	27,381	26,972	26,570
▪ Projected service cost	579	568	557
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	28,063	26,972	25,924
▪ Projected service cost	586	568	550

Re-measurements in other comprehensive income	**2018-19**	**2017-18**
	£'000	£'000
Return on plan assets in excess of interest	1,578	275
Other actuarial gains on assets	0	0
Change in financial assumptions	(1,521)	1,029
Change in demographic assumptions	1,036	0
Experience gain on defined benefit obligation	0	0
Total	**1,093**	**1,304**

Projected pension expense for next year	**2019-20**
	£'000
Service cost	568
Net interest on the defined liability	164
Administration expenses	26
Total	**758**

Employer contributions	**341**

Assets by Class	**2018-19**	**2017-18**
	£'000	£'000
Equities	10,759	11,304
LDI/Cashflow matching	0	0
Target Return Portfolio	5,274	4,144
Infrastructure	1,192	809
Commodities	0	0
Property	1,860	1,331
Cash	692	901
Total	**19,777**	**18,489**

	% Quoted	**% Unquoted**

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Analysis of 2018-19 Assets		
Equities		
Real Estate	1.4%	
Consumer Discretionary	4.3%	
Consumer Staples	6.3%	
Financials	5.4%	
Health Care	3.3%	
Industrials	5.1%	
Information Technology	6.1%	
Materials	1.3%	
Telecommunication Services	2.5%	
Utilities	1.0%	
Energy	0.6%	
Trade Cash/Pending	2.2%	
Synthetic Equity (Futures)	0.6%	
BlackRock DDG	0.0%	0.0%
Private Equity Total Return	0.0%	10.1%
Investment/Hedge funds and unit trusts	14.0%	0.0%
Credit	0.0%	7.9%
Infrastructure	0.0%	6.0%
Real Estate	0.0%	9.4%
Cash		
Cash	2.2%	0%
LDI	5.2%	0%
Currency Hedge (Forward Contracts)	0.0%	0.2%
Total	**66.3%**	**33.7%**

21. Contingent Liabilities

At 31 March 2019 there was no contingent liability (31 March 2018: nil)

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Annual Governance Statement 2018-19

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.

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3. The Governance Framework

The key elements of the Governance Framework include

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

4. Review of Effectiveness

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

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

- Health & Safethy
- Reconciliations
- Fraud

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 identified no high risk items/recommendations and almost all medium and low risk recommendations have been accepted and most implemented.

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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,	Hugh Peart,
Chair to the Authority	Clerk
28 June 2019	28 June 2019

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

Opinion

We have audited the financial statements of West London Waste Authority for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the: Comprehensive Income and Expenditure Statement; Balance Sheet; Movement in Reserves Statement; Cash Flow Statement; and the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:
• give a true and fair view of the financial position of West London Waste Authority as at 31 March 2018 and of its expenditure and income for the year then ended; and
• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
• the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
• the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, we are satisfied that, in all significant respects, West London Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

• in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;

• we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

• we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

• we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

• we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

• we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Treasurer

As explained more fully in the Statement of the Treasurer's Responsibilities set out on page 13, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of West London Waste Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of West London Waste Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
29 June 2018

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