



WEST LONDON WASTE AUTHORITY

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDING
31 MARCH 2011**



STATEMENT OF ACCOUNTS FOR THE YEAR ENDING

31 MARCH 2011

This statement has been prepared in accordance with the provisions of Section 23 of the Local Government Finance Act 1982, Sections 41 and 42 of the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2011.

The Statement of Accounts for the year ended 31st March 2011 were considered by the Authority on 23rd September 2011 and approved by the Chair of the Authority on 23 March 2012

Councillor Bassam Mahfouz
Chair of the Authority
23 March 2012

I certify that the accounts presents a true and fair view of the financial position of West London Waste Authority at 31 March 2011 and of its income and expenditure for the year ended 31 March 2011.

Jennifer Hydari CPFA
Interim Treasurer to the Authority
23 March 2012

WEST LONDON WASTE AUTHORITY

STATEMENT OF ACCOUNTS 2010-11

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EXPLANATORY FOREWORD

Introduction

Welcome to the West London Waste Authority's ("the Authority", "WLWA") annual Statement of Accounts for 2010-11. There have been some changes to the way in which the accounts are presented and in the information that is disclosed. This is in order to comply with the International Financial Reporting Standards ("IFRS").

The West London Waste Authority (WLWA) is a statutory 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. It undertakes the waste disposal function for six boroughs in west London. These boroughs are responsible for the collection of waste in their areas. 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. The Authority normally meets five times each year. Additionally, there are regular liaison meetings between officers of the Authority and officers of the constituent boroughs.

The WLWA's administrative area covers a population of 1.4m and an area of 38,000 hectares across the six London boroughs. The main administrative offices of the WLWA are situated at Mogden, Isleworth, and the Authority operates three waste transfer stations that accept waste before transport to final disposal. The Authority employs 86 staff headed by the Director. The work of the Authority requires close co-operation with the constituent boroughs in the matters of waste recycling and disposal policy and operational arrangements. The Authority and constituent boroughs have agreed a Joint Waste Management Strategy, which was updated in 2009. The Authority is also responsible for setting in place appropriate performance management and internal control systems.

In addition to its full time Director, the Authority has three other part time chief officers - the Clerk, Treasurer and Chief Technical Adviser, who also are full time officers employed in the constituent boroughs. Through these borough-based chief officers, this arrangement enables the Authority to receive support in specialised areas from boroughs' staff as follows:

- London Borough of Hounslow - legal, technical, personnel, property and valuation advice, committee administration;
- London Borough of Harrow - advice and full support on all accountancy and financial management matters (financial advice, budgets, final accounts, financial systems etc); creditor payments; internal audit; exchequer services; payroll

The Authority has statutory responsibilities to provide:

- Facilities for the receipt and recycling or disposal of the waste which is collected by the six constituent boroughs;
- The transport and disposal of the waste which the constituent boroughs receive at their civic amenity sites; and
- The storage and disposal of the abandoned vehicles which are removed by the constituent boroughs.

Introduction (continued)

In recent years, there has been a major shift of focus on how waste is disposed of – moving from the land filling of waste towards increased recycling and recovery of materials and the Authority has taken on the role of coordinating waste minimisation, that is, the prevention of waste arising.

Performance in 2010-11

Overall in 2010-11 the Authority and its constituent boroughs dealt with a total of about 685,000 tonnes of waste. Of this total some 159,000 tonnes was recycled, 92,000 tonnes was composted, and the remaining 434,000 tonnes was sent for disposal, with 26,000 tonnes for Energy from Waste, 81,000 to a Materials Recovery Facility and the remainder (327,000 tonnes) to landfill. Comparisons over the last four years are shown in the following table:

	2007-08	2008-09	2009-10	2010-11
	Tonnes	Tonnes	Tonnes	Tonnes
Total waste	773,000	733,000	693,000	685,000
<i>Of which</i>				
Recycling & Reuse	131,000	139,000	155,000	159,000
Composting	71,000	84,000	86,000	92,000
Energy Recovery	3,000	1,000	12,000	26,000
Landfill	555,000	485,000	395,000	327,000
Materials Recovery Facility	13,000	25,000	45,000	81,000
<i>Final treatment route of waste from MRF:</i>				
Recycling & Re-use	Not Available	Not Available	10,000	11,300
Composting	Not Available	Not Available	0	0
Energy Recovery	Not Available	Not Available	1,000	19,300
Landfill	Not Available	Not Available	33,000	50,400

Performance in 2010-11 (continued)

In the Authority's area, the constituent boroughs are responsible for arranging the provision of civic amenity sites for residents to deposit their waste. Some of these civic amenity sites also take in trade waste and borough-collected waste. The Authority is responsible for arranging the transport and disposal of the waste received at these sites except for the waste the boroughs recycle.

There are nine civic amenity sites. The boroughs operate seven of these (either directly themselves or through contractors) for which the Authority arranges transport and disposal through contracts with the private sector. Two are operated by the Authority on behalf of boroughs.

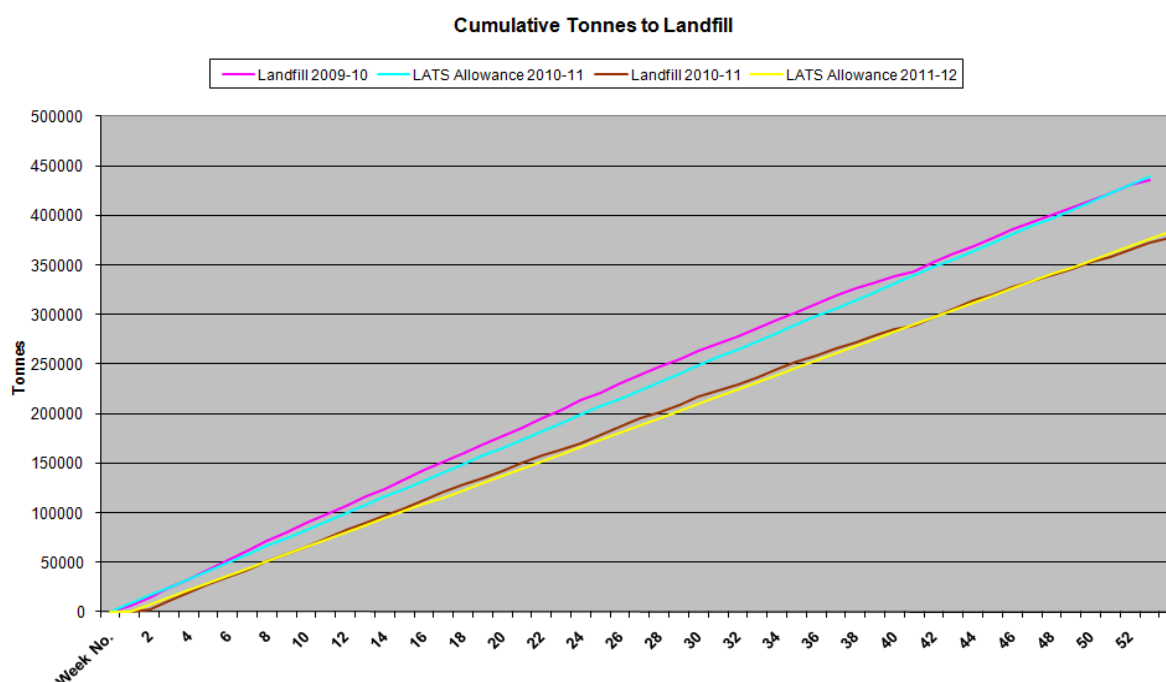
In 2010-11 the waste sent for disposal from civic amenity sites totalled about 81,000 tonnes. Of this, householders deposited 37,000 tonnes; 22,000 tonnes was trade waste; and 22,000 tonnes was borough-collected waste. Additionally the Authority arranged the transport and composting of 15,000 tonnes of green waste received at civic amenity sites and 40,000 tonnes was recycled. Comparisons over the last four years are shown in the following table:

	2007-08	2008-09	2009-10	2010-11
	Tonnes	Tonnes	Tonnes	Tonnes
CA site disposal and treatment waste	127,000	106,000	76,000	81,000
<i>Of which:</i>				
Brought by householders	73,000	59,000	39,000	37,000
Trade waste	27,000	24,000	18,000	22,000
Borough collected	27,000	23,000	19,000	22,000
<i>CA site recycled & re-used</i>	<i>26,000</i>	<i>28,000</i>	<i>44,000</i>	<i>40,000</i>
<i>CA site composted</i>	<i>18,000</i>	<i>17,000</i>	<i>15,000</i>	<i>15,000</i>

The recycling and composting performance of WLWA as a whole is 38.3% and a further 6.6% diversion from landfill. These results confirm WLWA as the highest performing Joint Waste Disposal Authority, particularly in terms of recycling and composting, based on benchmarking with the other JWDAs.

The LATS position for the Authority is a surplus of 256,690 tonnes of Biodegradable Municipal Waste (BMW) against a target of 298,409 tonnes BMW for 2010-11. This surplus of 41,719 allowances will be banked for use in 2011-12, rather than offered for sale to other authorities. The surplus appears on the Authority's Balance Sheet using CIPFA's estimates of LATS values. The graph overleaf shows recent performance, including current performance compared to 2011-12 LATS targets.

Performance in 2010-11 (continued)



The WLWA is primarily financed by an annual levy on the constituent boroughs. Other income is generated from sources such as charges paid by the boroughs and businesses for the disposal of non-household waste. For the levy, boroughs' tonnages are the basis for the majority of the apportionment, with some costs allocated according to Council Tax Base. Authority expenditure is primarily related to waste disposal contracts with the private sector which, together with landfill tax costs, accounts for some 82% of gross Authority expenditure.

Financial Statements

As a local authority, WLWA is required to prepare its Statement of Accounts in line with the Code of Practice for Local Authority Accounting, which in turn ensures compliance with IFRS. 2010-11 is the first year that this has been done and as a result, some readers of these accounts will notice that the statements, notes and disclosures are different, when compared with previous years.

Indeed, in the 2010-11 Statement of Accounts, the 2009-10 comparative figures have been re-stated in IFRS format to allow appropriate comparisons.

At 31 March 2011 assets held by the Authority comprised land and buildings valued at £10.662m (£11.315 in 2009-10) and fixed plant and equipment valued at £1.137m (£0.886m in 2009-10). The Authority's capital expenditure is financed by an arrangement with the London Borough of Harrow; the outstanding sum totals £3.181m (£3.297m in 2009-10). The Authority has also entered into lease arrangements in respect of essential waste transfer station equipment. Operational stocks valued at £0.264m (£0.314m in 2009-10) are held at the transfer stations.

Financial Statements (continued)

The Authority approved a net 2010-11 budget of £50.041m (£45.118m in 2009-10) in January 2010. It was funded by a levy of £48.641m (£43.718m in 2009-10) and use of £1.400m (£1.400m in 2009-10) of balances. A sum of £0.570m remained as earmarked reserves for the implementation costs of the waste strategy.

The Authority's 2010-11 net expenditure was £47.847m (£39.483m in 2009-10) prior to adjustment for the effects of the Landfill Allowances Trading Scheme (LATS) and retirement benefits under IAS19 as reflected in the Comprehensive Income and Expenditure Statement. This was £2.194m less than the original net approved budget, thereby eliminating the call on balances originally approved to support the levy (there was an under spend £5.635m in 2009-10). After the technical adjustments for LATS and IAS19, end-of-year general balances stand at £7.878m (£7.384m in 2009-10, excluding LATS and IAS19).

The following table summarises the 2010-11 revenue outturn position of the Authority compared to the original budget approved in January 2010.

Expenditure area: significant variations	Original Budget 2010-2011	Outturn 2010-2011	Variance to Original Budget
	£000	£000	£000
EMPLOYEE COSTS			
<u>Employee Costs</u>	3,880	2,837	(1,043)
Increased overtime costs to cover sickness and extended site hours			
PREMISES			
<u>Premises</u>	2,656	2,816	160
Unscheduled essential maintenance and repairs, mitigated by an underspend on electricity			
PLANT AND EQUIPMENT			
<u>Plant & Equipment</u>	743	911	168
Additional hire charges on equipment in trials to improve landfill diversion			
SUPPLIES & SERVICES			
<u>Supplies & Services</u>	1,614	1,624	10
Increased prices for some goods			

Expenditure area: significant variations	Original Budget 2010-2011	Outturn 2010-2011	Variance to Original Budget
	£000	£000	£000
WASTE DISPOSAL AND RECYCLING COSTS			
<u>Transport & Tipping Costs</u> Continued reduction in waste tonnages	22,773	20,040	(2,733)
<u>Landfill Tax</u> Reduced tonnages to landfill because of more recycling, diversion and reduced tonnages overall	19,588	17,571	(2,017)
<u>Recycling Credits (COWSLOPS)</u> Tonnages collected for composting higher than originally estimated levels	2,866	2,696	(170)
<u>Section 52(9) Income</u> Reduced income from boroughs because of lower tonnages	(2,908)	(1,504)	1,404
<u>Trade Waste Income</u> Due to the recession and lower tonnages, income was affected	(1,677)	(1,079)	598
OTHER INCOME AND EXPENDITURE			
<u>End of Life Vehicles</u> Fewer vehicles abandoned	62	13	(49)
<u>Capital Financing</u> Changes resulting from the implementation of IFRS	1,049	711	(338)
<u>Support Boroughs</u> Reductions in Payroll and Accountancy provision	245	154	(91)
<u>Agency Income</u> Income received from Brent and Hillingdon for provision of HRRCs	(640)	(640)	0
<u>Other Income</u> Income through a Purchase Agency Agreement	(87)	(357)	(270)
<u>Interest on Cash Flow</u> Additional interest on cash flow	(123)	(181)	(58)
Total	50,041	45,612	(4,429)
Levy	(48,641)	(48,096)	545
	1,400 **	(2,484)	(3,884)

** approved use of balances to support the 2010-11 levy

Financial Statements (continued)

The Authority's net expenditure was £47.346m prior to adjustment for the net effects of the Landfill Allowances Trading Scheme (LATS) and retirement benefits under IAS19 as reflected in the Comprehensive Income and Expenditure Statement.

The underspend against budget is due a number of factors:

- £1m built into the budget for the implications of anticipated changes to Schedule 2 waste arrangements was not required, since the changes were never made.
- Lower than predicted waste tonnages (a rise in waste arising was budgeted for, but growth did not materialise)
- Over-provision of budgets for capital charges (this has been amended for subsequent years)

The Authority's major fixed assets (i.e. its sites) have been re-valued and the results of the revaluation have been incorporated into the financial statements. Because the two larger sites are leased, the approach to valuing the assets has changed, with the buildings on one site no longer having any realisable value to the Authority and the other has been markedly impaired due to obsolescence. These are notional amendments and do not affect the Authority's funding.

Statement of Accounts 2010-11

The financial statements on the following pages set out the financial results of the Authority for the year ended 31 March 2011 and were considered by the Authority at their meeting on 23rd September 2011 and approved by the Chair of the Authority on 23 March 2012. The statements have been prepared in accordance with the provisions of Section 23 of the Local Government Finance Act 1982, Sections 41 and 42 of the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2011. These regulations ensure compliance with International Financial Reporting Standards (IFRS).

The Statement of Accounts includes:

- The Comprehensive Income and Expenditure Statement that summarises the Authority's income and expenditure for the year and the amount of funding from levies on the six constituent boroughs;
- The Movement in Reserves Statement – showing the movement in the year on the different reserves held by the Authority, analysed into "useable reserves" and other reserves
- The Balance Sheet that shows the balances and reserves at the Authority's disposal at the year-end, together with the net current assets employed in its operations and information on the fixed assets held

Statement of Accounts 2010-11 (continued)

- A Cash Flow Statement summarising the cash movement arising from both revenue and capital transactions with third parties
- Notes to the core financial statements set out disclosure requirements of the Code of Practice for accounts preparation.

The levy has been raised wholly on a three part levy arrangement.

The Waste and Emissions Trading Act 2003 aims to achieve the requirements of the EU Landfill Directive by progressively reducing the amount of biodegradable municipal waste that waste disposal authorities may send to landfill. The Act provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which commenced on 1 April 2005. The Statement of Accounts reflects the accounting requirements of the LATS scheme and follows guidance issued by CIPFA. 2009-10 was a target year for LATS so there was neither banked surplus nor any carry-forwards. The Authority landfill allowances for 2010-11 were sufficient and the surplus has been banked for use (or potential sale) in 2011-12, in line with the current LATS Trading Strategy.

Changes due to IFRS

There are several additional notes and disclosures due to compliance with International Financial Reporting Standards:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Accounting for accumulated leave | <ul style="list-style-type: none"> - For the first time, leave carried forward between years will need to be accounted for on the Balance Sheet |
| <ul style="list-style-type: none"> • Cash and cash equivalents | <ul style="list-style-type: none"> - These are now disclosed separately |
| <ul style="list-style-type: none"> • Stocks | <ul style="list-style-type: none"> - These are now called “Inventories” |
| <ul style="list-style-type: none"> • New Statement | <ul style="list-style-type: none"> - There is a new core statement, showing movement in reserves – both usable and unusable |
| <ul style="list-style-type: none"> • Assessment of Leases | <ul style="list-style-type: none"> - Under IAS17, all the Authority’s leases have been investigated and categorised as “operating leases” or “finance leases”, depending on a number of tests – several leases which were previously assessed as operating leases are now classed as finance leases under IFRS |

Looking Forward

A period of significant change is expected for the Authority in 2011-12 and beyond. With the launch of the Comprehensive Spending Review in late 2010, the constituent boroughs and the Authority itself find themselves in a period of financial restraint. As a consequence, a major proportion of General Balances (£6.000m) have been used to support the levy in 2011-12.

Looking Forward (continued)

The levy regime for the Authority and its boroughs has also changed, moving to a “Pay as You Throw” arrangement, whereby Boroughs will be charged for the waste they deposit for disposal. A Fixed Costs Levy remains, allocated on the basis of Council Tax-base, but for waste transport and disposal, a charge per tonne (varying, dependent on the type of waste treatment) is made. This allows boroughs to instigate new methods of treatment and/or collection (or other initiatives) and receive the benefits within year. It is also a very flexible and transparent mechanism.

Another major change is the commencement of the West London Residual Waste Services procurement, which when complete will see a new contract for the transfer, transport and treatment of WLWA’s residual waste for the next 25 to 30 years. This will focus on recovery and recycling of materials, as well as diversion from landfill.

ACCOUNTING POLICIES

General

The accounts have been prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain that is recognised by Statute as representing proper accounting practices. They are also in line with the Audit and Accounting Regulations (2011). 2010-11 is the first year where the accounts have been prepared in compliance with IFRS.

All relevant accounting policies are shown below (in alphabetical order):

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).

Debtors and Creditors

The accounts are prepared on an accruals basis. Outstanding debtors and creditors are brought into the accounts at the year-end. Estimated amounts are used where exact amounts due to or by the Authority at 31 March are unknown at the time of closing the accounts.

Depreciation

Depreciation is provided for on all fixed assets (which can be determined at the time of acquisition or revaluation) and calculated using the straight-line method over the estimated useful life of the asset.

Type of Asset	Years
Buildings	21 years
Fixed Plant	10 years
Vehicles	7 years

Financial Instruments

“Fair value” disclosure requirements have been introduced. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Financing Asset Acquisitions

The Authority has entered into operating leases since 1998-99 for the acquisition of vehicles and equipment at transfer stations. Four new operating leases were entered into during 2010-11, mainly for replacement mobile plant. The annual costs are charged to revenue on a straight line basis over the term of the lease.

Fixed Assets

The asset values used in the accounts are based on a certificate issued by consultant surveyors, Vail Williams. The properties were inspected and a report prepared on the valuation by Mr. Peter Sudworth BSc (Hons) MRICS, valuation partner of Vail Williams. The Authority assets were valued as at 1 April 2010 on the basis of Depreciated Replacement Cost, where the properties are specialised and particular to the Authority's operating activities, or on the basis of Open Market Value, where appropriate, in accordance with the Practice Statements and Guidance Notes set out in the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. The Accounting Code of Practice requires valuations at intervals of not more than five years.

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.

Inventories

Formerly referred to as Stocks, the Balance Sheet shows the closing balances at 31 March. Stock is valued on an average cost basis.

Investments

Surplus WLWA balances are invested through the London Borough of Harrow and the investments are shown in the cash and cash equivalent balances in the Balance Sheet. Income from such investments is disclosed in the Comprehensive Income and Expenditure Statement.

Landfill Allowances Trading Scheme (LATS)

The Waste and Emissions Trading Act 2003 aims to achieve the requirements of the EU Landfill Directive by progressively reducing the amount of biodegradable municipal waste that waste disposal authorities may send to landfill. The Act also provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which commenced on 1 April 2005. The Comprehensive Income and Expenditure Statement reflect the accounting requirements of the LATS scheme in accordance with the Code of Practice for Local Authority Accounting.

Minimum Revenue Provision

Under Part IV of the Local Government and Housing Act 1989 the Authority is required to set aside a minimum statutory provision (MRP) as part of the means to finance capital expenditure. The MRP was £0.262m based on 4% of the capital financing requirement.

Pensions

- (i) The 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.

- (ii) 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 (IAS19) in respect of retirement benefits. Disclosures have changed this year to align with international reporting standards. 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.

Provisions

As part of the WLWA prudent accounting policies, bad debts provisions are included within the accounts based on the aging of debt and management judgement where there is uncertainty regarding bad and doubtful debts.

Reserves

Where there are funds that have not been spent within a year for specific purposes, such as the West London Residual Waste Services procurement, earmarked reserves have been established in the Balance Sheet. This expenditure is expected to be fully spent in the subsequent year. Such reserves are reviewed regularly and if not required, the amounts are released back to General Balances.

Service Boroughs 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.

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 secure that one of its officers has the responsibility for the administration of those affairs. In the West London Waste Authority, that officer is the Treasurer.

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities:

The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2011).

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;
- complied with the Code;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices:

	2010-11		Re-Styled 2009-10	
	£000	£000	£000	£000
<u>Gross Expenditure</u>				
Employees	2,837		3,318	
Premises	2,816		2,644	
Waste Transport & Disposal	40,289		36,934	
Landfill Allowances Usage	3,209		54	
Other Supplies & Payments	2,999		2,262	
Impairment of Waste Transfer Stations	6,233		0	
Depreciation	544		980	
	58,927		46,192	
<u>Gross Income</u>				
Trade Waste	(1,079)		(1,167)	
Agency	(640)		(632)	
Landfill Allowances Grant	(3,660)		(33)	
Miscellaneous Income	(356)		(502)	
Section 52 (9) non - household waste	(1,504)		(3,610)	
	(7,239)		(5,944)	
Cost of Services		51,688		40,248
Other Operating Expenditure	0		0	
Financing and Investment Income & Expenditure (Note 8)	295		256	
Levies on Constituent Councils	(48,641)		(43,173)	
	(48,346)		(42,917)	
Deficit/(Surplus) on Provision of Services		3,342		(2,669)
Surplus on revaluation of fixed assets		(270)		0
Actuarial (Gains)/Losses on Pension Assets/ Liabilities		(4,330)		5,531
Other Comprehensive (Income) & Expenditure		(4,600)		5,531
Total Comprehensive (Income) & Expenditure		(1,258)		2,862

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 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 reserves are 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".

	Notes	2010-11 £000	Re-Styled 2009-10 £000	Re-Styled 2008-09 £000
Property, Plant and Equipment	9	6,271	12,779	13,758
Long Term Assets		6,271	12,779	13,758
Inventories	11	264	314	314
Short Term Debtors	12	1,685	2,336	1,663
Short Term Investments	13	10,159	7,826	1,920
Landfill Allowance Trading Scheme	24	3,660	33	177
Cash and Cash Equivalents	13	4,549	3,152	6,908
Current Assets		20,317	13,661	10,982
Short Term Creditors	14	(7,059)	(5,843)	(6,693)
Liability for Landfill Allowance Trading Scheme	24	(3,209)	(33)	(156)
Current Liabilities		(10,268)	(5,876)	(6,849)
Long Term Borrowing	15	(3,181)	(3,297)	(3,415)
Finance Lease Liabilities		(486)	(632)	(770)
Pension Liability	23	(4,561)	(9,802)	(4,011)
Long Term Liabilities		(8,228)	(13,731)	(8,196)
Net Assets		8,092	6,833	9,695
Usable Reserves		(9,664)	(7,405)	(3,741)
Unusable Reserves	16	1,572	572	(5,954)
Total Reserves		(8,092)	(6,833)	(9,695)

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. The 'net increase/ decrease before transfers to earmarked reserves' line shows the statutory General Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

	General Balance £000	Earmarked Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2009	(3,150)	(591)	(3,741)	(5,954)	(9,695)
(Surplus) on provision of services (accounting basis)	(2,669)	0	(2,669)	0	(2,669)
Other Comprehensive Expenditure and (Income)	0	0	0	5,531	5,531
Total Comprehensive Income	(2,669)	0	(2,669)	5,531	2,862
Adjustments between accounting basis & funding basis under regulations (Note 6)	(995)	0	(995)	995	0
Net Increase/ Decrease before Transfers to Earmarked Reserves	(3,664)	0	(3,664)	6,526	2,862
Transfers from Earmarked Reserves (Note 7)	(21)	21	0	0	0
(Increase)/ Decrease in Year	(3,685)	21	(3,664)	6,526	2,862
Balance at 31 March 2010	(6,835)	(570)	(7,405)	572	(6,833)

MOVEMENT IN RESERVES STATEMENT (continued)

	General Balance £000	Earmarked Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2010	(6,835)	(570)	(7,405)	572	(6,833)
Deficit on provision of services (accounting basis)	3,342	0	3,342	0	3,342
Other Comprehensive Expenditure and (Income)	0	0	0	(4,600)	(4,600)
Total Comprehensive Expenditure and Income	3,342	0	3,342	(4,600)	(1,258)
Adjustments between accounting basis & funding basis under regulations (Note 6)	(5,601)	0	(5,601)	5,600	(1)
Net Increase/ Decrease before Transfers to Earmarked Reserves	(2,259)	0	(2,359)	1,000	(1,259)
Transfers to Earmarked Reserves (Note 7)	940	(940)	0	0	0
(Increase)/ Decrease in Year	(1,319)	(940)	(2,259)	1,000	(1,259)
Balance at 31 March 2011	(8,154)	(1,510)	(9,664)	1,572	(8,092)

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 resources 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:

Re-Stated 2009-10 £000		2010-11 £000 £000	
	Operating Activities:		
(43,173)	Levies	(48,641)	
(5,236)	Sale of Goods and Rendering of Services	(4,216)	
(259)	Interest Received	(181)	
<u>(48,668)</u>	Cash Inflows Generated from Operating Activities		(53,038)
	Cash Paid to and on Behalf of Employees	2,559	
3,623	Cash Paid to Suppliers of Goods and Services	46,303	
42,440	Interest Paid	183	
<u>200</u>	Cash Outflows Generated from Operating Activities		49,045
46,263	Net Cash Flows from Operating Activities		(3,993)
(2,405)			
	Financing Activities:		
138	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases	146	
118	Repayments of Short and Long Term Borrowing	116	
<u>256</u>	Net Cash Flows from Financing Activities (Note14)		262
(2,149)	Net Increase in Cash and Cash Equivalents		(3,731)
	Cash and Cash Equivalents at Beginning of Reporting Period		(10,977)
<u>(8,828)</u>			
	Cash and Cash Equivalents at End of Reporting Period (Note 13)		(14,708)
<u>(10,977)</u>			

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 the SORP.

This year, there are a number of new notes in respect of:

- The first time adoption of IFRS;
- The effects of changes in estimation techniques;
- Accounting standards issued but not adopted;
- Critical judgements in applying accounting policies;
- Assumptions made about the future and other sources of estimation uncertainty;
- Supporting notes for all lines in the financial statements;
- Amounts reported for resource allocation decisions; and
- Termination benefits (where applicable)

A note has been included in the accounts to provide a summary of the main differences between the amounts presented in the accounts under the new Code of Practice and the amounts presented in the prior year using the guidance of the Statement of Recommended Practice (SORP), although there is not a detailed reconciliation between the two statements.

1. Transition to International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010-11 is the first prepared by the Authority on an IFRS compliant basis. Adoption of the IFRS based Code of Practice (the Code) has resulted in the re-statement of a number of balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10.

The following paragraphs and tables explain the material differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements.

(i) Short Term Accumulating Compensating Absences

Short term accumulating compensating absences refers to the benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up entitlement to holiday pay as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at each year end. Previously, no accrual was required.

1. Transition to International Financial Reporting Standards (IFRS) (continued)

(i) Short Term Accumulating Compensating Absences (continued)

The Government has issued regulations which mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts earned are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1st April 2009 Balance Sheet

	2009-10 Statements £000s	Adjustments Made £000s
Short Term Creditors	(6,682)	(11)
Accumulated Absences Adjustment Account	0	11

31st March 2010 Balance Sheet

	2009-10 Statements £000s	Adjustments Made £000s
Short Term Creditors	(5,816)	(27)
Accumulated Absences Adjustment Account	0	27

Comprehensive Income and Expenditure Account

	2009-10 Statements £000s	Adjustments Made £000s
Service Cost - Employees	3,611	38

(ii) Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land and buildings element of the lease being accounted for as a finance lease where it was previously treated as an operating lease.

1. Transition to International Financial Reporting Standards (IFRS) (continued)

(ii) Leases (continued)

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged.

The Authority has 5 leases where the treatment changed to reflect the IFRS and Code requirements, where the present value of the lease payments equal substantially all of the fair value. As a consequence of classifying these leases as finance leases, the financial statements have been amended as follows:

- The Authority has recognised an asset and a finance lease liability;
- The operating lease charge to the Comprehensive Income and Expenditure Account has been reduced by the amount of the lease payments;
- A depreciation charge has been included in the Comprehensive Income and Expenditure Account; and
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. The transfer has been reflected in the Balance Sheets as at 1st April 2009 and 31st March 2010, and the adjustments that relate to 2009-10 are reported in the Movement in Reserves Statement for the year.

This has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1st April 2009 Balance Sheet

	2009-10 Statements £000s	Adjustments Made £000s
Property, Plant and Equipment	13,038	721
Finance Lease Liabilities	0	(770)
Capital Adjustment Account	(9,970)	49

31st March 2010 Balance Sheet

	2009-10 Statements £000s	Adjustments Made £000s
Property, Plant and Equipment	12,201	(143)
Finance Lease Liabilities	0	138
Capital Adjustment Account	(9,279)	5

1. Transition to International Financial Reporting Standards (IFRS) (continued)

(iii) Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31st March 2009 has been transferred to the Capital Adjustment Account in the opening 1st April 2009 Balance Sheet
- Portions of Government Grants Deferred were previously recognised as income in 2009-10; these have been removed from the Comprehensive income and Expenditure statement in the comparative figures.

This has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1st April 2009 Balance Sheet

	2009-10 Statements £000s	Adjustments Made £000s
Government Grants Deferred Account	(56)	56
Capital Adjustment Account	(9,970)	(56)

Closing 31st March 2010 Balance Sheet

	2009-10 Statements £000s	Adjustments Made £000s
Government Grants Deferred Account	0	0
Capital Adjustment Account	(9,279)	0

Comprehensive Income and Expenditure Account

	2009-10 Statements £000s	Adjustments Made £000s
Service Cost	40,456	28

2. Accounting Standards that have been Issued but have not yet been Adopted

For 2010-11, the only accounting policy change that needs to be reported relates to FRS30 Heritage Assets. However, the Authority does not possess any Heritage Assets, and so this standard will not apply.

3. 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 uncertainty 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;
- The value of investments;
- Whether contracts need to be accounted for as service concessions or with embedded lease; and
- Whether other entities with which the Authority has a relationship are subsidiaries, or associates.

4. Assumptions Made about the Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains a number of estimates figures 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 31st March 2011 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the way the asset is used and the amount of repairs and maintenance required.	If the assets use changes then the life of the asset may change which would impact on the depreciation charge for the asset. If the asset is not maintained that may have a similar effect.

<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the Pension Fund to provide expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in an increase in the pension liability of £0.9M.</p>
<p>Accruals of Waste Contract Payments</p>	<p>The final waste data flows and settlement of the year end costs incurred by the Authority is not completed until the end of September each year. Estimates are made of both the waste data flows and the final amounts in settlement of the costs payable by the Authority at the year end.</p>	<p>If the waste data flow information is significantly different from that expected then the waste contract payments, the landfill tax payments and the use of LATS will be affected. However, the impact of this final settlement is not expected to be significant as the Authority uses its own waste data in arriving at the estimates. Those figures are the ones that are verified in September and the Authority's experience is that there have not been significant changes in recent years.</p>

5. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Interim Treasurer of the Authority on 25 November 2011. 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 31st March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Adjustments Between Accounting Basis and Funding Basis under Regulations

2010-11	2009-10
£000	£000

Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:

Depreciation and Impairments	(6,777)	(980)
Government Grants Deferred	0	28
Reversal of Items relating to IAS19 Retirement Benefits	512	(631)
	(6,265)	(1,583)

Amounts not included in the Comprehensive Income and Expenditure Account but required by Statute to be included:

Statutory Provision for the Repayment of Debt	261	256
Employer's Pension Contributions Payable in Year	399	359
	660	615

Transfer to/ from Balances

Accumulated Absences Account	4	(27)
	4	(27)

Net additional Amount to be (Credited)/ Debited to General Balances for the Year

	(5,601)	(995)
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7. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from General Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2011/12.

Balance at 1 April 2009 £000	Transfers Out 2009-10 £000	Transfers In 2009-10 £000	Balance at 31 March 2010 £000	Transfers Out 2010-11 £000	Transfers In 2010-11 £000	Balance at 31 March 2011 £000's
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Earmarked Reserves

Waste Strategy	(591)	21	0	(570)	320	0	(250)
LATS	0	0	0	0	0	(300)	(300)
Rent Review	0	0	0	0	0	(750)	(750)
Waste Procurement	0	0	0	0	0	(210)	(210)
Total	(591)	21	0	(570)	320	(1,260)	(1,510)

8. Financing and Investment Income and Expenditure

	2010-11 £000	2009-10 £000
Interest Payable and Similar Charges	185	200
Pensions Interest Cost and Expected Return on Pensions Assets	291	315
Interest Receivable and Similar Income	(181)	(259)
	295	256

9. Property, Plant and Equipment

Movement on Balances in 2010-11 is show below. The additions relate to re-classification of operating leases for plant and equipment now classed as finance leases. The Authority's Land & Buildings have been re-valued and now more accurately reflect their value to the Authority in relation to the leasehold sites.

The asset values used in the accounts are based on a certificate issued by consultant surveyors, Vail Williams. The properties were inspected and a report prepared on the valuation by Mr. Peter Sudworth BSc (Hons) MRICS, valuation partner of Vail Williams. The Authority assets were valued as at 1 April 2010 on the basis of Depreciated Replacement Cost, where the properties are specialised and particular to the Authority's operating activities, or on the basis of Open Market Value, where appropriate, in accordance with the Practice Statements and Guidance Notes set out in the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered

Surveyors. The Accounting Code of Practice requires valuations at intervals of not more than five years.

	2010-2011			
	Land & Buildings (Freehold) £000	Land & Buildings (Leasehold) £000	Fixed Plant & Vehicles £000	Total £000
Gross Book Value as at 1st April 2010	4,230	7,395	3,170	14,795
Impairments	0	(6,233)	0	(6,233)
Revaluations	270	0	0	270
Gross Book Value as at 1st April 2011	4,500	1,162	3,170	8,832
Accumulated Depreciation B/F	(310)	0	(1,707)	(2,017)
Depreciation	(25)	(193)	(326)	(544)
Accumulated Depreciation C/F	(335)	(193)	(2,033)	(2,561)
Net Book Value as at 31st March 2011	4,165	969	1,137	6,271
Net Book Value as at 31st March 2010	3,920	7,395	1,464	12,779
Net Book Value as at 31 March 2009	3,982	7,987	1,789	13,758

10. Financial Instruments

(a) Balance Sheet

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Authority) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet is made up of the following categories of "financial instruments".

There are no significant differences between the carrying value and the fair value of these items.

	Long Term		Current	
	2010-11 £000's	2009-10 £000's	2010-11 £000's	2009-10 £000's
Borrowings				
Financial Liabilities at Amortised Cost	(3,181)	(3,297)	-	-

(b) Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

	Financial Liabilities Liabilities at Amortised Cost		Financial Assets Loans and Receivables		TOTAL	
	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000
Interest Expense	(185)	(200)	-	-	(185)	(200)
Interest Income	-	-	181	259	181	259
Net Gain for the Year	(185)	(200)	181	259	(4)	59

11. Inventories

	2010-11 £000	2009-10 £000
Stock is held at two locations as follows:		
Transport Avenue	113	100
Victoria Road	151	214
	<u>264</u>	<u>314</u>

The main type of stock held by the Authority includes protective clothing and replacement parts for fixed plant and equipment.

12. Short Term Debtors

	2010-11 £000	2009-10 £000
Other Local Authorities	1,548	1,136
Other Entities & Individuals	154	1,217
Total	<u>1,702</u>	<u>2,353</u>
Less: Provision for Bad Debts	(17)	(17)
	<u>1,685</u>	<u>2,336</u>

13. Cash and Cash Equivalents

	2010-11 £000	2009-10 £000
Cash held by the Authority	0	1
Bank Current Accounts	4,549	3,150
Short-term Deposits with Building Societies	10,159	7,826
Total Cash and Cash Equivalents	14,708	10,977

14. Short Term Creditors

	2010-11 £000	2009-10 £000
Other Entities and Individuals	(2,633)	(3,365)
Central Government Bodies	(1,536)	(1,527)
Other Local Authorities	(2,890)	(951)
Total	(7,059)	(5,843)

15. Long Term Borrowing

The Authority's capital expenditure is financed by an arrangement with the London Borough of Harrow. The sum outstanding as at 31 March 2011 totals £3.181m (£3.297m in 2009-10). The interest charged was 4%.

	2010-11 £000's	2009-10 £000's
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Source of Loan:

London Borough of Harrow	(3,181)	(3,297)
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Analysis of Loan by Maturity:

1 to 2 years	(146)	(151)
2 to 5 years	(348)	(361)
5 to 10 years	(581)	(602)
10 years +	(2,106)	(2,183)
	(3,181)	(3,297)

16. Unusable Reserves

	31 March 2011 £000	31 March 2010 £000
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Revaluation Reserve	(270)	0
Capital Adjustment Account	(2,753)	(9,268)
Pensions Reserve	4,561	9,802
Accumulated Absences Account	34	38
	1,572	572

16. Unusable Reserves (continued)

(i) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets).

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

The Reserve contains only revaluation gains accumulated since 1st April 2007, (the date that the Reserve was created). Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009-10 £000		2010-11 £000
0	Balance as at 1st April	0
0	Upward Revaluation of Assets	(270)
0	Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Services	0
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services	(270)
0	Difference between fair value depreciation and historical cost depreciation	0
0	Accumulated gains on assets sold or scrapped	0
0	Amount written off to Capital Adjustment Account	0
0	Balance at 31st March	(270)

16. Unusable Reserves (continued)

(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 as 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.

2009-10 £000		2010-11 £000
(9,964)	Balance as at 1st April	(9,268)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
980	- charges for depreciation and impairment of noncurrent assets Equipment	6,777
(28)	- Revenue expenditure funded from capital under statute	0
<u>(9,012)</u>		<u>(2,491)</u>
(9,012)	Net written out amount of the cost of non-current assets consumed in the year	(2,491)
	<i>Capital financing applied in the year:</i>	
(256)	- Statutory provision for the financing of capital investment charged against General Balances	(262)
<u>(9,268)</u>	Balance at 31st March	<u>(2,753)</u>

(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 employer's 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 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.

2009-10 £000		2010-11 £000
4,011	Balance as at 1st April	9,802
5,531	Actuarial gains or losses on pension assets and Liabilities	(4,330)
631	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	(512)
(371)	Employer's pensions contributions and direct payments to pensioners payable in the year	(399)
<u>9,802</u>	Balance at 31st March	<u>(4,561)</u>

17. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2010-11 £000	2009-10 £000
Interest Received	(181)	(259)
Interest Paid	183	157
	<u>2</u>	<u>(102)</u>

18. Cash Flow Statement - Financing Activities

	2010-11 £000	2009-10 £000
Cash payments for the reduction of outstanding liabilities relating to finance leases	146	138
Repayments of short and long term borrowing	116	118
	262	256

19. Officers' Remuneration

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

	Salary		Pension Contributions		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
	£	£	£	£	£	£
Director	106,036	99,753	19,086	17,956	125,122	117,709
Senior Assistant Director (Operations)	79,527	82,610	14,626	14,626	94,153	97,236
Assistant Director (Resources)	74,229	69,278	13,361	12,470	87,590	81,748

In addition to the disclosure above, the Authority is also required to make a similar disclosure to that from prior years which meets the Greenbury rules on disclosure. That disclosure has been updated and the bands of the disclosure which start at £50,000 are now smaller bands of £5,000.

Remuneration Band	2009-10 Number of Employees	2010-11 Number of Employees
£50,000 - £54,999	0	0
£55,000 - £59,999	0	0
£60,000 - £64,999	0	0
£65,000 - £69,999	1	0
£70,000 - £74,999	0	1
£75,000 - £79,999	0	0
£80,000 - £84,999	1	1

£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	1	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	1

20. External Audit Fees

The audit fees reflected in the accounts are as follows:

	2010-11 £000	2009-10 £000
Annual Audit: 2009-10	10	29
Annual Audit: 2010-11	33	0

21. 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 Reporting Standard 24 (IAS24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from 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 also received payments from the constituent boroughs in respect of section 52(9) charges for the disposal of non-household waste.

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 2010-11. No related party transactions were declared. The officers in the post of Clerk to the Authority and the Chief Technical Officer are also Chief Officers at the Borough of Hounslow. The Treasurer to the Authority is from the Borough of Harrow. The Authority pays for the services they provide. The Authority also receives support services from Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account:

	2010-11 £000	2009-10 £000
Hounslow	63	105
Harrow	100	118

22. Leases - Authority as Lessee

Finance Leases

The Authority has acquired a number of trailers, containers and a case loader under finance leases, as assessed under IAS17.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following new amounts:

	31st March 2011 £000	31st March 2010 £000
Other Land and Buildings	0	0
Vehicles, Plant, Furniture & Equipment	435	578
	435	578

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

22. Leases - Authority as Lessee (continued)

	31st March 2011 £000	31st March 2010 £000
<i>Finance Leases (continued)</i>		
Finance Lease Liabilities:		
Current	155	146
Non-current	333	486
Finance costs payable in future years	60	94
Minimum Lease Payments	548	726

Operating Leases

The Authority uses plant and equipment financed under the terms of operating leases, with typical lives ranging from five to ten years.

The Authority's operating leases (mainly used for plant and equipment), analysed by years are:

	31st March 2011 £000	31st March 2010 £000
Not later than one year	253	399
1 year to 2 years	802	912
2 to 5 years	131	274
	1,186	1,585

23. Defined Pension Schemes

The accounts conform to the accounting and disclosure requirements of IAS19 (International Accounting Standard 19), as adopted for local authorities by CIPFA. For the financial year ended 31st March 2011, this requires inclusion of relevant amounts as well as disclosure of IAS19 figures in the accounts. The Authority's actuary, Barnett Waddingham, was instructed, via the London Pensions Fund Authority (LPFA), to undertake the IAS19 calculations on behalf of the Authority as at 31st March 2011.

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 needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme, administered locally by the London Pensions Fund Authority. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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 Balances via the Movement in Reserves Statement.

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

	2010-11	2009-10
	£000	£000
Comprehensive Income & Expenditure Account		
<i>Cost of Services:</i>		
Current Service Cost	569	316
Past Service Cost	(1,372)	0
Settlements and Curtailments	0	0
<i>Financing & Investment Income & Expenditure:</i>		
Interest Cost	1,022	823
Expected Return on Scheme Assets	(731)	(508)
	<hr/>	<hr/>
<i>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	(512)	631
	<hr/>	<hr/>

Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement:

Actuarial Gains and Losses	4,330	(5,530)
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Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement

3,818	(4,899)
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Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	512	(631)
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Actual Amount Charged against the General Balance for pensions in the year:

Employers Contributions payable to Scheme	387	359
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The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2011 is a loss of £2.518 million.

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2010-11 £000	2009-10 £000
Opening Balance as at 1st April	20,268	11,739
Current Service Cost	569	316
Interest Cost	1,022	823
Contributions by Scheme Participants	149	132
Actuarial Gains and Losses	(4,128)	7,337
Benefits Paid	(344)	(67)
Past Service Costs	(1,372)	0
Unfunded Pension Payments	(12)	(12)
Curtailments	0	0
Settlements	0	0
Closing Balance as at 31st March	16,152	20,268

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

	2010-11 £000	2009-10 £000
Opening Balance as at 1st April	10,467	7,728
Expected Rate of Return	731	508
Actuarial Gains and Losses	202	1,807
Employer Contributions	399	371
Contributions from Scheme Participants	149	132
Benefits Paid	(356)	(79)
Entity Combinations	0	0
Settlements	0	0
Closing Balance as at 31st March	11,592	10,467

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £765,000 (2009-10: £2,315,000).

Scheme History

	2006-07 £000	2007-08 £000	2009-10 £000	2010-11 £000
Present Values of Liabilities:				
Local Government Pension Scheme	(12,066)	(11,857)	(20,268)	(16,153)
Fair Value of Assets in the Local Government Pension Scheme	9,237	9,814	10,467	11,592
Surplus/ (Deficit) in the Scheme	(2,829)	(2,043)	(9,801)	(4,561)

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £2.8 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy, as the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc.

The London Pension Fund Authority liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest formal valuation of the scheme at 31st March 2010.

The principal assumptions used by the actuary have been:

	2010-11	2009-10
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.4%	7.5%
Bonds	5.5%	5.5%
Property	6.4%	6.5%
Cash	3.0%	3.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	20.4	19.6
Women	22.9	22.5
Longevity at 65 for future pensioners:		
Men	22.4	20.7
Women	24.9	23.6
Rate of Inflation	3.5%	3.9%
Rate of Increase in Salaries	4.5%	5.4%
Rate of Increase in Pensions	2.7%	3.9%
Rate of Discounting Scheme Liabilities	5.5%	5.5%
Take-up option to convert annual pension into retirement lump sum	50.0%	50.0%

The Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2010-11	2009-10
	%	%
Equities	69	70
Target Return Portfolio	12	10
Alternative Assets	14	14
Cash	3	5
Other Bonds	2	1
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March:

	2006-07	2007-08	2008-09	2009-10	2010-11
	%	%	%	%	%
Differences between the expected and actual return on assets	0.9	3.3	-35.9	17.3	1.7
Experience gains and losses on liabilities	(0.1)	(5.8)	0.0	0.1	22.7

24. Landfill Allowances Trading Scheme

The Authority has received allowances for the year 2010-11 for 292,779 tonnes. The estimated Biodegradable Municipal Waste (BMW) landfill usage is 256,690 tonnes. It did not buy or sell any allowances during the year. DEFRA has advised that the average traded value of 2010-11 has been £12.50.

Amounts included in the Statement of Accounts for 2010-11:

Comprehensive Income & Expenditure Statement	Gross Income £000's	Gross Expenditure £000's	Net Expenditure £000's
Landfill Allowances	(3,660)	3,209	(451)

Balance Sheet for 2010-11	Upon Recognition	Movement After Recognition	31-Mar-11
<i>Current Assets:</i>			
Landfill Usage Allowances for 2010/11	3,660	0	3,660
<i>Current Liabilities:</i>			
Liability to DEFRA for 2010/11 Landfill Usage	0	(3,209)	(3,209)
<i>Reserves:</i>			
General Balances	(3,660)	3,209	(451)

25. Contingent Liabilities

There are no outstanding contingent liabilities at the time of signing this report.

ANNUAL GOVERNANCE STATEMENT 2010-11

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 ensures that there is a sound system of internal control, which facilitates the effective exercise of its functions, including arrangements for the management of risk.

The WLWA is a single purpose authority that was 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. It is an Authority that:

- Facilitates the receipt and recycling or disposal of the waste collected by the six constituent boroughs;
- Transports and disposes of the waste which the constituent boroughs receive at their civic amenity sites; and
- Stores and disposes of abandoned vehicles that are removed by the constituent boroughs.

2. The System of Internal Control

Internal control systems are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems are 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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The main elements of a system of internal control have been in place during 2010-2011 and up to the date of approval of the annual accounts. The Authority has also a Risk Assessment Register, which is updated and reported on an annual basis.

3. The Internal Control Environment

The key elements of the internal control environment are summarised as follows:

Establishing and monitoring the Authority's objectives

The objectives of the Authority are set out in the Annual Report published in June of each year. The Board also receives regular financial and service related reports during the year on those objectives.

Policy and decision-making

The Authority is managed by six Members, one from each of the constituent Boroughs. Standing Orders and Financial Regulations of the Authority govern the Authority. A directly employed Director together with Advisers from constituent boroughs also supports the Board. The Advisers are the Clerk to the Authority (who acts as the Monitoring Officer) from Hounslow, the Treasurer (the Chief Financial Officer) from Harrow, and the Chief Technical Adviser also from Hounslow.

Compliance

The WLWA has a duty to ensure that it acts in accordance with the law and various regulations, including European Commission Directives, in the performance of its functions. It has developed policies and procedures for its staff to ensure that, as far as possible, all staff understands their responsibilities both to the Authority and the public.

Economic, effective and efficient use of resources

The Authority strives to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.

Financial Management

The Treasurer has the statutory responsibility under Section 73 of the Local Government Act 1985 for the proper administration of the Authority's financial affairs and for undertaking the responsibilities outlined in the Accounts and Audit Regulations. The systems of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Authority's arrangements also conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The system of internal control is based on a framework of regular management information, financial regulation, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. These were overhauled in 2009-2010.

The Director of the Authority is responsible for ensuring that an effective system of internal control is maintained and operated for Authority resources. The Director is

also responsible for establishing, reviewing and maintaining effective internal controls, which include promotion of:

- compliance with Authority policy and regulations;
- probity and regularity, including accuracy in recording transactions; and
- high standards of conduct and accountability.

The Internal Audit service (provided by the London Borough of Harrow) independently appraises the adequacy of these systems and reports on strengths and weaknesses.

In addition the Director and Advisers will undertake development and maintenance of the internal control systems, which include:

- The setting of annual budgets for approval by the Board, including a three-year revenue budget forecast;
- Budget monitoring;
- Periodic and annual financial and services related reports to the Authority setting out financial performance against the approved budget; and
- Liaison and consultation maintained with the constituent boroughs on technical and financial matters via joint forums.

Performance Management

The Authority publishes Performance Indicators in its Annual Report.

4. Review of Effectiveness

The WLWA has responsibility for reviewing the effectiveness of the system of internal control. The effectiveness of the system of internal control was informed by:

- Work of managers within the Authority;
- Regular reports to the Authority;
- Work of Internal Audit; and
- The External Audit Annual Letter.

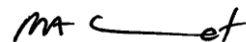
A risk-based approach is used in the development of the Internal Audit work over a multi-year plan for the Authority, with Internal Audit cover provided to defined standards. Internal Audit reports were provided to senior officers at the conclusion of audit reviews and did not indicate any fundamental weaknesses in control systems in the areas examined. Summaries of Internal Audit reports are made to the Authority. There were no system control issues that required to be reported in detail to the Authority. Further reviews have been started by Internal Audit during 2010-2011 and will continue through 2011-12.

5. Conclusion

The Authority has considered the effectiveness of the system of internal control by the WLWA and plans to address any weaknesses that may be identified in future and to ensure continuous improvement of the systems is in place. The Authority has considered its risk management arrangements and these will assist the formalisation of the assurance framework covering the Authority's current risks and of the Managers review of controls effectiveness. The Authority will review these arrangements on a periodic basis.



Councillor Bassam Mahfouz
Chairman of the Authority



Richard Gruet
Clerk to the Authority

INDEPENDENT AUDIT OPINION ON THE STATEMENT OF ACCOUNTS

Independent Auditors' Report to the Members of West London Waste Authority

Opinion on the Authority's Accounting Statements

We have audited the accounting statements of West London Waste Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 25. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of West London Waste Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective Responsibilities of the Treasurer and Auditor

As explained more fully in the Statement of 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. Our responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. We read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Accounting Statements

In our opinion the accounting statements:

- give a true and fair view of the state of West London Waste Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on Other Matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we Report by Exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources

Authority's Responsibilities

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

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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.

Basis of Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself 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 2011.

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.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, 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 ending 31 March 2011.

Certificate

We certify that we have completed the audit of the accounts of West London Waste Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Schofield
For and on behalf of Deloitte LLP
Appointed Auditor
St Albans, United Kingdom
23 March 2012

FURTHER INFORMATION

The Authority has a policy of providing full information about its affairs. Interested parties have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection by the public is advertised in the local press each year.

Further information on the activities and accounts of the WLWA may be obtained from:

Operational Activities

The Director,
West London Waste Authority,
Mogden Works,
Mogden Lane,
Isleworth,
Middlesex,
TW7 7LP
info@westlondonwaste.gov.uk

Accounts

The Treasurer,
West London Waste Authority,
c/o London Borough of Harrow,
Corporate Finance Directorate,
PO Box 21,
Civic Centre,
Harrow, Middlesex,
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WEB: www.westlondonwaste.gov.uk

