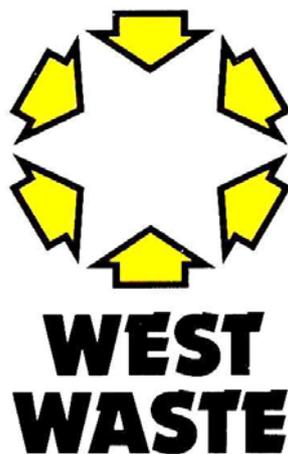




WEST LONDON WASTE AUTHORITY

***STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2007***



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 2003.

The provisional Statement of Accounts for the year ended 31 March 2007 was considered and approved by the Authority on 27 June 2007 and reconsidered on 28 September 2007

Councillor Mrs Eileen Kinnear
Chairman of the Authority
28 September 2007

I certify that the accounts set out in this Statement present fairly the financial position of the West London Waste Authority as at 31 March 2007 and its income and expenditure for the year.

Barry Evans (CPFA)
Treasurer to the Authority
28 September 2007

WEST LONDON WASTE AUTHORITY

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SECTION 1: EXPLANATORY FOREWORD

1. Introduction

The West London Waste Authority (WLWA) 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. 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 of officers of the Authority with 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 there are three waste transfer stations. The Authority employs 80 full time 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.

In addition to its full time Director, the Authority has three other part time chief officers - the Clerk, Treasurer and Chief Technical Adviser. The Clerk and Treasurer also are full time officers in two of the constituent boroughs, an arrangement that enables the Authority to receive support in specialised areas from those boroughs' staff as follows:

- The Clerk to the Authority (London Borough of Hounslow) - legal, personnel, property and valuation advice, committee administration;
- The Treasurer (London Borough of Harrow) - advice and support on all accountancy matters (financial advice, budgets, final accounts etc); creditor payments; internal audit; exchequer services; payroll.

2. Authority Services

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.

Overall in 2006-2007 the Authority and its constituent boroughs dealt with a total of 797,000 tonnes (807,000 tonnes in 2005-2006) of waste and abandoned vehicles. Of this total some 178,000 tonnes (162,000 tonnes in 2005-2006) were recycled or composted, and the remainder was sent for disposal, nearly all to landfill. The following paragraphs give more detail about the three main service areas:

(a) Receipt and disposal of the waste collected by the six constituent boroughs.

In 2006-2007 the boroughs collected a total of 630,000 tonnes (629,000 tonnes in 2005-2006) of waste. The majority of this was waste from

households. The remainder was a combination of waste from commercial premises and waste arising from the cleaning of streets and open spaces. The boroughs recycled some 108,000 tonnes (93,000 tonnes in 2005-2006) out of this total of 630,000 tonnes (629,000 tonnes in 2005-2006). The remaining 522,000 tonnes (536,000 tonnes in 2005-2006) was delivered by the boroughs for composting (42,000) or disposal (480,000) to sites arranged by the Authority.

74%, 385,000 tonnes (398,000 tonnes in 2005-2006) of it was delivered to the two rail transfer stations, which the Authority operates at Transport Avenue, Brentford, and Victoria Road, South Ruislip. At these two sites the waste is compacted into ISO containers and loaded on to the railway and then taken by the Authority's rail transport contractor, EWS Ltd, for final disposal to landfill sites operated by Waste Recycling Group PLC. Transport Avenue's waste was disposed of at Sutton Courtenay, Oxfordshire, and Victoria Road's waste was disposed of at Calvert, Buckinghamshire. Transport Avenue also sends borough collected garden waste by rail for composting at Sutton Courtenay.

12%, 61,000 tonnes (45,000 tonnes in 2005-2006) was distributed between the Authority's Twyford transfer station and the boroughs' civic amenity sites; the Authority has contracts for these sites with private sector waste management companies to transport the waste away. Most goes by road directly to landfill.

9%, 46,000 tonnes (65,000 tonnes in 2005-2006) was delivered to private sector operated transfer stations at which the Authority had made arrangements. And just under 6%, 30,000 tonnes (28,000 tonnes in 2005-2006) was delivered to West London Composting Ltd's facility at Harefield.

In addition to the waste delivered by the constituent boroughs, the Authority's three transfer stations also received a total of 15,000 tonnes (18,000 tonnes in 2005-2006) of commercial waste, which was delivered by the private sector for disposal.

(b) Transport and disposal of waste received by constituent boroughs at their civic amenity sites.

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 ten civic amenity sites. The boroughs operate seven of these, and the Authority arranges transport and disposal through contracts with the private sector. Two are operated by the Authority on behalf of boroughs, and one is provided and operated by a contractor on behalf of a borough.

Civic amenity site waste sent for disposal totalled about 159,000 tonnes (161,000 tonnes in 2005-2006). Of this, householders deposited 102,000 tonnes (96,000 tonnes in 2005-2006); 29,000 tonnes (35,000 tonnes in 2005-2006) were trade waste, and 28,000 tonnes (30,000 tonnes in 2005-2006) were borough-collected waste.

Significant developments in 2006-2007 included an increase to 63,500 tonnes (54,545 tonnes in 2005-2006) in the amount of waste that was separated from the disposal waste stream and sent for composting. Additionally, 44,990 (41,890 in 2005-2006) old refrigerators and freezers were sent for specialist treatment and recycling.

(c) Storage and disposal of the abandoned vehicles removed by the constituent boroughs.

The constituent boroughs have a duty to remove vehicles that appear to have been abandoned and then deliver them to the Authority for disposal or storage. The Authority also arranges the disposal of end of life vehicles that are surrendered by their owners. The Authority undertook this work through a contractor. The great majority (about 86%) were vehicles in poor condition that were delivered for immediate crushing and recycling and disposal. The remaining 14% were vehicles in better condition that were stored until the boroughs had completed statutorily prescribed ownership enquiries. These enquiries resulted in a few cases in the owner paying a fee and reclaiming the vehicle, but the great majority were not reclaimed and were disposed of.

During recent years, a downturn in the scrap metal market resulted in a twenty-fold increase in the numbers of vehicles being abandoned to be picked up by the boroughs and delivered to the Authority's contractor. In 2002-2003 over 19,000 vehicles were dealt with. However, a recovery in scrap prices since then has caused numbers to steadily fall, and the total in 2006-2007 was 4,500 vehicles (6,000 vehicles in 2005-2006).

Over recent years, the EU End of Life Vehicles Directive has been brought into UK law in stages. Principally, this requires higher standards of disposal for ELVs to protect against pollution of the environment and higher levels of recycling, and for ELVs to be disposed of through arrangements made by, and at the expense of, vehicle manufacturers. Although the latter obligation came into force on 1 January 2007, continued high scrap metal prices have continued to fund the disposal of virtually all ELVs without the manufacturers being called upon to arrange disposal under their statutory duty.

3. Authority Objectives

Efficiency and economy

The Authority has aimed to provide its three main services in the most efficient and economical manner possible, making the best use of its own assets and of other available facilities in the public and private sector. The great majority of the Authority's work has long been carried out on its behalf by the private sector through contracts widely advertised and won by competitive tendering.

Giving a speedy, reliable and flexible service

In parallel with efficiency and economy, a prime concern has been to recognise the environmental importance to the public of the boroughs' refuse collection services. Accordingly, a key objective for the Authority has also been to ensure that the boroughs are offered a swift turn around for their collection vehicles at the disposal point. This includes providing a reliable disposal service, which has adequate flexibility and capacity to cope with periods of peak inputs following bank holidays

and with problems which inevitably arise from time to time from plant failures, difficulties on the railway and suchlike.

Safeguarding the environment

The Authority has also been concerned to ensure that, both at its own sites and through its contractors, all its own functions are carried out in an environmentally sound way. Under the site licensing and 'Duty of Care' provisions of the Environmental Protection Act 1990, all the Authority's waste responsibilities – receipt, transfer, transport and disposal - are tightly regulated to minimise harm to the environment and are subject to inspection and enforcement by the Environment Agency. The fact that most of the Authority's waste is transported by rail has a particular environmental benefit in reducing heavy lorry movements on the roads and thereby reducing air pollution and road congestion.

Future direction, sustainability and the National Waste Strategy

In recent years the Authority and its constituent boroughs, in consultation with each other, have begun to focus on the need to re-orient waste collection and disposal in accordance with greater environmental sustainability and the Government's national waste strategy. This involves seeking to move waste management upwards in the Government's waste hierarchy, with prevention, re-use and recycling/composting being prioritised ahead of energy recovery and with energy recovery being sought ahead of the last resort of disposal.

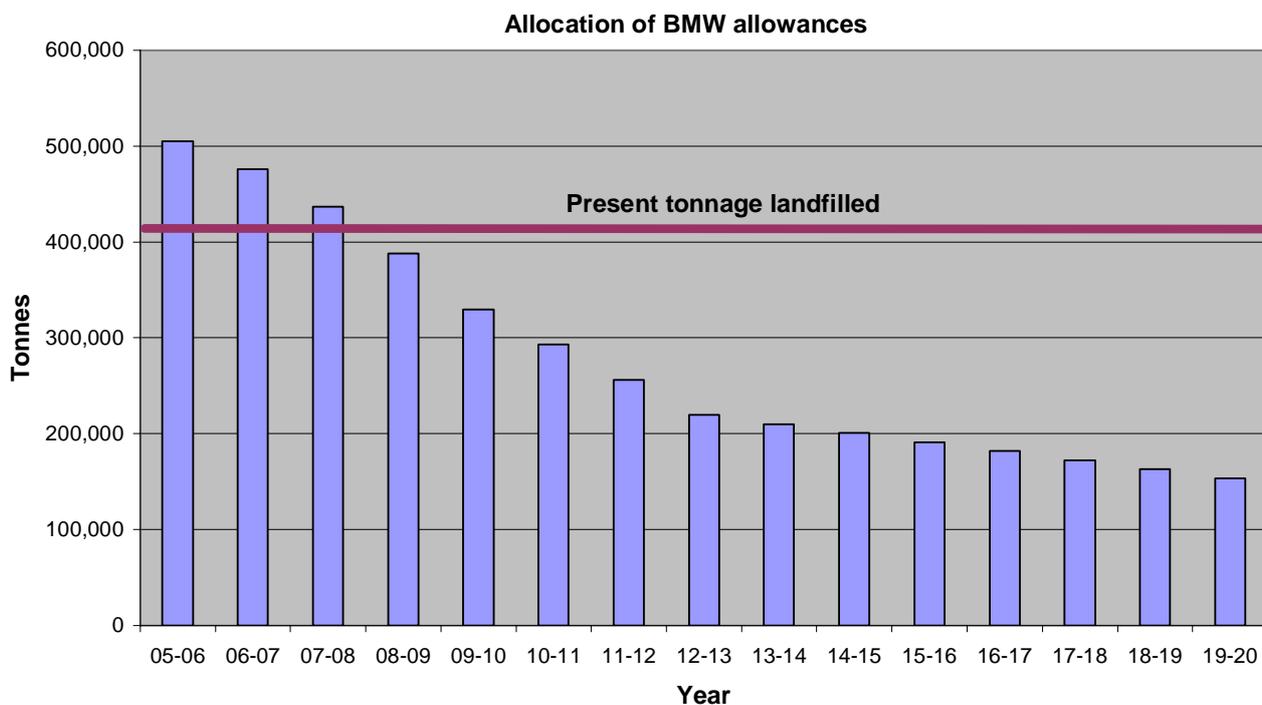
As well as the environmental considerations underpinning the waste hierarchy, making waste management arrangements also involves consideration of the Government's principle that waste should generally be disposed of in one of the nearest appropriate installations.

In the Greater London area, the national waste strategy is supplemented by the Mayor of London's municipal waste strategy that individual waste authorities must have regard to in carrying out their functions. The national waste strategy has recently been revised and a revision of the Mayor's strategy is currently in train. A key issue is to achieve compliance with the European Landfill Directive that requires a progressive reduction in the amount of biodegradable municipal waste (BMW) that may be disposed of to landfill.

Landfill Allowances for biodegradable waste and future strategy

The Waste and Emissions Trading Act 2003 provides the UK legal framework for compliance with the Landfill Directive. The Act has introduced a rationing system for the amount of BMW that may be sent to landfill. Starting in 2005-2006, each waste disposal authority is permitted to landfill a progressively reducing amount of BMW. If the allocated allowances are exceeded in any year, an authority must either buy additional allowances from other authorities that have surplus allowances or pay penalties to the Government at a rate of £150 per tonne of BMW. The use of landfill has additionally been made economically less attractive by the Government's decision to increase the Landfill Tax to £24 per tonne in 2007 and to increase it each year by £8 per tonne over the next three years.

Compared to the present level of use of landfill, the Authority's annually reducing allocation of allowances to landfill biodegradable waste is shown in the following chart.



With existing waste facilities, by saving the allowances unused in the first three years, it is estimated the Authority has sufficient allowances until starting to fall short in 2009-10 and increasingly thereafter. Estimating the financial effects of landfill allowances is difficult until the market price of allowances settles down, which may take some years. However, it is clear that substantial costs will arise if allowance allocations are exceeded and the chart shows the need for the reshaping of the Authority's waste management services for the longer term.

To this end, a key recent achievement by the Authority and the constituent boroughs has been the adoption after consultation of a joint municipal waste strategy for the area. The strategy sets the framework for twenty or more years ahead and is the essential precursor to securing the necessary investment in infrastructure for separating, recycling and treating waste.

In recent years, the Authority and the constituent boroughs have been successful in bidding for substantial grants from the Government-financed London Recycling Fund. These grants have assisted with improvements to increase recycling at civic amenity sites. And especially they have enabled boroughs to develop the collection of green garden waste and other biodegradable waste for composting to keep it separate from the waste that is sent for disposal at landfill, which will help to achieve the diversion of biodegradable waste from landfill that is required by the EU Landfill Directive. A new facility for the receipt and shredding of green waste was opened at WLWA's waste transfer station at Transport Avenue, Brentford, where the shredded green waste is packed into containers and despatched on the railway for composting in Oxfordshire. To provide a direct incentive to boroughs to divert waste from landfill, the Authority has introduced the payment of financial rebates for biodegradable waste that is separated for composting.

Building on these developments, the key priority now will be to make progress with the implementation of the action plans in the joint municipal waste strategy particularly to achieve greater diversion of waste from landfill by working with the constituent boroughs to increase recycling and composting. For compostable waste, the urgent need is to make secure arrangements for treating the increasing amounts

of food wastes the boroughs are collecting – either as separated kitchen waste or mixed with garden waste.

As well as increasing recycling and composting, there also is a need to significantly increase the proportion of the remaining residual waste that is diverted from landfill. It is most unfortunate that the Authority's plans to procure residual waste treatment services have been delayed for nearly three years by directions from the Mayor of London. A judicial review application by the Authority has recently succeeded in obtaining decisions by the courts that the Mayor's latter directions were unlawful. This has now freed the Authority to commence procurement. Although the delays caused by the Mayor are expected to have a significantly adverse impact, it is nonetheless hoped that the procurement that is now in progress will increase the diversion of residual waste from landfill sufficient to avoid the projected shortfall in landfill allowances in 2009-2010 that is referred to above – and also will significantly reduce the shortfalls projected for subsequent years.

WEEE

Another significant current issue is the implementation in the Authority's area of the EU Waste Electrical and Electronic Equipment (WEEE) Directive. The WEEE Directive obligates retailers, importers and manufacturers of electrical and electronic goods to arrange for the separate collection and recycling of these products. Implementation in the UK has been postponed on several occasions but is now commencing on 1 July 2007. The Authority and its constituent boroughs have registered civic amenity sites across the area for the purposes of collection of WEEE from the public and have made arrangements with a producer compliance scheme for the removal and treatment of the WEEE. With the co-operation of the public, this will result both in increased recycling of WEEE and some worthwhile environmental benefit in keeping inappropriate materials out of landfill.

Possible replacement of the Authority by a single London Waste Authority

Lastly, in autumn 2005 the Government consulted on possibilities for expanding the Mayor of London's responsibilities. Responsibilities for waste were included and the consultation canvassed options for a single London-wide waste disposal authority that would replace the Authority and the other three similar authorities in London and take over the waste disposal responsibilities of the unitary boroughs. The Government eventually decided not to proceed with this and has made no provision in the Greater London Authority Bill that is at present in Parliament. However, the Mayor of London continues to argue for a single waste authority and it is plain that this issue, which is central to the Authority's future, is not immediately going to go away.

4. Financial Statements

The Authority approved the 2006-2007 net budget of £31.358m in February 2006 funded by a levy of £29.004m and agreed use of £2.354m of balances. A sum of £0.250m was also provided in balances for implementation costs of the waste strategy.

The Authority's 2006-2007 net expenditure was £30.220m prior to adjustment for the effects of the Landfill Allowances Trading Scheme (LATS) and retirement benefits under FRS17 as reflected in the Income and Expenditure Account. This was £1.138m (3.6%) less than the original net approved budget. After the technical adjustments for LATS and FRS17 end-of-year balances stand at £8.635m (including

LATS). The WLWA is primarily financed by an annual levy on the constituent boroughs assessed on their Council Tax base. For 2006-2007 this was £29.004m (2005-2006 = £34.700m) although other income totalling £8.004m, excluding LATS, (2005-2006 = £7.019m) was generated from sources such as charges for non-household waste. Authority expenditure is primarily related to long-term waste disposal contracts with the private sector. Expenditure on operations in 2006-2007 totalled £37.885m (2005-2006 = £39.350m) excluding Landfill Allowances Trading Scheme (LATS) which commenced in 2005-2006, and capital financing adjustments

As previously agreed available capital receipts of £0.245m were fully applied to finance works on the dust extractor plant at the Transport Avenue transfer station.

The financial statements on the following pages set out the financial results of the Authority for the year ended 31 March 2007 and were approved by the Authority on 27 June 2007. 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 2003.

The Statement includes:

- The Income and Expenditure Account that summarises the Authority's income and expenditure for the year and the amount of funding from levies on the six constituent boroughs;
- A Statement of the Movement on the General Fund Balance;
- A Statement of Total Recognised Gains and Losses in the year (STRGL);
- 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.
- 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 Statement of Recommended Practice (the SORP) for accounts preparation.

2006-2007 was the first year when the transitional phasing under the new default regulations for apportioning the levy applied, with 33.4% of the levy being raised on the new three part levy arrangements and with 66.6% continuing on Council Tax base. From 2008-2009 onwards the levy will be raised wholly on the new three part levy arrangements. The statutory recycling credit scheme was also terminated, however the WLWA introduced a local organic waste recycling rebate scheme.

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 Statement of Accounts reflects the accounting requirements of the LATS scheme following guidance issued by CIPFA. The Authority had sufficient landfill allowances for 2006-2007 and unused allowances

(subject to audit/reconciliation by DEFRA for 2006-2007) have been “banked”, under the scheme, for following years.

The following table summarises the 2006-2007 revenue outturn position of the Authority.

Expenditure area: significant variations	Original Budget	Outturn	Variance to Original Budget
(1)	(2) £000	(3) £000	(4) £000
EMPLOYEE COSTS			
<u>Employee Costs</u> Minor underspend	3,191	3,138	-53
PREMISES			
<u>Premises</u> Reduced electricity costs (-£0.057m) & savings on rents (-£0.201m) offset by various maintenance savings	2,714	2,581	-133
PLANT AND EQUIPMENT			
<u>Plant & Equipment</u> Transport Ave dust extraction works financed by capital receipts (-£0.245m): range of repairs & maintenance savings (-£0.136m)	433	57	-376
SUPPLIES & SERVICES			
<u>Supplies & Services</u> Lower insurance costs (-£0.034m); various minor savings (£0.009m)	309	266	-43
WASTE DISPOSAL AND RECYCLING COSTS			
<u>Transport & Tipping Costs</u> Reduced waste tonnages (-£0.247m) offset by unbudgeted full year costs of fridges (+£0.110m)	17,955	17,818	-137
<u>Landfill Tax</u> Combination of reduced tonnages & some increased segregation & composting	13,349	12,752	-597
<u>Section 52(9) income</u> Reduced payments by boroughs because tonnages lower than budgeted	-5,786	-5,390	396
<u>Trade Waste Income</u> Commercial waste direct delivered by private businesses: tonnages lower than budgeted.	-1,634	-1,393	241

Expenditure area: significant variations	Original Budget	Outturn	Variance to Original Budget
(1)	(2) £000	(3) £000	(4) £000
OTHER INCOME AND EXPENDITURE			
<u>Agency – General Costs</u> Consultant & legal fees for rail transfer station lease & rent reviews; legal fees for judicial review.	287	422	135
<u>End of Life Vehicles</u> High scrap metal prices resulting in fewer vehicles and reduced payments to boroughs (-£0.132m) and no depollution costs (-£0.90m); some unbudgeted income (-£0.016m)	400	162	-238
<u>Capital Financing</u> Reduced leasing and capital financing costs	883	844	-39
<u>Support Boroughs</u> Minor variation	153	184	31
<u>Agency Income</u> Minor variation	-535	-529	6
<u>Other Income</u> Unbudgeted WEEE grant income (-£0.278m); minor variations (-£0.022m)	-21	-321	-300
<u>Interest on Cash Flow</u> Additional interest resulting from cash flow and rate changes	-340	-372	-32
Total	31,358	30,220	-1,138
Levy	-29,004	-29,004	0
	**2,354	1,216	-1,138

** approved use of balances to support the 2006-2007 levy

The Authority's net expenditure was £30.220m prior to adjustment for the net effects of the Landfill Allowances Trading Scheme (LATS) and retirement benefits under FRS17 as reflected in the accounts.

SECTION 2: STATEMENT OF ACCOUNTING POLICIES

1. 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.

2. Debtors and Creditors

The accounts are prepared on an income and expenditure 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.

3. Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (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.

4. Financing Asset Acquisitions

The Authority has entered into operating leases since 1998-1999 for the acquisition of transfer station equipment. No additional operating leases were actioned in 2006-2007. The annual costs are charged to revenue. Where fixed assets are financed by capital grants, the amount of grant is deferred and transferred to the Income and Expenditure account in line with the relevant depreciable life of the asset.

5. Fixed Assets

The asset values used in the accounts are based on a certificate issued by consultant surveyors, Dunlop Heywood. The properties were inspected and a report prepared on the valuation by Mr. Paul Lidgley BSc (Hons) MRICS, a director of Dunlop Heywoods. The Authority assets were valued at 1 April 2005 and again at 31 March 2006 on the basis of Depreciated Replacement Cost, since the properties are specialised and particular to the Authority's operating activities, and 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 SORP Code of Practice requires valuations at intervals of not more than five years.

6. Investments

The WLWA balances are held with the London Borough of Harrow and are shown in the debtor balances in the Balance Sheet.

7. 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 Income and Expenditure Account reflects the new accounting requirements of the LATS scheme following guidance issued by CIPFA (the LAAP Bulletin 64, issued in March 2006).

8. Minimum Statutory Provision

Under Part IV of the Local Government and Housing Act 1989 the Authority is required to set aside a minimum statutory provision (MSP) as part of the means to finance capital expenditure. The MSP was £0.134m based on 4% of the capital financing requirement.

9. Other Accounts

These include:

- The fixed asset restatement account, which represents principally the balance of surpluses or deficits arising on the periodic revaluation of fixed assets;
- The capital financing account, which represents 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; and

10. Pensions

- (i) All permanent staff may participate in the London Pensions Fund Authority (LPFA) Pension Fund, a defined benefit statutory scheme, administered in accordance with the Local Government Scheme Regulations 1997.

A defined benefit statutory scheme is a pension, or other retirement benefit scheme, other than a defined contribution scheme. Usually, 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 outgoings due after the valuation date. The employer is committed to provide for service benefits up to the valuation date.

- (ii) The Accounting Code of Practice requires the Authority to apply accounting principles and to make disclosures under Financial Reporting Standard 17,

Retirement Benefits (FRS17) in respect of retirement benefits. The notes to the Core Accounts provide details of how the Authority has met these requirements.

11. Provisions

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

12. 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).

13. Stocks

The Balance Sheet shows the closing balances at 31 March. Stock is valued on an average cost basis.

SECTION 3: 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 2006).

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.

SECTION 4: INCOME AND EXPENDITURE ACCOUNT

	Notes	2006-2007		2005-2006	
		£000	£000	£000	£000
<u>Gross Expenditure</u>					
Employees		3,303		3,154	
Premises		2,336		2,346	
Waste Transport and Disposal		30,570		32,291	
Other Supplies and Payments		2,689		3,031	
			38,898		40,822
<u>Gross Income</u>					
Trade Waste		-1,393		-1,512	
Agency		-529		-503	
Miscellaneous Income		-320		-56	
Other Local Authorities' Waste		-5,390		-4,513	
			-7,632		-6,584
NET COST OF SERVICES			31,266		34,238
Interest income		-372		-435	
Deferred charges		-28		-28	
Pension interest cost and expected return on Pension Assets		8		73	
			-392		-390
NET OPERATING EXPENDITURE			30,874		33,848
<u>Landfill Allowances (LATS)</u>					
Landfill Allowances usage		7,692		8,830	
Landfill Allowances grant		-8,560		-10,208	
			-868		-1,378
			30,006		32,470
<u>Levies on Constituent Councils</u>					
Brent		-5,048		-5,816	
Ealing		-5,869		-7,044	
Harrow		-4,292		-5,279	
Hillingdon		-4,956		-5,941	
Hounslow		-4,390		-5,228	
Richmond upon Thames		-4,449		-5,392	
			-29,004		-34,700
Surplus (-) / Deficit for the year			1,002		-2,230

SECTION 5:

5a: STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

	2006-2007	2005-2006
	£000	£000
Surplus (-) / deficit for year on the Income and Expenditure Account	1,002	-2,230
Adjustment re: Landfill Allowances	868	1,378
	1,870	-852
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-654	-782
Change in General Fund Balance for the Year	1,216	-1,634
General Balances brought forward	-7,605	-5,971
General Balances carried forward	-6,389	-7,605
Amount of General Balances generally available for new expenditure	-6,389	-7,605

5b: STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

	2006-2007	2005-2006
	£000	£000
Surplus (-) / deficit on the Income and Expenditure Account for the year	1,002	-2,230
Surplus (-) / deficit arising on revaluation of fixed assets	0	-4,757
Earmarked reserves	0	387
Actuarial (gains)/losses on pension fund assets and liabilities	684	-140
Total recognised gains and losses for the year	1,686	-6,740

SECTION 6: BALANCE SHEET

	Notes	2006-2007		2005-2006	
		£000	£000	£000	£000
Fixed Assets					
<u>Tangible fixed assets</u>					
<u>Operational Assets</u>					
Land & buildings		13,276		13,928	
Fixed plant and vehicles		1,381		1,126	
	1		14,657		15,054
<u>Current assets</u>					
Stock	2	296		306	
Debtors (net of bad debts provision)	3	10,812		12,397	
Landfill Allowances	11	9,736		10,208	
Cash		4		4	
			20,848		22,915
Total Assets			35,505		37,969
<u>Current liabilities</u>					
Creditors	4	-4,264		-4,399	
Landfill Allowances	11	-7,491		-8,830	
			-11,755		-13,229
Total assets less current liabilities			23,750		24,740
Long Term Borrowing	5	-3,666		-3,800	
Government Grants - deferred		-112		-140	
Pension Liability	10	-2,829		-3,353	
			-6,607		-7,293
Total assets less liabilities			17,143		17,447
<u>Financed by:</u>					
Fixed Asset Restatement Account	6	-17,771		-17,771	
Capital Financing Account	7	6,434		6,199	
Usable Capital Receipts Reserve	8	0		-245	
Earmarked Reserves	9	0		0	
Pension Reserve	10	2,829		3,353	
Landfill Allowances	11	-2,246		-1,378	
General Balances		-6,389		-7,605	
Total Net Worth			-17,143		-17,447

SECTION 7: CASH FLOW STATEMENT

	Notes	2006-2007 £000	2005-2006 £000
Revenue Activities			
<u>Cash outflows</u>			
Cash paid to and on behalf of Employees		3,303	3,154
Other operating costs		35,312	36,625
<u>Cash inflows</u>			
Cash received for goods and services		-9,987	-5,034
Levy income		-29,004	-34,700
Revenue Activities – net cash flow	(i)	-376	45
Servicing of Finance			
<u>Cash outflows</u>			
Interest paid		208	251
Purchase of (capital) assets		406	0
<u>Cash inflows</u>			
Interest received		-372	-435
Net cash Inflow / Outflow before financing		-134	-139
Financing			
<u>Cash outflows</u>			
Repayments of amounts borrowed (net debt mov't)		134	139
Increase / decrease in cash and cash equivalents	(ii)	0	0
Note (i) Reconciliation to Net Cash Flow			
Surplus(-)/Deficit per the Income & Expenditure Account		1,303	-2,174
<u>Non Cash Transactions</u>			
Capital Financing		-208	-251
Depreciation		-804	-804
Deferred charges		-28	-28
Capital Financing		-245	0
Interest Received		372	435
FRS17		-173	242
Landfill Allowances Trading Scheme (LATS) (net)		867	1,378
<u>Items On An Accrual Basis</u>			
Movement in Stock		-10	13
Movement in Debtors		-2,353	1,550
Movement in Creditors		135	-95
Movement in Provisions		768	-221
Net cash flow from Revenue Activities		-376	45
Note (ii) Movements in Cash and Cash Equivalent			
	2005-2006 £000	2006-2007 £000	Movement £000
Cash	4	4	0
Net Cash Inflow / Outflow			0

SECTION 8: NOTES TO THE CORE FINANCIAL STATEMENTS

Being a single purpose authority (i.e. 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) the Income and Expenditure Account is not set out using the Service Expenditure Analysis but details the major areas of expenditure for the Authority.

Note (1) Fixed Assets

(a) Movements in fixed assets during the year were as follows:

	2006-2007				2005-2006
	Land & Buildings (Freehold) £000	Land & Buildings (Leasehold) £000	Fixed Plant & Vehicles £000	Total £000	£000
Gross book value as at 31 March 2006	4,169	9,760	1,125	15,054	11,101
Value as at 1 April 2006	4,169	9,760	1,125	15,054	11,101
<u>Revaluations and restatements</u>					
Additions	0	0	407	407	0
Revaluations	0	0	0	0	4,757
Value as at 31 March 2007	4,169	9,760	1,532	15,461	15,858
Depreciation for Year	-62	-591	-151	-804	-804
Net Book Value as at 31 March 2007	4,107	9,169	1,381	14,657	15,054

Note (2) Stock

	2005-2006	2005-2006
	£000	£000
<u>Stock is held at two locations as follows:</u>		
Transport Avenue	104	105
Victoria Road	192	201
Balance as at 31 March 2007	296	306

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

Note (3) Debtors

	2006-2007 £000	2005-2006 £000
Trade Waste Agency	209	167
London Borough of Harrow	38	4
Other Local Authorities	8,840	10,063
	1,765	2,971
	10,852	13,205
Less provision for bad debts	-40	-808
	10,812	12,397

The provision for bad debts was reduced in 2006-2007 following the agreed settlement of sums from two of the constituent boroughs.

Note (4) Creditors as at 31 March

	2006-2007 £000	2005-2006 £000
Transport and Tipping	-1,893	-1,180
Landfill Tax	-1,132	-492
Other	-1,239	-2,727
	-4,264	-4,399

Note (5) 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 2007 totals £3.666m (£3.800m in 2005-2006). The interest rate charged was 5.48%.

	2006-2007 £000	2005-2006 £000
Source of Loan:		
London Borough of Harrow	-3,666	-3,800
Analysis of loan by maturity:		
1 to 2 years	-168	-168
2 to 5 years	-402	-402
5 to 10 years	-670	-670
10 years +	-2,426	-2,560
	-3,666	-3,800

Note (6) Fixed Asset Restatement Account

	2006-2007	2005-2006
	£000	£000
Balance as at 1 April	-17,771	-13,014
Surplus on revaluation and restatement of fixed assets	0	-4,757
	0	
Balance as at 31 March	-17,771	-17,771

Note (7) Capital Financing Account

	2006-2007	2005-2006
	£000	£000
Balance Brought Forward	6,199	5,562
Financing capital expenditure from revenue	-161	0
Deferred Charges Written Out	-28	-28
Capital receipts use	-245	0
Minimum Revenue Provision (M.R.P.) (less provision for depreciation)	670	665
	6,434	6,199

Note (8) Usable Capital Receipts Reserve

	2006-2007	2005-2006
	£000	£000
Balance as at 1 April and 31 March	0	-245

The Authority did not receive any capital receipts during 2006-2007. Available receipts were used to part finance essential works at the Transport Avenue transfer station.

Note (9) Earmarked Reserves

No earmarked reserves were made in 2006-2007 other than the treatment as an earmarked reserve of the surplus landfill allowances (£2.246m) under LATS (£1.378m in 2005-2006).

Note (10) Financial Reporting Standard 17, Retirement Benefits (FRS17)

The accounts conform to the accounting and disclosure requirements of Financial Reporting Standard 17 (FRS17), as adapted for local authorities by CIPFA. For the financial year ended 31 March 2007 this requires inclusion of relevant amounts as well as disclosure of FRS17 figures in the accounts. The Authority's actuary, Hymans Robertson, was instructed, via the LPFA, to undertake the FRS17 calculations on behalf of the Authority as at 31 March 2007.

All permanent staff may participate in a defined benefit statutory scheme, administered by the London Pensions Fund Authority (LPFA) Pension Fund on behalf of the Authority, in accordance with the Local Government Scheme Regulations 1997. Although pension benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be made at the time that employees earn their future entitlement.

The Income and Expenditure Account reflects the current service costs (£0.460m in 2006-2007 and £0.348m in 2005-2006), the net return on assets (£0.008m in 2006-2007 and £0.073m in 2005-2006) and changes to the Pension Reserve (-£0.173m in 2006-2007 and £0.242m in 2005-2006) as advised by the Funds Actuary. The Fund's Actuary, based on triennial actuarial valuations, determines the contribution rate (employer's rate of 15.4% until March 2007). The Fund was last valued at 31 March 2004, the next valuation is at 31 March 2007. In addition, the Authority is responsible for pension payments relating to added years benefits awarded, together with the related increases (£0.012m in 2006-2007 and £0.014m in 2005-2006). There were no approvals to new pension augmentation payments in the year and therefore no capital values of estimated payments for employees were required.

The Funds Actuary estimates that the Net Pension Asset as at 31 March is a liability of £2.829m (£3.353m in 2005-2006), a reduction of £0.524m as set out in the FRS17 notes to the Balance Sheet.

The objectives of FRS17 are to ensure that:

- Financial statements reflect at fair value the assets and liabilities arising from an employer's retirement obligations and any related funding;
- The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance cost and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise, and
- The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related benefits and the related gains, losses, assets and liabilities

Notes to the Core Financial Statements

The table below summarises the membership data by the actuary for the last formal valuation from which the FRS17 results are rolled forward, together with the latest available membership data.

	28 February 2007	31 March 2004
Employees	74	74
Deferred Pensioners	25	20
Pensioners	59	55

An actuarial valuation showing the potential pensions liability for the year ended 31 March 2007 in accordance with FRS17 is set out below.

Assets valued at "fair value" (whole LPFA Fund) As at March	Long Term Return 2007 % p.a.	Assets 2007 £000	Long Term Return 2006 % p.a.	Assets 2006 £000	Long Term Return 2005 % p.a.	Assets 2005 £000
Equities	7.7%	5,752	7.3%	5,424	7.7%	5,286
Target return funds	6.4%	2,065	6.0%	1,639	0.0%	0
Alternative assets	6.8%	1,171	6.5%	1,014	0.0%	0
Bonds	0.0%	0	0.0%	0	4.8%	724
Property	0.0%	0	0.0%	0	5.7%	477
Cash	4.9%	248	4.6%	529	4.8%	225
Total	7.2%	9,237	6.8%	8,605	7.1%	6,712
Net Pension Liability as at		31 March 2007 £000		31 March 2006 £000		31 March 2005 £000
Estimated Employer Assets (A)		<u>9,237</u>		<u>8,605</u>		<u>6,712</u>
Present Value of Scheme Liabilities		11,847		11,738		9,974
Present Value of Unfunded Liabilities		<u>219</u>		<u>220</u>		<u>205</u>
Total Value of Liabilities (B)		<u>12,066</u>		<u>11,958</u>		<u>10,179</u>
Net (A) - (B)		-2,829		-3,353		-3,467

The LPFA Active Fund (in which the WLWA participates) amended its investment strategy over the last two years. The expected returns on assets reflect the underlying benchmarks.

Notes to the Core Financial Statements

Liabilities have been assessed on an actuarial basis using the “projected unit method”, an estimate of pensions that will be payable in future years dependent on actuarial and financial assumptions. The main assumptions used by the actuary in these calculations are as follows.

Assumptions as at	31 March	31 March	31 March	31 March
	2007	2006	2005	2004
	% per annum	% per annum	% per annum	% per annum
Price increases	3.2%	3.1%	2.9%	2.9%
Salary increases	4.7%	4.6%	4.4%	4.4%
Pension increases	3.2%	3.1%	2.9%	2.9%
Discount rate	5.4%	4.9%	5.4%	6.5%

The following table sets out an analysis of the amount of recognised gains and losses

	31 March	31 March
	2007	2006
	£000	£000
Actual return less expected return on Pension Scheme assets	82	1,085
Experience gains and losses arising on the Scheme liabilities	-9	-4
Changes in financial assumptions underlying the Present Value of the Scheme Liabilities	611	-1,221
Actuarial gain / -loss	684	-140

The movement in the surplus / deficit for the year to 31 March 2006 is as follows:

	Year to	Year to
	31 March 2007	31 March 2006
	£000	£000
Deficit at beginning of year	-3,353	-3,467
Current Service Cost	-460	-348
Employer contributions	295	663
Contributions in respect of Unfunded Benefits	13	12
Net return on assets	-8	-73
Actuarial losses	684	-140
Deficit at end of year	-2,829	-3,353

The actuarial gains and losses are analysed into the following categories.

	Year to 31 March 2007	Year to 31 March 2006	Year to 31 March 2005	Year to 31 March 2004
	£000	£000	£000	£000
Difference between the expected and actual return on assets	82	1,085	187	771
Value of assets	9,237	8,605	6,712	5,961
Percentage of assets	0.9%	12.6%	2.8%	12.9%
Experience (losses) / gains on liabilities	-9	-4	476	-4
Present value of liabilities	12,066	11,958	10,179	8,521
Percentage of the total present value of liabilities	-0.1%	0.0%	4.7%	0.0%
Actuarial (losses)	684	-140	-880	767
Total present value of liabilities	12,066	11,958	10,179	8,521
Percentage of the total present value of liabilities	5.7%	-1.2%	-8.6%	9.0%

Note (11) 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 core statements reflect the accounting requirements of the LATS scheme following guidance issued by CIPFA (the LAAP Bulletin 64, issued in March 2006). The recognition as income of the allowances made by DEFRA are shown, together with the liability of landfill allowances used. Allowances are valued at the CIPFA recommended figure of £17.98 (£20.20 in 2005-2006). The Income and Expenditure Account net surplus includes £0.868m (£1.378m in 2005-2006) of unused Landfill Allowances, which are treated as an earmarked reserve. The Authority has taken the view that the total of unused allowances (£2.246m) are required for future landfill commitments.

The Authority had sufficient landfill allowances for 2006-2007 and unused allowances (subject to audit/reconciliation by DEFRA for 2006-2007) have been “banked”, under the scheme, for following years.

	31 March 2007	31 March 2006
	£000	£000
LATS balances	-2,246	-1,378

Note (12) Other Income and Expenditure Notes

(a) Breakdown of reconciling items in the Statement of the Movement on the General Balance

	2006-2007	2005-2006
	£000	£000
Amounts included in the Income and Expenditure Account but required by statute to be excluded		
Depreciation	-804	-804
Government Grants Deferred	28	28
Contribution from the Pension Reserve	-173	242
	-949	-534
Amounts not included in the Income and Expenditure Account but required by statute to be included		
Statutory provision for repayment of debt	134	139
Capital expenditure charged to General Balances	161	0
	295	139
Transfer to / from Balances		
Transfer to / from earmarked reserves	0	-387
	0	-387
Net additional amount to be credited to General Balances for the year	-654	-782

(b) Publicity

The Authority is required, under Section 5 of the Local Government Act 1986, to keep a separate account of net expenditure on publicity. There was no expenditure on publicity in 2006-2007.

	2006-2007	2005-2006
	£000	£000
Promotion and publicity	0	0
	0	0

(c) Members Allowances

Members do not receive allowances from the Authority.

(d) Leasing

Plant & Equipment

The Authority uses plant and equipment financed under the terms of operating leases. The amount charged to revenue in respect of operating leases was £0.498m in 2006-2007 (£0.498m in 2005-2006). There were undischarged obligations in respect of these leases of £1.799m at 31 March 2007 (£2.297m at 31 March 2006). The Authority is committed to making payments for the undischarged obligations as follows:

	Annual Costs £000
2007-2008	482
2008-2009	344
2009-2010	344
2010-2011	256
2011-2012	161
2012-2013	122
2013-2014	90
Total	1.799

Premises

Of the four premises occupied by the Authority, one (Twyford Waste Transfer Station) is owned by the Authority freehold whilst the other three premises are occupied under leases, as follows:

(a) Mogden Office

The two leases for office accommodation at Mogden for the Authority's management and administrative functions run until 31 August 2012 unless terminated by twelve months' notice by either side.

(b) Transport Avenue Waste Transfer Station, Brentford

Following the expiry of its 30-year lease for this rail transfer station on 24 December 2004, the Authority's continued occupancy has been protected by a statutory right to renew the lease for up to 15 years. The opportunity has also been taken to negotiate an entirely new lease that will meet the Authority's long-term waste strategy needs. It is expected that the new lease will be finalised shortly. Agreement on the rent under the new lease was reached during the course of 2006-2007 and payment of the rent at the new level has been incorporated in these accounts, including payments that were due for previous years. The rent will be subject to five-yearly reviews with the next review date being 14 September 2010.

(c) Victoria Road Waste Transfer Station, South Ruislip

The Authority's lease for this rail transfer station runs until March 2098. The lease provides for six-yearly rent reviews and during the course of 2006-2007 agreement was reached on a new rent level to apply from the last review date of 29 September 2004. These accounts incorporate payment of the rent at the new level, including payments that were due back to the last review date. The next rent review date will be 29 September 2010. Negotiations are in hand with the landlord to modernise the lease, similarly to Transport Avenue, to allow redevelopment of the site to meet the Authority's long-term waste strategy needs.

(e) Employees

The number of employees whose remuneration during 2006-2007, excluding pension contributions, was £50,000 or more was:

Remuneration Band	Number of Employees	Number of Employees
	2006-2007	2005-2006
£50,000 to 59,999	0	2
£60,000 to 79,999	1	1
£70,000 to 89,999	0	0
£90,000 to 99,999	1	0

(f) External Audit Fees

The Income and Expenditure Account includes external audit fees for services carried out under the Audit Commission's "Code of Audit Practice" in accordance with section 5 of the Audit Commission Act 1998. The Audit Commission appointed Deloitte & Touche LLP as the Authority's external auditors in respect of the audit of the accounts. The external auditor did not have to perform any work in respect of statutory inspections under section 10 of the Local Government Act. The following table sets out the audit fees reflected in the accounts.

	2006-2007	2005-2006
	£000	£000
Annual audit: 2005-2006	0	26
Annual audit: 2006-2007	29	0
Grants audit	0	0

(g) 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 Financial Reporting Standard 8 (FRS8) and its applicability to the public sector utilising current advice and guidance. Any disclosure under FRS8 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. Details of the borough levies are set out in the Income and Expenditure Account. 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 2006-2007. No related party transactions were declared. The Clerk and Treasurer are employed by the boroughs of Hounslow and Harrow respectively. The Authority pays for the services they give. The Authority also receives support services from Hounslow and Harrow. The costs of these services (set out below) are reflected in the Income and Expenditure Account.

Support Services	2006-2007	2005-2006
	£000	£000
Hounslow	17	32
Harrow	127	116

(h) Contingent Liabilities

There are no outstanding contingent liabilities.

SECTION 9: STATEMENT ON INTERNAL CONTROL

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 2006-2007 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 Best Value Performance Plan 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 a Board of six Members, one from each of the constituent Boroughs. Standing Orders and Financial Regulations of the Authority govern the Board. 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.

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 understand 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 151 of the Local Government Act 1972 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 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.

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 maintained with the constituent boroughs on technical and financial matters via joint forums.

Performance Management

The Authority publishes Best Value Performance Indicators in the annual Best Value Performance Plan.

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 annual Audit Letter.

A risk-based approach is used in the development of the Internal Audit work over a five-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. During 2006-2007 reviews were actioned by Internal Audit on Budget Management and Control and Financial Regulations and Contract Standing Orders. There were no system control issues that required to be reported in detail to the Authority. During 2007-2008 Internal Audit will review insurance cover, site security and the Data Protection Act as it applies to the Authority.

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 Mrs. Eileen Kinnear
Chairman of the Authority



Terry Welsh
Clerk to the Authority

SECTION 10: INDEPENDENT AUDITOR OPINION ON THE STATEMENT OF ACCOUNTS

Independent auditors' report to the Members of West London Waste Authority

Opinion on the financial statements

We have audited the financial statements of West London Waste Authority for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of Movement in Balances, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

Conclusion on 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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. 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.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, West London Waste Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006-2007 on 21 December 2006. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans

28 September 2007

SECTION 11: 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,
TW3 7LP

Accounts

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

