

**West  
Waste**

**West London Waste Authority  
Statement of Accounts  
For the year ended 31 March 2015**

**West London Waste**  
*Let's be resourceful*

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## Explanatory Foreword

### Introduction

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

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

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

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

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

The main administrative offices of the WLWA are located in Hounslow Civic Centre. At the end of the year WLWA employed 32 staff (previous year: 39). WLWA is headed by the Director and three part-time chief officers – The Clerk, Treasurer and Chief Technical Adviser, who are also full time chief officers employed in the constituent boroughs. Having close working relationships with the boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:

- London Borough of Hounslow – legal, human resources, health and safety, occupational health advice and committee administration;
- London Borough of Ealing – procurement, communications, press and publicity support, treasury, payroll, ICT, finance systems;
- London Borough of Harrow – insurance;
- London Borough of Hillingdon – internal audit.

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

In recent years there has been a major shift of focus on how waste is disposed of – moving from the landfilling of waste towards increased reuse, recycling, composting and recovery of energy and materials. The Authority has taken on the role of coordinating waste minimisation, that is, the prevention of waste arising. This work requires close co-operation with the constituent boroughs, achieved through an agreed Joint Waste Management Strategy.

In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long term contracts that will see most of the constituent boroughs' waste that cannot be recycled or composted used to produce energy. Work is progressing on the construction of a new energy from waste recovery centre and from 2016 this will provide for up to 300,000 tonnes of waste per year to be treated, in addition to the 90,000 tonnes already going to energy recovery. The electricity generated will be sufficient to power over 50,000 homes.

Crucially this new approach will mean that a minimum of 96% of waste will not go to landfill so avoiding 83,000 tonnes of carbon dioxide emissions each year.

## **Financial Outturn**

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 fixed costs allocated according to Council Tax Base (i.e. the number of Band D properties). Authority expenditure is primarily related to waste treatment and transport contracts with the private sector and landfill tax.

The Authority's aim for 2014-15 was to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from Boroughs.

During the year, the Authority raised an annual levy on the constituent boroughs of £56.5 million, a reduction from £58.6 million in 2013-14. The net cost of services for the year was £54.9 million, an increase of £0.7 million from the previous year's £54.2 million. Underlying this, the main components are a reduction in employee costs by £1.8 million resulting from the transfer of employees under the West London Residual Waste Service contract (see below), an increase in landfill tax due to the increase in the government's landfill tax rate (by £8 per tonne) and an increase in the cost of waste transport and disposal costs by £2.5 million. As a result, the surplus on provision of services fell to £1.3 million from £3.9 million last year.

Gains from the revaluation of properties of £0.5 million (2013-14: nil), a revaluation impairment of £0.9 million (2013-14: nil) and an actuarial loss on the pension liability valuation of £2.6 million (compared to an actuarial gain of £2.6 million in 2013-14) have resulted in an overall deficit for the year of £0.8 million (2013-14: surplus of £6.5 million). The main component of the increase in the pension deficit was a change in financial assumptions (see note 20).

As part of the West London Residual Waste Service contract with the SITA consortium, most of the waste is collected at transfer stations they operate on behalf of the Authority. Currently, interim arrangements are in place for the waste to be transported and disposed at landfill sites during the construction period of the new energy recovery centre.

When construction is complete in 2016, waste will be transported to the new energy recovery facility and through modern processes the waste will be used to generate enough electricity to power approximately 50,000 homes. The revenue generated from the sale of the power and recycling produced at the facility will offset some of the cost of the operations.

To continue building the new energy recovery centre, capital contributions in 2014-15 of £22.4m (2013-14: £9.6 million) from the Authority have been funded by loans from 4 of the constituent Boroughs. The SITA consortium has also made capital contributions of £46.8 million (2013-14: £19.9 million). Together with capitalised interest of £1.5 million (2013-14: nil) the total capital work in progress of £100.2 million (2013-14: £29.3 million) forms part of the Authority's long term assets. The capacity that this new plant provides, in addition to the 90,000 tonnes now being converted to energy under the Residual Waste Services contract with Viridor, will bring to an end the Authority's reliance on landfilling waste.

In April 2014 the Authority opened its first bank account and commenced managing its own cash resources. Previously these were managed by the London Borough of Harrow. Current assets now include the Authority's end of year bank balances of £3.1 million and deposits placed with Ealing, one of our constituent Boroughs, of £4.5 million.

Financial performance is reported to the Authority on a regular basis and matters of financial control are considered by the Audit Committee.

## Performance 2014-15

The principal statutory responsibility for the Authority is to receive, treat, transport and dispose of waste collected by boroughs from their households. A breakdown of the borough's collected waste for 2014-15 is provided in the table below. This shows a 0.7% growth in volume of borough collected waste being received by the Authority to 573,000 tonnes for 2014-15. During 2014-15, 53.6% of waste was recycled, reused, composted or converted to energy, an improvement from 46.6%. The increase in energy recovery is the result of a managed move away from landfill in line with wider environmental policy. The table below provides a breakdown of the waste tonnages.

	<b>2014-15</b>	<b>2013-14</b>
	<b>Tonnes</b>	<b>Tonnes</b>
Recycling and reuse	71,000	67,000
Composting	92,000	92,000
Energy recovery	144,000	106,000
Landfill	266,000	304,000
<b>Total borough collected waste</b>	<b>573,000</b>	<b>569,000</b>

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

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

In 2014-15 residual waste sent for disposal from these centres totalled 68,000 tonnes. Of this householders deposited 39,000 tonnes; 18,000 tonnes was trade waste and 11,000 tonnes was borough collected waste. Additionally the Authority arranged the transport and composting of 15,000 tonnes of green waste received at these centres and 25,000 tonnes was recycled by the boroughs. There was a small general reduction in overall waste to household reuse and recycling centres. A breakdown is provided below.

	<b>2014-15</b>	<b>2013-14</b>
	<b>Tonnes</b>	<b>Tonnes</b>
Household residual waste	39,000	34,000
Household recycle and re-used waste	25,000	34,000
Household composted waste	15,000	17,000
Trade residual waste	18,000	15,000
Borough residual street cleansing waste	11,000	11,000
<b>Total Household Re-use and Recycling Centre waste</b>	<b>108,000</b>	<b>111,000</b>

The financial outturn and performance shows that the Authority has achieved a position of financial stability, with operating performance delivering surpluses and a strong balance sheet reflected in net assets and positive reserves. The Authority's long term capital investment also effectively manages the longer term risks of increasing landfill costs and tonnages and the Authority is now well placed to deliver good value for money services to boroughs for the foreseeable future.

## **Accounting Policies**

### **General**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom that is recognised by Statute as representing proper accounting practices. They are also in line with the Audit and Accounting Regulations (2011). Apart from the changes explained in Note 22, the Authority has consistently applied the following accounting policies to all periods presented in these financial statements.

### **Borrowing costs**

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

### **Capital Adjustment Account**

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

### **Capital Work in Progress**

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

### **Cash and Cash Equivalents**

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

### **Debtors and Creditors**

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

## Depreciation

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

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

## Earmarked Reserves

The Authority sets aside specific amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Reserve Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate category in that year within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Reserve Balance in the Movement in Reserves Statement so that there is no net charge against the Levy for the expenditure.

## Financial Instruments

Financial instruments represent transactions, with a contract, which result in a financial asset for one entity and a financial liability for another. Financial instruments cover both financial liabilities and assets.

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest of the instrument.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Authority's financial assets comprise of bank balances and loans and receivables. Loans and receivables are financial assets that have a fixed or determinable payment, but are not quoted on an active market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the liability multiplied by the effective rate of interest of the instrument.



## **Going Concern**

The Authority's Statement of Accounts have been prepared on a Going Concern basis, i.e. the accounts have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future. This conclusion is supported by the Authority's 3 year Business Plan and also its medium to long term Financial Model which covers a period of 25 years from the balance sheet date of these accounts.

## **Government Grants and Other Contributions**

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

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

## **Impairments**

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

## **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangements is dependent on the use of specific assets.

## **The Authority as Lessee**

### **Finance Leases**

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

Lease payments are apportioned between:

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

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

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent free period at the commencement of the lease).

### **Minimum Revenue Provision (MRP)**

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

### **Pension Scheme**

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

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

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

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the tri-annual valuation date (31 March 2013). The WLWA is committed to provide for service benefits up to the valuation date.

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

## **Post Balance Sheet Events**

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

Two types of events can be identified:

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

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

## **Public Private Partnership Contracts (and similar)**

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Payment towards liability – applied to write down the Balance Sheet liability towards the PPP contractor.

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

## **Property, Plant and Equipment**

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

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The costs arising from financing the construction of the fixed asset are not capitalised but are charged to the Comprehensive Income and Expenditure Statement in the year to which they relate.

Land and buildings are re-valued every five years applying Fair Value assumptions using independent professional valuations in accordance with International Accounting Standard 16. A valuation was undertaken by Vail Williams, Consultant Surveyors in March 2015.

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the Authority and the cost of the item can be determined reliably.

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value.

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

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

## **Provisions**

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

## **Reserves**

Where there are funds that have not been spent within a year for specific purposes, earmarked reserves have been established in the Balance Sheet. Such expenditure is expected to be spent in the subsequent year. Such reserves are reviewed regularly and if not required, the amounts are released back to General Reserves.

## **Revenue Recognition**

Levy Income is recognised on an accruals basis. Additionally the Authority operates a Pay as you Throw (PAYT) system with partner boroughs. Under this system boroughs are initially billed on estimated tonnages to be disposed of. On a quarterly basis reconciliation is performed on actual tonnages and boroughs are reimbursed or charged additionally, based on difference between estimated and actual tonnage. The trade, agency and other income recognised for the year is based on revenue generated from actual tonnages.

## **Service Borough Costs**

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

## **VAT**

All income and expenditure is shown net of VAT.

## Statement of Responsibilities for the Statement of Accounts

### The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. For WLWA, that officer is the Treasurer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

### The Treasurer's Responsibilities:

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code.

The Treasurer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer is also responsible for the maintenance and integrity of the financial information included on the Authority's website.

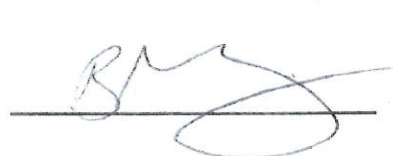
### Statement of the Treasurer

I certify that the Statement of Accounts presents a true and fair view of the Authority's income and expenditure for the year ended 31 March 2015 and the Authority's financial position as at 31 March 2015.

  
Ian O'Donnell  
Treasurer  
18 September 2015

### Audit Committee

I can confirm that these Accounts were considered by the Audit Committee at their meeting on Friday, 18 September 2015 and recommended for Approval by the Authority. The accounts were approved by the Authority on 18 September 2015.

  
Signed on behalf of West London Waste Authority  
Councillor Bassam Mahfouz (Chair)  
18 September 2015

## Comprehensive Income and Expenditure Statement

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

	Note	2014-15 £'000	2013-14 £'000
<b>Gross expenditure</b>			
Employees		(1,690)	(3,534)
Premises		(2,156)	(2,593)
Waste transport and disposal		(50,986)	(48,511)
Other supplies and payments		(1,048)	(1,512)
Impairments	7	(828)	(82)
Depreciation	7	(334)	(349)
<b>Total</b>		<b>(57,042)</b>	<b>(56,581)</b>
<b>Gross income</b>			
Trade waste		1,134	1,328
Agency	17	545	894
Miscellaneous income		384	132
Surplus on disposal of equipment		75	0
Sale of inventory		0	25
<b>Total</b>		<b>2,138</b>	<b>2,379</b>
<b>Net cost of services</b>		<b>(54,904)</b>	<b>(54,202)</b>
Financing and investment income and expenditure			
	6	(133)	(469)
Levies on constituent councils	17	56,457	58,576
<b>Total</b>		<b>56,324</b>	<b>58,107</b>
<b>Surplus on provision of services</b>			
		<b>1,420</b>	<b>3,905</b>
Revaluation gain on properties		477	0
Actuarial (loss)/gain on pension liability	20	(2,631)	2,585
<b>Other comprehensive income and expenditure</b>		<b>(2,154)</b>	<b>2,585</b>
<b>Total comprehensive income and expenditure</b>		<b>(734)</b>	<b>6,490</b>

## Balance Sheet

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

		2014-15 £'000	2013-14 £'000
Property, plant and equipment	7	5,486	5,828
Capital work in progress	8	100,156	29,386
<b>Long Term Assets</b>		<b>105,642</b>	<b>35,214</b>
Cash and cash equivalents	10	8,317	0
Short term debtors	11	3,474	12,811
<b>Current Assets</b>		<b>11,791</b>	<b>12,811</b>
<b>Total Assets</b>		<b>117,433</b>	<b>48,025</b>
Short term creditors	12	(5,056)	(8,487)
<b>Current Liabilities</b>		<b>(5,056)</b>	<b>(8,487)</b>
Long term borrowing	13	(33,474)	(9,602)
Other long term liabilities	19	(66,683)	(19,871)
Pension fund liability	20	(8,510)	(5,621)
<b>Long Term Liabilities</b>		<b>(108,667)</b>	<b>(35,094)</b>
<b>Net Assets</b>		<b>3,710</b>	<b>4,444</b>
Usable Reserves		9,500	7,120
Unusable reserves	14	(5,790)	(2,676)
<b>Total Reserves</b>		<b>3,710</b>	<b>4,444</b>



## 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 shows the statutory General Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	<b>Total Usable Reserves</b> £'000	<b>Unusable Reserves</b> £'000	<b>Total Authority Reserves</b> £'000
<b>Balance at 1 April 2014</b>	<b>7,120</b>	<b>(2,676)</b>	<b>4,444</b>
Surplus on provision of services (accounting basis)	1,420	0	1,420
Other comprehensive expenditure	0	(2,154)	(2,154)
Total comprehensive expenditure	1,420	(2,154)	(734)
Adjustments between accounting basis and funding basis under regulations (Note 4)	960	(960)	0
Net increase/(decrease) before transfers to earmarked reserves	2,380	(3,114)	(734)
Transfers (to)/from earmarked reserves (Note 5)	0	0	0
<b>Increase/(decrease) in year</b>	<b>2,380</b>	<b>(3,114)</b>	<b>(734)</b>
<b>Balance at 31 March 2015</b>	<b>9,500</b>	<b>(5,790)</b>	<b>3,710</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for reserves which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority:

	<b>2014-15</b> £'000	<b>2013-14</b> £'000
<b>Net surplus on the provision of services</b>	1,420	3,905
Adjustments to net surplus (page 17)	(4,314)	7,351
<b>Net cash (used in)/generated from operating activities</b>	<b>(2,894)</b>	<b>11,256</b>
<i>Investment activities</i>		
Payments for capital work in progress	(22,418)	(9,520)
Payments for plant and equipment	(342)	0
Proceeds from disposal of plant and equipment	75	0
Interest received	0	52
<b>Net cash used in investment activities</b>	<b>(22,685)</b>	<b>(9,468)</b>
<i>Financing activities</i>		
Interest paid	0	(122)
Loans raised	22,418	9,602
Loans repaid	0	(2,818)
Other	(440)	(898)
<b>Net cash generated from financing activities</b>	<b>21,978</b>	<b>5,764</b>
<b>Net movement in cash and cash equivalents</b>	<b>(3,601)</b>	<b>7,552</b>
Movement in cash	11,918	(7,552)
<b>Cash and cash equivalents at end of year</b>	<b>8,317</b>	<b>0</b>

## Cash Flow Statement

	2014-15 £'000	2013-14 £'000
<b>Adjustments to net surplus for non-cash movements</b>		
Depreciation and impairments	1,162	431
IAS 19 non-cash pension entries	374	626
Decrease in inventory	0	145
Decrease/(increase) in short term debtors	(2,581)	3,485
Increase/(decrease) in short term creditors	(3,350)	1,856
Surplus on disposal of plant and equipment	(75)	0
Other adjustments	23	339
Sub Total	(4,447)	6,882
<b>Adjustments for items included in financing/investing activities</b>		
Interest received	(106)	(52)
Interest paid	239	521
Total Adjustments	(4,314)	7,351

## 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 Statement of Recommended Practice (SORP).

### 1. Critical Judgements in Applying Accounting Policies

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

- Influences on going concern, such as future funding levels and long term contracts;
- Whether contracts need to be accounted for as service concessions or with embedded leases;
- The calculation of debtor and creditor accruals; and
- Treatment of the energy from waste contract with the SITA West London Ltd.

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

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

The items in the Authority's Balance Sheet at 31 March 2015 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
<b>Pensions Liability</b>	Estimation of net pension liability 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 London Pensions Fund Authority to provide expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured and are illustrated in note 20.

### 3. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 18 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015 they have been taken into account.

There are no events after the reporting date to note.

### 4. Adjustments between Accounting Basis and Funding Basis under Regulations

	2014-15 £'000	2013-14 £'000
<b>Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:</b>		
Depreciation* (note 7)	334	431
Impairments* (note 14)	828	0
Reversal of items relating to IAS19 Retirement Benefits (note 20)	257	415
	<b>1,419</b>	<b>846</b>
<b>Amounts not included in the Comprehensive Income and Expenditure Account but required by Statute to be included:</b>		
Statutory provision for the Repayment of Debt* (note 14)	(112)	(93)
Revenue financing to Capital (note 7)	(342)	0
	<b>(454)</b>	<b>(93)</b>
<b>Transfer (from)/to general reserves</b>		
Accumulated Absences Account (note 14)	(5)	(12)
	<b>(5)</b>	<b>(12)</b>
Net additional amount to be credited to general balances for the year	<b>960</b>	<b>741</b>

\* Adjustments impact capital adjustment (unusable reserve)

## 5. 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 2014-15.

	Balance at 1 April 2013	Transfer Out 2013-14	Balance at 1 April 2014	Transfer Out 2014-15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Rent Review	(150)	150	0	0	0
Waste Procurement	(210)	210	0	0	0
<b>TOTAL</b>	<b>(360)</b>	<b>360</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 6. Financing and Investment Income and Expenditure

	2014-15	2013-14
	£'000	£'000
Interest payable and similar charges	4	209
Pensions interest and expected return on pensions assets	235	312
Interest receivable and similar income	(106)	(52)
	<b>133</b>	<b>469</b>

## 7. Property, Plant and Equipment

	Land and Buildings Freehold	Land and Buildings Leasehold	Fixed Plant and Vehicles	TOTAL
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2014	4,500	1,162	3,220	8,882
Additions	0	0	342	342
Disposals	0	0	(54)	(54)
Revaluation	580	0	0	580
Impairments	0	(1,162)	0	(1,162)
Gross book value at 1 April 2015	<b>5,080</b>	<b>0</b>	<b>3,508</b>	<b>8,588</b>
Accumulated depreciation brought forward	(60)	(174)	(2,820)	(3,054)
Disposals	0	0	54	54
Impairment	0	232	0	232
Depreciation charge for the year	(20)	(58)	(256)	(334)
Accumulated depreciation carried forward	<b>(80)</b>	<b>0</b>	<b>(3,022)</b>	<b>(3,102)</b>
Net book Value at 31 March 2015	<b>5,000</b>	<b>0</b>	<b>486</b>	<b>5,486</b>
Net book Value at 31 March 2014	4,440	988	400	5,828

Land and buildings are valued every 5 years and in March 2015 the valuation was undertaken by Vail Williams, Consultant Surveyors, under an existing use basis. The valuation of leasehold land and buildings was a book value of nil and resulted in an impairment of £930,000. £828,000 was recognised in the comprehensive income and expenditure account for the year and £102,000 against the revaluation reserve, clearing gains from previous years.

The assets acquired under leases are carried at the following net amounts.

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Depreciation on leased assets	70	97
Carrying value of leased assets	0	70

## 8. Capital Work in Progress

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Energy from waste facility:		
Opening balance	29,386	0
Expenditure in year	69,230	29,386
Capitalised interest	1,540	0
Closing balance	<b>100,156</b>	<b>29,386</b>

SITA West London Ltd commenced (in December 2013) the construction of an Energy from Waste facility in Severnside, South Gloucestershire. Construction is planned to take approximately 2.5 years with an expected completion date in July 2016. West London Waste Authority is required to make total capital contributions of £60 million during the construction phase, with the SITA consortium contributing £125 million. Under the PPP agreement, on completion of the construction, the Authority will hold the rights to this asset.

To build the new energy recovery centre, during the year £22.4 million (2013-14: £9.7 million) of capital contributions from the Authority have been funded by loans from 4 of the constituent London Boroughs. The SITA consortium has also made capital contributions of £46.8 million (2013-14: £19.9 million).

## 9. Financial Instruments

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	
	2014-15	2013-14	2014-15	2013-14
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Cash and bank balances	0	0	8,317	11,918
Loans and receivables	0	0	20	499
<b>Financial Liabilities</b>				
Financial Liabilities at amortised cost	(100,157)	(29,473)	0	(8,487)

## Nature and Extent of Risks arising from Financial Instruments

### Overall Procedures for Managing Risk

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services.

The procedures for risk management in relation to key financial instruments are set out through the legal framework detailed within the Local Government Act 2003 and associated regulations.

These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance.

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

The Treasurer is responsible for all of the Authority's banking, borrowing and investment activities. Under the Authority's new service level agreement (effective from April 2014), the London Borough of Ealing provides a low risk option for investing balances.

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

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



### *Credit Risk*

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

### *Liquidity Risk*

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

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

### *Refinancing and Maturity Risk*

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

### *Market Risk*

As at the 31 March 2015 the Authority holds no variable rate borrowings as they are all fixed rates. Therefore there is no predicted impact for this on the Comprehensive Income and Expenditure Statement.

## **10. Cash and Cash Equivalents**

The balance of cash and cash equivalents is made up of the following:

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Bank balance (HSBC)	3,817	0
Deposit placed with the London Borough of Ealing	4,500	0
	<hr/>	<hr/>
<b>Total</b>	<b>8,317</b>	<b>0</b>
	<hr/>	<hr/>

## 11. Short Term Debtors

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Other Local Authorities	193	393
Central Government Bodies	2,558	0
Other Entities and Individuals	366	106
Balance with London Borough of Harrow*	0	11,918
Prepayments	360	407
	<hr/>	<hr/>
<b>Sub - Total</b>	<b>3,477</b>	<b>12,824</b>
	<hr/>	<hr/>
Less provision for bad debts	(3)	(13)
	<hr/>	<hr/>
<b>Total</b>	<b>3,474</b>	<b>12,811</b>
	<hr/>	<hr/>

\*The represents cash and cash equivalents that were previously held by the London Borough of Harrow in their bank account on behalf of West London Waste Authority.

In determining the recoverability of Short Term Debtors, the Authority considers the credit quality of the receivable. Credit risk is considered to be low as the majority of balances relate to the six London boroughs and the HMRC.

Provisions for doubtful debts are recognised against trade receivables, based on estimated irrecoverable amounts determined by debt analysis and management judgement. Short Term Debtors disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period.

<b>Age of receivables due</b>	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
< 90 days	12	38
91 – 180 days	119	0
> 180 days	0	11
	<hr/>	<hr/>
<b>Total</b>	<b>131</b>	<b>49</b>
	<hr/>	<hr/>

## 12. Short Term Creditors

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Other Entities and Individuals	(4,168)	(7,693)
Other Local Authorities	(888)	(794)
	<hr/>	<hr/>
<b>Total</b>	<b>(5,056)</b>	<b>(8,487)</b>
	<hr/>	<hr/>

### 13. Long Term Borrowing

The Authority's capital expenditure for the project to build a residual waste to energy plant is financed by loan arrangements with four constituent Boroughs (Brent, Ealing, Harrow and Richmond). The interest charged was 7.604% and will be repaid over 25 years with interest being charged on the reducing balance basis. The table below reflects the long term portion of these loans.

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Opening balance	(9,602)	0
Loans in year	(22,418)	(9,516)
Interest accrued	(1,454)	(86)
	<hr/>	<hr/>
Closing balance	<b>(33,474)</b>	<b>(9,602)</b>
	<hr/>	<hr/>
Analysis of long term portion by maturity	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
5 years or less	(2,773)	(452)
Between 5 and 10 years	(4,027)	(2,459)
10 years or more	(26,674)	(6,691)
	<hr/>	<hr/>
Long term liability	<b>(33,474)</b>	<b>(9,602)</b>
	<hr/>	<hr/>

### 14. Unusable Reserves

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Revaluation reserve	(1,186)	(708)
Capital adjustment account	(1,544)	(2,252)
Pensions liability	8,510	5,621
Accumulated absences account	10	15
	<hr/>	<hr/>
	<b>5,790</b>	<b>2,676</b>
	<hr/>	<hr/>

#### (i) Revaluation Reserve

The Revaluation Reserve contains gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated from 2010-11 (Revaluation Reserve brought forward from previous years was nil). Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Balance as at 1 April	(708)	(708)
Revaluation (gains) see note 7.	(580)	0
Revaluation losses set off against previous year's gains	102	0
	<hr/>	<hr/>
Balance at 31 March	<b>(1,184)</b>	<b>(708)</b>
	<hr/>	<hr/>

### **(ii) Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition.

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Balance as at 1 April	(2,252)	(2,545)
Depreciation	334	349
Statutory provision for repayment of debt	(112)	(93)
Impairment	828	82
	<hr/>	<hr/>
Net written out amount of the cost of non-current assets consumed in the year	(1,202)	(2,207)
Revenue financing to capital	(342)	0
Other adjustments	0	(45)
	<hr/>	<hr/>
Balance at 31 March	<b>(1,544)</b>	<b>(2,252)</b>
	<hr/>	<hr/>

### **(iii) Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits

earned to be financed as the Authority makes employers' contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources of the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Balance as at 1 April	5,621	7,791
Actuarial gains or losses on pension assets and liabilities	2,631	(2,585)
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	610	939
Employer's pensions contributions and direct payments to pensioners payable in the year	(352)	(524)
Balance at 31 March	<b>8,510</b>	<b>5,621</b>

#### **(iv) Accumulated Absences Account**

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2015. This reserve absorbs the differences that would otherwise arise in the General Fund from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Balance as at 1 April	15	27
Amounts accrued at the end of the current year by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(5)	12
Balance at 31 March	<b>10</b>	<b>15</b>

## 15. Officers' Remuneration

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

	Salary (£)		Pension Contributions (£)		Total (£)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Director	84,829	106,036	15,269	16,011	100,098	122,047
Clerk	11,025	11,025	1,985	1,665	13,010	12,690
Technical Advisor	10,000	10,000	1,800	1,510	11,800	11,510
Treasurer	10,000	10,000	1,800	1,510	11,800	11,510

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

Remuneration Band	2014-15	2013-14
	No of employees	No of employees
£50,000 to £54,999	1	1
£55,000 to £59,999	0	1
£64,999 to £69,999	1	0
£80,000 to £84,999	2	1
£105,000 to £109,999	0	1

### Members Allowances

No member allowances have been paid in year.

## 16. External Audit Fees

The audit fees reflected in the accounts are as follows:

	2014-15	2013-14
	£'000	£'000
Audit of the Authority	16	16
Additional fees in relation to the 2013-14 audit	1	0
VFM conclusion	1	1
Whole of Government Accounts	1	1
<b>Total Fees</b>	<b>20</b>	<b>19</b>

## 17. Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of International Accounting Standard 24 (IAS 24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS 24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and is financed by an annual levy on the constituent boroughs.

The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2014-15. No related party transactions were declared. During 2014-15 the officer in the post of Clerk to the Authority is also Chief Officer at the Borough of Hounslow. The Treasurer and the Technical Advisor are also Chief Officers at the Borough of Ealing. The Authority pays the individuals directly for the services they provide. The Authority also receives support services from Ealing, Hillingdon, Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account.

	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
Pay as you Throw	8,205	10,416	5,798	7,815	7,290	4,989	44,513
Fixed Cost Levy	1,862	2,362	1,846	2,097	1,784	1,993	11,944
Total Levies	10,067	12,778	7,644	9,912	9,074	6,982	56,457
Agency income	426	0	0	119	0	0	545
<b>Total 2014-15</b>	<b>10,493</b>	<b>12,778</b>	<b>7,644</b>	<b>10,031</b>	<b>9,074</b>	<b>6,982</b>	<b>57,002</b>
Total 2013-14	10,333	13,197	7,784	10,768	9,494	7,894	59,470
<b>Waste Transfer and Disposal</b>							
Costs	109	0	0	66	34	0	112
Rent and Rates	80	0	0	334	361	0	754
Communications	0	10	0	0	0	0	45
Support Services	0	105	17	12	16	0	319
Other Services	2	6	1	3	2	3	88
<b>Total 2014-15</b>	<b>191</b>	<b>121</b>	<b>18</b>	<b>415</b>	<b>413</b>	<b>3</b>	<b>1,161</b>
Total 2013-14	79	166	210	375	487	1	1,318

	<b>Brent</b>	<b>Ealing</b>	<b>Harrow</b>	<b>Hillingdon</b>	<b>Hounslow</b>	<b>Richmond</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Debtors 2014-15</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>119</b>	<b>54</b>	<b>0</b>	<b>193</b>
Debtors 2013-14	11	288	11,918	0	56	38	12,311
<b>Creditors 2014-15</b>	<b>42</b>	<b>142</b>	<b>84</b>	<b>398</b>	<b>130</b>	<b>92</b>	<b>888</b>
Creditors 2013-14	63	0	1	65	82	583	794
<b>Loans 2014-15</b>	<b>8,369</b>	<b>8,369</b>	<b>8,368</b>	<b>0</b>	<b>0</b>	<b>8,368</b>	<b>33,474</b>
Loans 2013-14	2,400	2,400	2,401	0	0	2,401	9,602
<b>Investments 2014-15</b>	<b>0</b>	<b>4,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,500</b>
Investments 2013-14	0	0	0	0	0	0	0

## 18. Leases

### Finance Leases

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.

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Within 1 year	0	81
<b>Total</b>	<b>0</b>	<b>81</b>

All finance leases concluded in 2014-15.



## 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 for plant and machinery, analysed by years are:

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Within 1 year	169	212
Between 2 and 5 years	157	415
<b>Total</b>	<b>326</b>	<b>627</b>

In addition, The Authority has rental leases at the main transfer station sites. Values shown are annual rents for each site.

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Victoria Road (until March 2098)	540	540
Transport Avenue (until September 2020, with rights to extend to 2098)	700	700
<b>Total</b>	<b>1,240</b>	<b>1,240</b>

## 19. Other Long Term Liabilities

The project to build an energy from waste plant includes investment by the SITA consortium which the Authority will benefit from over the life of the contract. A liability is recognised as project assets are completed, equal to the fair value of each asset less any capital contribution. This benefit will be realised when the plant becomes operational, over the life of the contract.

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Energy from waste facility:		
Opening balance	19,871	0
Developer's contribution	46,812	19,871
<b>Closing balance</b>	<b>66,683</b>	<b>19,871</b>

The twenty seven year, £900 million contract provides for up to 300,000 tonnes of waste that West London's residents haven't recycled to be treated each year. Crucially, the new approach will mean a minimum of 96% of waste will not go to landfill. Furthermore, over 83,000 tonnes of carbon dioxide emissions will be avoided each year. Over the whole of the contract more than two million tonnes of carbon dioxide will be avoided. That is equivalent to taking 500,000 cars off the road.

## **20. Defined Benefit Pension Scheme**

### **Accounting Policy Extract**

#### **Pensions**

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

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

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

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

- (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 (IAS 19) in respect of retirement benefits. Details are provided to the Authority by the Actuary (currently Barnett Waddingham) via the LPFA. The notes to the Core Accounts provide details of how the Authority has met these requirements.

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

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

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

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

**Balance sheet disclosure**

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Present value of funded obligation	(23,474)	(20,090)
Fair value of Scheme Assets (bid value)	15,185	14,674
<b>Net Liability</b>	<b>(8,289)</b>	<b>(5,416)</b>
Present value of unfunded obligations	(221)	(205)
<b>Net Liability in Balance Sheet</b>	<b>(8,510)</b>	<b>(5,621)</b>

**Comprehensive Income and Expenditure Statement**

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Service costs	352	595
Net interest on defined liability	235	323
Administrative expenses	22	21
	<b>609</b>	<b>939</b>

**Reconciliation of the present value of the scheme liabilities:**

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Opening balance as at 1 April	20,295	21,698
Current service cost	341	595
Interest cost	871	922
Change in financial assumptions	2,966	206
Change in demographic assumptions	0	(238)
Experience (gain)/loss on liabilities	2	(2,414)
Liabilities assumed/extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(1,189)	(665)
Past service costs including curtailments	11	0
Contributions by scheme participants and other employers	410	204
Unfunded pension payments	(13)	(13)
<b>Closing balance as at 31 March</b>	<b>23,694</b>	<b>20,295</b>

## Reconciliation of fair value of the scheme (plan)

assets:	2014-15	2013-14
	£'000	£'000
Opening balance as at 1 April	14,674	13,907
Interest on assets	636	599
Return on assets less interest	337	(100)
Other actuarial gains	0	239
Administration expenses	(22)	(21)
Employer contributions	352	524
Contributions by scheme participants and other employers	410	204
Benefits paid	(1,202)	(678)
Settlement prices received/(paid)	0	0
	<hr/>	<hr/>
Closing balance as at 31 March	<b>15,185</b>	<b>14,674</b>

## Assumptions

Assumptions as at	31 March 2015		31 March 2014		31 March 2013	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI increases	3.1%	-	3.5%	-	3.3%	-
CPI increases	2.3%	-0.8%	2.7%	-0.8%	2.5%	-0.8%
Salary increases	4.1%	1.0%	4.5%	1.0%	4.2%	0.9%
Pension increases	2.3%	-0.8%	2.7%	-0.8%	2.5%	-0.8%
Discount rate	3.1%	0.0%	4.4%	0.9%	4.3%	1.0%

## Sensitivity analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	23,323	23,694	24,071
▪ Projected service cost	458	466	475
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	23,741	23,694	23,647
▪ Projected service cost	466	466	466
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	24,027	23,694	23,367
▪ Projected service cost	474	466	458
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	22,916	23,694	24,472
▪ Projected service cost	451	466	481

## Re-measurements in other comprehensive income

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Return on plan assets in excess of interest	337	(100)
Other actuarial gains/(losses) on assets	0	239
Change in financial assumptions	(2,966)	(206)
Change in demographic assumptions	0	238
Experience gain/(loss) on defined benefit obligation	(2)	2,414
<b>Total</b>	<b>(2,631)</b>	<b>2,585</b>

## Projected pension expense for next year

	<b>2015-16</b>
	£'000
Service cost	466
Net interest on the defined liability/(asset)	260
Administration expenses	23
<b>Total</b>	<b>749</b>
<b>Employer contributions</b>	<b>266</b>

## 21. Contingent Liabilities

At 31 March 2015 there was one contingent liability (2013-14: nil). The contingent liability relates to a disputed contract claim amounting to £649,158 which following legal advice has been refuted. It is not possible to predict the outcome of the claim or the financial impact. The outcome will be dependent on whether the claim is pursued and the result of subsequent legal processes.

## 22. Changes in accounting policy

The accounting policy for borrowing required updating following commencement of a new activity for the Authority – a large scale construction within a long term service contract.

The Authority recognised that borrowing costs during the construction phase spanning a number of years are in fact a cost of building and preparing the asset for use. On this basis the policy was amended and approved at the Authority meeting in January 2015 and borrowing costs are now capitalised during the construction period. The borrowing costs for the year total £1.454k (2013-14: £86k).

Other borrowing costs will continue to be charged to the Income and Expenditure Statement.

## 1. Scope of Responsibility

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

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

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

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Authority's code can be obtained from WLWA's website (<http://westlondonwaste.gov.uk>). This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3) which requires all relevant bodies to prepare an annual governance statement.

## 2. The Purpose of the Governance Framework

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

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

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

### **3. The Governance Framework**

The key elements of the Governance Framework include

- Production of a three year business plan and long term financial forecasts
- Performance monitoring information (Key Performance Indicators)
- Statement of Accounts
- Schemes of delegation for Officers
- Audit Committee
- Internal Audit
- Whistle Blowing Policy
- Financial Regulations and Related Policies
- HR Policies providing a framework for the organisation culture
- Public meetings, except for confidential items
- Clear communication with stakeholders
- Joint Waste Management Strategy

### **4. Review of Effectiveness**

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

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

- Health and safety
- Payroll (including overtime)
- Sickness and absence management
- Treasury management
- Main accounting systems (including contract billing)

All reports provided reasonable assurance and there were no high risk recommendations. All recommendations have been implemented.

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

The Authority has been advised on the implications of the result of the review of the effectiveness of the Governance Framework by the Officers and Audit Committee and that it is agreed that the current arrangements can be regarded as fit for purpose in accordance with the Governance Framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below:

- Review and update IT Strategy
- Develop contract monitoring and control processes including a contract management manual

## 5. Significant Governance Issues

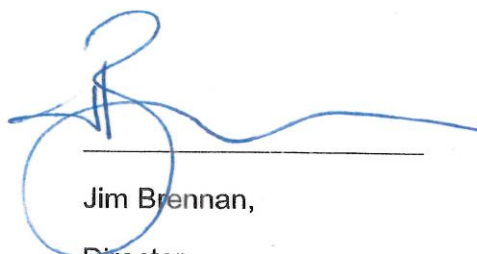
There are no significant governance issues.



Councillor Bassam Mahfouz,

Chair to the Authority

18 September 2015



Jim Brennan,

Director

18 September 2015



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

## **1. Opinion on the Authority financial statements**

We have audited the financial statements of West London Waste Authority for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial 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 22. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

## **2. Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of Responsibility, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial 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.

## **3. Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial 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 Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **4. Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of West London Waste Authority as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

#### **5. Opinion on other matters**

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

#### **6. Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

#### **7. Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

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. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

#### **8. Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Matthew Hall

Matthew Hall (Engagement Lead)  
for and on behalf of Deloitte LLP  
Appointed Auditor  
St Albans, United Kingdom

18 September 2015