West London Waste Authority

Statement of Accounts

For the year ended 31 March 2022

West London Waste

Treating waste as a valuable resource

Contents

Narrative Report

Introduction

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

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

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

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

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

At the end of the year WLWA employed 41 staff (previous year: 35) in two locations, the main administrative office in West Drayton and a small transfer station in Brent. WLWA is headed by the Managing Director and three part-time chief officers – the Clerk, Treasurer and Chief Technical Adviser, who are normally also full time chief officers employed in the constituent boroughs. Having close working relationships with the boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:

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

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

Following the procurement and construction of an energy from waste plant, more recently the Authority's focus has been on how waste is disposed of – increasing reuse, recycling, composting and recovery of energy and materials. The Authority has taken on the role of coordinating waste minimisation, that is, the prevention of waste arising. This work requires close co-operation with the constituent boroughs, achieved through an agreed long term Joint Waste Management Strategy. A key objective of this strategy is to improve the recycling rate which is reflected in a target of 65% agreed by boroughs and support a longer term push for increased circular economy. To further support this strategy, the Authority's Waste Minimisation team has developed into a Circular Economy team and a Projects team to increase our capability to meet the legislative challenges ahead.

In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long term contracts that ensure most of the constituent boroughs' waste that cannot be recycled or composted is used to produce energy. These long term arrangements provide for 400,000 tonnes of waste per year to be treated at energy from waste recovery centres, and through the anaerobic digestion contract (50,000 tonnes of food waste recycling per annum, which offers significant savings in comparison to disposal of residual waste).

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

Activity

The start of the year was dominated by the impact of the coronavirus pandemic. However, as things began to return to normal, the Authority's employees and management collectively responded to and managed the significant operational changes resulting from the aftermath of the pandemic including quickly ensuring covid-safe working practices. With waste collection and disposal being essential public services, these continued to be delivered and there was minimal impact on the Authority's financial performance and position for 2021-22.

During the financial year, the Authority continued to successfully collaborate with constituent boroughs to manage waste more holistically across west London through sharing of information and resources and by adopting consistent approaches towards managing the implications of the pandemic. Examples of this include formulating and putting in place contingency plans to deal with risks such as staff illness and changing waste flows, implementing a self-service hub for boroughs with access to management information reports and data visualisation to enable trend analysis and discussions around areas of concern, and the re-opening of household reuse and recycling centres to ensure both public and staff safety.

In 2020-21 the Authority provided £3.0 million funding to its constituent boroughs to improve food waste recycling services to over 100,000 residents in west London. Throughout 2021-22 there has been a significant improvement, with food waste tonnages increasing.

In 2021-22, the Authority committed to invest in the borough's household reuse and recycling centres and support in improving diversion from residual waste. This should enable boroughs to reduce residual waste and thus provide cost benefits overall.

The Authority routinely reviews business risks and has concluded that the current level of reserves at £62.4 million offers a reasonable level of cover to ensure adequate resilience in an environment that is rapidly changing. Recent and emerging legislation will result in challenges and risks that we will need to manage and things that we will need to do, which won't be optional.

Net Zero, Climate Emergency, Consistency, Extended Producer Responsibility, Deposit Return Scheme and the Emissions Trading Scheme are some examples of where we already have or will soon see new legislative requirements. The scale of the change required will be significant and reserves will enable the Authority and constituent boroughs to manage the risks.

The principal statutory responsibility for the Authority remains unchanged and is to receive, treat, transport and dispose of waste collected by boroughs from their households. A breakdown of the boroughs' collected waste is provided in the table below. The Authority has worked hard to limit growth, and this is indicated in the table below which shows a 1.0% increase in the volume of borough collected waste being received by the Authority to 609,000 tonnes for the year. The year on year increase incorporates recycling processed by the Authority on behalf of Ealing Council amounting to 24,000 tonnes a year; a service commenced in 2020-21. During the year, 99.3% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

	2021-22 Tonnes	**2020-21 Tonnes**
Recycling and reuse	91,000	89,000
Composting	88,000	86,000
Energy recovery	426,000	424,000
Landfill	4,000	4,000
Total waste	**609,000**	**603,000**

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

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

For the year, within the above totals, residual waste sent for disposal from these centres totalled 86,000 tonnes. Of this, householders deposited 46,000 tonnes; 23,000 tonnes was trade waste and 17,000 tonnes was borough collected waste. The introduction of covid-safe working practices at sites has resulted in lower volumes compared to 2019-20 but volumes are returning to pre pandemic levels since things have returned back to normal. There is a 5,000 tonne increase from 2020-21 where the covid-19 pandemic did impact on opening of household reuse and recycling centres. A breakdown follows.

	2021-22 Tonnes	2020-21 Tonnes
Household residual waste	46,000	45,000
Household recycle and re-used waste	7,000	5,000
Household composted waste	11,000	10,000
Trade residual waste	23,000	23,000
Borough residual street cleansing waste	17,000	16,000
Total Household Re-use and Recycling Centre waste	**104,000**	**99,000**

Financial Performance

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

During the year, the Authority raised an annual levy on the constituent boroughs of £63.3 million, an increase from £60.4 million in 2020-21. This continues to reflect the increase in household waste volumes resulting from the pandemic at the start of the financial year. During the year, there has been a decrease of net cost of services to £42.5 million, from the previous year's £54.5 million. Net financing costs remain flat at £9.4 million and the overall result shows a surplus on provision of services of £10.5 million compared to a deficit of £0.6 million in the previous year.

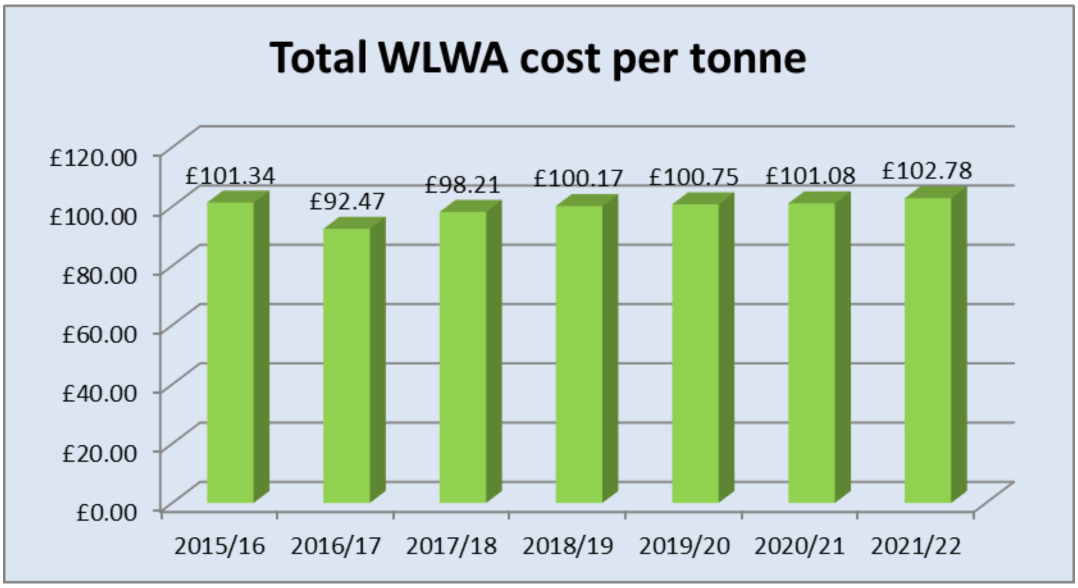
The Authority instructed a valuer to carry out the five yearly valuations in 2021-22 resulting in an overall gain on property valuations of £46.0 million. An increase of actuarial gain on the pension liability valuation of £5.0 million (£2.7 million loss in the previous year) resulted in total comprehensive income for the year of £62.4 million (total comprehensive expenditure of £3.2 million in the previous year).

The Authority is entitled to a share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, which is included within Miscellaneous income of £12.9 million. The recent high electricity prices have resulted in £9.8 million of PPP income which makes up the majority of this total. Another large component is £2.6 million in relation to a trial at London Borough of Ealing for the disposal of dry mixed recyclable waste, which is a continuation from the trial in 2020-21. This contract is a related party transaction and outside of the PPP scheme mentioned previously. The Authority's aim for 2021-22 was to continue delivering ambitious business plan objectives and at the same time to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from Boroughs. The Authority has continued to achieve this target.

The Authority's properties comprise of an energy from waste centre, three transfer stations and a head office building which have a combined balance sheet value of £240.0 million and have been funded by loans from constituent boroughs and the Public Works Loans Board with combined total balances of £83.6 million and a capital contribution balance from the Suez consortium of £104.6 million for the construction of the energy recovery centre.

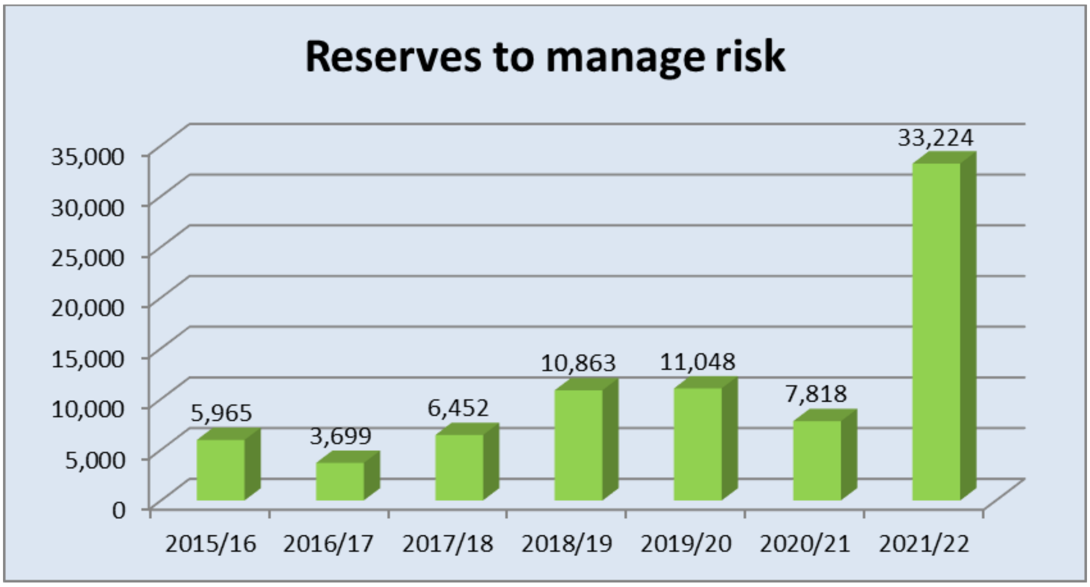
Looking ahead into the longer term, the Authority has a healthy reserve position to manage any risks in relation to continuing and indeed extending its service offering to constituent boroughs. The Authority's long term financial plans and finance strategy incorporate sensitivity analysis to reflect the impact of key variables affecting the finances i.e. tonnage growth and inflation. The plans show a strong financial outlook including effective mitigation of risks, reflected in a low forecast of growth in costs and therefore levies. The plans also show a break even position throughout the medium term, despite a background of inflation and waste growth. The Authority has commenced collaboration with constituent boroughs to develop a new joint municipal waste management strategy for approval next year that will set out how the Authority and the boroughs will respond to the challenging legislative changes ahead.

To put the numbers into context and provide a better perspective of financial performance, it helps to look at results over time. To this effect, the key measure is the Authority's cost per tonne. This looks at how effectively the Authority has managed costs and is a key measure of efficiency and performance. The total cost of delivering services (Net Cost of Services plus Financing less Revaluation Losses) is divided by the total tonnes of waste (all materials) disposed by the Authority, to provide an overall cost per tonne figure. The share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, which is included within Miscellaneous income totalling £9.8 million has been excluded. This measure has been plotted over seven years in the chart that follows.



The key feature illustrated by this chart is that the Authority's cost per tonne is only 1.42% more than it was in 2015/16 with a 1.68% growth on the previous year. This reflects the Authority's ability to deliver on service but control costs, with a year on year increase in tonnages. The costs are indicative of efficiencies made even during the pandemic to ensure that costs are maintained, but at no detriment to the service the Authority provides. It is worth noting that 2016/17 included significant one off benefits resulting from the commencement of full service at the new energy recovery centre.

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



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

Accounting Policies

General

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

Borrowing costs

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

Capital Adjustment Account

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

Capital Work in Progress

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

Cash and Cash Equivalents

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

Debtors and Creditors

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

Depreciation

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

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

Financial Instruments

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

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

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

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

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

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

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

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

Going Concern

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

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

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

Government Grants and Other Contributions

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

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

Impairments

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

Leasing - The Authority as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. There were no leases during 2020-21.

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 and is based on 4% of the capital financing requirement.

Employee Benefits

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

Pension Scheme

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

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

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

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the triennial valuation date (31 March 2019). The WLWA is committed to provide for service benefits up to the valuation date.

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

Post Balance Sheet Events

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

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

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

Public Private Partnership Contracts

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- Finance cost – interest and other financing charges on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Payment towards liability including deferred revenue balance – applied to write down the Balance Sheet liability towards the PPP contractor.

- Life cycle costs – reflecting the consumption of components and the cost of their replacement

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

Property, Plant and Equipment

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

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

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

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

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

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

Revenue Recognition

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

In relation to a trial at London Borough of Ealing for the disposal of dry mixed recyclable waste, the Authority does not act as an Agent in accordance with IFRS 15 as:

- We are contracting the vendor to dispose of waste for London Borough of Ealing
- We can determine the price
- We are exposed to credit risk should the service recipient not pay
- The remuneration is not based on a percentage commission based arrangement
- We would bear the risk if the vendor is unable to carry on the service

Borough Service Costs

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

VAT

All income and expenditure is shown net of VAT.

Reserves

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

Statement of Responsibilities for the Statement of Accounts

The Authority is required:

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

The Treasurer's Responsibilities:

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

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

Statement of the Treasurer

I certify that the Statement of Accounts presents a true and fair view of the Authority's income and expenditure for the year ended 31 March 2022 and the Authority's financial position as at 31 March 2022.

Ian O'Donnell
Treasurer
23rd September 2022

Authority

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

Signed on behalf of West London Waste Authority
Councillor Graham Henson (Chair)
23rd September 2022

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	2021-22 £'000	2020-21 £'000
Gross expenditure			
Employees		(3,067)	(2,433)
Premises		(2,508)	(2,572)
Waste transport and disposal		(40,647)	(40,855)
Other supplies and payments		(1,988)	(4,405)
Impairments and revaluation losses		0	0
Depreciation	7	(10,699)	(8,934)
Total		**(58,908)**	**(59,199)**
Gross income			
Trade waste		2,160	1,724
Agency		373	373
Miscellaneous income		12,908	2,552
Total		**15,442**	**4,649**
Net cost of services		**(43,467)**	**(54,550)**
Net financing and investment income and expenditure	6	(9,377)	(9,400)
Levies on constituent councils	17	63,315	63,391
Total		**53,937**	**53,991**
(Deficit)/Surplus on provision of services		**10,472**	**(559)**
Gain / (loss) from revaluation of property	14	46,954	0
Actuarial (loss) / gain on pension liability	20	4,995	(2,672)
Other comprehensive income and expenditure		**51,949**	**(2,672)**
Total comprehensive income and expenditure		**62,421**	**(3,231)**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The unaudited accounts were issued on 03 May 2022 and the audited accounts were authorised for issue on 23rd September 2022.

		2021-22	2020-21
		£'000	£'000
Property, plant and equipment	7	240,156	203,797
Capital work in progress	8	83	83
Long Term Assets		**240,238**	**203,880**
Cash and cash equivalents	10	29,045	22,209
Short term debtors	11	15,611	8,436
Current Assets		**44,655**	**30,645**
Total Assets		**284,894**	**234,525**
Short term creditors	12	(9,421)	(11,079)
Short term borrowing	13	(2,354)	(2,233)
Current PPP liability	19	(4,166)	(4,080)
Current Liabilities		**(15,940)**	**(17,392)**
Long term borrowing	13	(83,586)	(85,940)
Other long term liabilities	19	(100,413)	(104,579)
Pension fund liability	20	(6,948)	(11,028)
Long Term Liabilities		**(190,947)**	**(201,547)**
Net Assets		**78,007**	**15,586**
Usable Reserves		55,781	13,227
Unusable reserves	14	22,226	2,359
Total Reserves		**78,007**	**15,586**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable" reserves (i.e. those that can be applied to fund expenditure) and other reserves. The surplus (or deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2021	**13,226**	**2,359**	**15,585**
Surplus/(deficit) on provision of services (accounting basis)	10,472	**0**	10,472
Other comprehensive income/(expenditure)	0	51,949	51,949
Total comprehensive income/(expenditure)	10,472	51,949	62,421
Adjustments between accounting basis and funding basis under regulations (Note 5)	32,082	(32,082)	0
Increase/(Decrease) in year	**42,554**	**19,867**	**62,421**
Balance at 31 March 2022	**55,781**	**22,226**	**78,007**

	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2020	**12,730**	**6,086**	**18,816**
Surplus on provision of services (accounting basis)	(559)	**0**	(559)
Other comprehensive expenditure	0	(2,672)	(2,672)
Total comprehensive expenditure	(559)	(2,672)	(3,231)
Adjustments between accounting basis and funding basis under regulations (Note 5)	1,055	(1,055)	0
Increase/(decrease) in year	**496**	**(3,727)**	**(3,231)**
Balance at 31 March 2021	**13,226**	**2,359**	**15,585**

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:

		2021-22 £'000	**2020-21** £'000
Net surplus/(deficit) on the provision of services		10,472	(559)
Adjustments to net surplus		12,158	20,562
Net cash generated from operating activities		**22,629**	**20,003**
Investment activities			
Payments for capital work in progress	8	0	0
Payments for property, plant and equipment	7	(102)	(223)
Interest received	6	19	69
Net cash used in investment activities		**(83)**	**(154)**
Financing activities			
Interest paid	6	(9,396)	(9,468)
Loans repaid		(6,314)	(6,120)
Net cash generated (used in)/from financing activities		**(15,710)**	**(15,588)**
Net movement in cash and cash equivalents		**6,836**	**4,261**
Opening balance		22,209	17,949
Cash and cash equivalents at end of year		**29,045**	**22,210**

Cash Flow Statement

		2021-22	2020-21
		£'000	£'000
Adjustments to net surplus for non-cash movements			
Depreciation and impairments	7	10,699	8,934
IAS 19 non-cash pension entries		915	557
(Increase)/decrease in short term debtors	11	7,175	(3,746)
(Decrease)/increase in short term creditors	12	(1,658)	5,417
Sub Total		2,781	11,162
Adjustments for items included in financing/investing activities			
Interest received	6	(19)	(68)
Interest paid	6	9,396	9,468
Total Adjustments		**12,158**	**20,562**

Notes to the Core Financial Statements

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

1. Expenditure and Funding Analysis

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

2020-21				2021-22		
Net Income chargeable to General Fund	Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Income chargeable to General Fund	Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
(45,243)	(9,307)	(54,550)	Net Cost of Services	(32,081)	(11,385)	(43,467)
45,739	8,252	53,991	Other income and expenditure	46,432	7,506	53,938
496	(1,055)	(559)	Surplus or (deficit)	14,351	(3,879)	10,472
		12,730	Opening General Fund Balance	13,226		
		496	Surplus or (deficit)	14,352		
		13,226	**Closing General Fund Balance**	**27,578**		

2. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of net pension liability depends on complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries engaged by the London Pensions Fund Authority provide expert advice about the assumptions applied.	The actual results will only become apparent on crystallisation of the pension liability. However the effects on the net pension's liability of changes in individual assumptions can be measured and are illustrated in note 20.
Property Valuation	Independent professional property valuations take place every 5 years by surveyors appointed by the Authority. The valuations are undertaken in accordance with RICS and CIPFA rules and require the use of a variety of information and the judgement of surveyors in relation to market conditions, components and lifecycles.	Actual results only become apparent on the disposal of property. However, the balance on the revaluation reserve in note 14 provides an indication of the level of notional gain resulting from valuations. For prudence where there are notional losses, these are immediately recognised in the income and expenditure statement. A full valuation was undertaken as at 31 March 2022.

4. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 24 June 2022. 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 2022 they have been taken into account.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

	2021-22	2020-21
	£'000	£'000
Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:		
Depreciation* (note 7)	10,699	8,934
Impairments and revaluation gains/(losses)*	28,204	0
Reversal of items relating to IAS19 Retirement Benefits	915	557
	29,878	**9,491**
Amounts not included in the Comprehensive Income and Expenditure Account but required by Statute to be included:		
Statutory provision for the Repayment of Debt* (note 14)	(7,615)	(7,932)
Revenue financing to Capital (note 14)	(102)	(515)
Other	0	0
	(7,717)	**(8,447)**
Transfer (from)/to general reserves		
Accumulated Absences Account (note 14)	(17)	11
	(17)	**11**
Net additional amount to be credited to general balances for the year	**32,083**	**1,055**

* Adjustments impact capital adjustment account (unusable reserve)

6. Financing and Investment Income and Expenditure

	2021-22	2020-21
	£'000	£'000
Interest payable and similar charges	5,304	5,414

Pensions interest and expected return on pensions assets	211	195
PPP financing interest	3,393	3,473
PPP contingent rents	488	386
Interest receivable and similar income	(19)	(68)
	9,377	**9,400**

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 2021	**221,173**	**0**	**484**	**221,657**
Additions	57	0	46	**103**
Revaluation increase/(decrease) recognised in comprehensive income and expenditure statement	18,751	0	0	**18,751**
Gross book value at 31 March 2022	**239,981**	**0**	**0**	**240,511**
Accumulated depreciation at 1 April 2021	**(17,553)**	**0**	**(307)**	**(17,860)**
Depreciation charge for the year	(10,651)	0	(48)	**(10,699)**
Revaluation increase/(decrease) recognised in comprehensive income and expenditure statement	28,204	0	0	**28,204**
Accumulated depreciation at 31 March 2022	**0**	**0**	**(355)**	**(355)**
Net book Value at 01 April 2021	**203,620**	**0**	**177**	**203,797**
Net book Value at 31 March 2022	**239,980**	**0**	**176**	**240,156**

Land and buildings include assets under PPP arrangement with net book value of £200.6 million. A full valuation exercise valued properties at 31 March 2022.

Within depreciation charge for the year, £164k in land and buildings freehold reflects the decrease in ground rent value towards the lease expiry.

	Land and Buildings Freehold	**Land and Buildings Leasehold**	**Fixed Plant and Vehicles**	**TOTAL**
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2020	**220,658**	**0**	**484**	**221,142**

Additions	515	0	0	**515**
Disposals	0	0	0	**0**
Leasehold buyout	0	0	0	**0**
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	0	0	**0**
Revaluation increases/(decreases) recognised in Comprehensive income and expenditure statement	0	0	0	**0**
Gross book value at 31 March 2021	**221,173**	**0**	**484**	**221,657**
Accumulated depreciation brought forward	**(8,690)**	**0**	**(236)**	**(8,926)**
Disposals	0	0	0	**0**
Depreciation charge for the year	(8,863)	0	(71)	**(8,934)**
Leasehold buyout	0	0	0	**0**
Depreciation written out to Revaluation Reserve	0	0	0	**0**
Accumulated depreciation carried forward	**(17,553)**	**0**	**(307)**	**(17,860)**
Net book Value at 31 March 2021	**203,620**	**0**	**177**	**203,797**
Net book Value at 01 April 2020	**211,968**	**0**	**248**	**212,216**

8. Capital Work in Progress

	2021-22	**2020-21**
	£'000	£'000
Opening balance	83	375
Expenditure in year	0	0
Recognised in long term assets	0	(292)
Closing balance	**83**	**83**

9. Financial Instruments

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

	Long term		Current	
	2021-22	2020-21	2021-22	2020-21
	£'000	£'000	£'000	£'000
Financial Assets – Amortised Cost				
Cash and cash equivalents	0	0	29,045	22,209
Trade debtors and prepayments	0	0	13,126	4,520
Financial Liabilities – Amortised Cost				
Trade creditors	0	0	(7,840)	(10,276)
Long term borrowing	(83,586)	(85,940)	(2,354)	(2,233)
PPP liability	(100,412)	(104,579)	(4,166)	(4,081)

<u>Fair Values of Assets and Liabilities</u>

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

- The financial asset or liability's discount rate of return at 31 March 2022
- No early repayment or impairment
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

	2021-22		2020-21	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	**£'000**	**£'000**
Long term borrowing (note 13)	85,940	86,481	88,172	91,445
PPP liability	104,579	111,349	108,659	127,566

The fair value for the year was provided by an independent professional valuer, Arlingclose, who are regulated by the Financial Conduct Authority. The higher fair values reflect that these essentially fixed rate instruments have higher interest rates than similar loans available in the market at balance sheet date. The loans and long term liabilities are valued at Level 2 (previous year: Level 2) as the valuation of the underlying debt is derived from observable inputs (i.e. estimated using market data) as they are not readily quoted or sold in active markets. The valuation is derived from future cash flows which are discounted at the equivalent interest rate the Authority would expect to obtain for the same product at 31 March 2022 (same methodology used in previous year). The discount rates range between 1.70% and 7.60% (previous year: 1.70% to 7.60%) to reflect the particular features of each financial instrument and are set using market information including as the AA rated corporate bond yields, swap rates and margins.

Nature and Extent of Risks arising from Financial Instruments

Overall Procedures for Managing Risk:

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

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

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

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

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

Credit Risk

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

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

Market Risk

As at the 31 March 2022 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:

	2021-22	**2020-21**
	£'000	£'000
Bank balance (HSBC)	6,045	4,709
Deposit placed with the London Borough of Ealing	**23,000**	17,500
Total	**29,045**	**22,209**

11. Short Term Debtors

	2021-22	**2020-21**
	£'000	£'000
Other Local Authorities	339	2,330
Central Government Bodies	2,399	3,716
Other Entities and Individuals	63	60
Prepayments and Accrued Income	12,810	2,330
Total	**15,611**	**8,436**

In determining the recoverability of Short Term Debtors, the Authority considers the credit quality of the receivable. Credit risk is low as the majority of balance relates to HMRC and constituent boroughs. Credit losses for doubtful debts are recognised against trade receivables, based on estimated irrecoverable amounts determined by debt analysis and management judgement.

Age of receivables due	**2021-22**	**2020-21**
	£'000	£'000
< 90 days	317	1,893
90 – 180 days	0	0
> 180 days	0	150
Total	**317**	**2,043**

12. Short Term Creditors

	2021-22	**2020-21**
	£'000	£'000
Other Entities and Individuals	(7,312)	(9,102)
Other Local Authorities	(2,109)	(1,978)
Total	**(9,421)**	**(11,080)**

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

13. Borrowing

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

	2021-22	**2020-21**
	£'000	£'000
Opening balance	(88,172)	(90,291)
Loans in year	0	0
Repayments	2,233	2,119
Closing balance	**(85,940)**	**(88,172)**

At 31 March 2022 £152,000 loan interest payable within 12 months was accrued and is included within short term creditors.

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

Analysis by maturity	2021-22	2020-21
	£'000	£'000
Short term element	**(2,354)**	**(2,233)**
Between 2 and 4 years	(10,803)	(10,228)
Between 5 and 10 years	(17,424)	(16,452)
10 years or more	(55,359)	(59,259)
Long term element	**(83,586)**	**(85,939)**
Total liability	**(85,940)**	**(88,172)**

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

Analysis by maturity	2021-22	2020-21
	£'000	£'000
Short term element	**(7,521)**	**(7,524)**
Between 2 and 4 years	(30,040)	(30,058)
Between 5 and 10 years	(37,426)	(37,458)
10 years or more	(74,322)	(81,794)
Long term element	**(141,789)**	**(149,310)**
Total liability	**(149,310)**	**(156,834)**

14. Unusable Reserves

	2021-22	2020-21
	£'000	£'000
Revaluation reserve	(44,783)	(7,768)
Capital adjustment account	15,585	(5,661)
Pensions reserve	6,948	11,028
Accumulated absences account	25	42
	(22,226)	**(2,359)**

(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.

In 2021-22, the freehold properties were valued, and the gain recognised through the Comprehensive Income and Expenditure Statement, and via the revaluation.

(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.

	2021-22	**2020-21**
	£'000	£'000
Balance as at 1 April	(5,661)	(6,148)
Depreciation	10,699	8,934
Statutory provision for repayment of debt	(7,615)	(7,932)
Impairment and revaluation	18,264	0
Amounts written out of Revaluation Reserve	0	0
Net written out amount of the cost of non-current assets consumed in the year	15,687	(5,146)
Revenue financing to capital	(102)	(515)
Balance at 31 March	**15,585**	**(5,661)**

(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.

	2021-22	2020-21
	£'000	£'000
Balance as at 1 April	11,028	7,799
Actuarial gains or losses on pension assets and liabilities	(4,995)	2,672
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	704	747
Employer's pensions contributions and direct payments to pensioners payable in the year	211	(190)
Balance at 31 March	**6,948**	**11,028**

(iv) Accumulated Absences Account

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2022. 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.

	2021-22	2020-21
	£'000	£'000
Balance as at 1 April		31
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	(17)	11
Balance at 31 March	**25**	**42**

15. Officers' Remuneration

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

	Salary and Termination Benefits (£)		Pension Contributions (£)		Total (£)	
	2021-22	**2020-21**	**2021-22**	**2020-21**	**2021-22**	**2020-21**
Director	150,990	146,543	19,808	19,783	170,999	166,326
Finance Director	112,759	0	14,820	0	127,579	0
Clerk	11,179	11,014	1,509	1,487	12,688	12,501
Technical Advisor (till April)	918	11,014	0	248	918	11,262
Technical Adviser (from May)	10,157	0	617	0	10,774	0
Treasurer	11,179	11,014	1,509	1,487	12,688	12,501

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

	2021-22	**2020-21**
Remuneration Band including exit packages	No of employees	No of employees
£50,000 to £54,999	3	1
£55,000 to £59,999	2	1
£60,000 to £64,999	1	0
£65,000 to £69,999	0	1
£70,000 to £74,999	0	1
£85,000 to £89,999	1	0
£90,000 to £94,999	0	1

Members Allowances

£5,400 allowance to members was paid for attending Authority meetings 21-22.

£750 allowance was paid to Audit committee member for meetings in 21-22.

Redundancy

One member of staff received a redundancy payment under £5,000.

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16. External Audit Fees

The audit fees reflected in the accounts are as follows:

	2021-22	2020-21
	£'000	£'000
Audit of the Authority	57	112
Other services	2	0
Total Fees	**59**	**112**

17. Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of International Accounting Standard 24 (IAS 24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS 24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from each of the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and its operations are financed by an annual levy on the constituent boroughs. Borough loans have also been used to finance large capital investments. The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2021-22. No related party transactions were declared. At the end of the financial year the officers in the post of Clerk to the Authority and Chief Technical Advisor were also Chief Officers at the London Borough of Harrow. The Authority pays the individuals directly for the services they provide. The Authority also receives support services from Ealing, Hillingdon, Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account.

	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Pay as you Throw	9,399	10,773	7,006	9,218	8,324	5,791	50,510
Fixed Cost Levy	2,176	2,588	1,931	2,255	1,900	1,955	12,805
Total Levies	11,574	13,361	8,937	11,473	10,224	7,746	63,315
Agency and other income	373	2,642	0	0	0	0	3,015
Total 2021-22	**11,947**	**16,003**	**8,937**	**11,473**	**10,224**	**7,746**	**66,331**
Total 2020-21	11,773	15,233	8,823	11,841	10,523	7,812	66,005

Interest expense 2021-22	**1,189**	**1,189**	**1,189**	**0**	**0**	**1,189**	**4,758**
Interest expense 2020-21	1,212	1,212	1,212	0	0	1,212	4,848
Expenditure							
Waste Transport and Disposal Costs	0	0	0	0	0	0	0
Rent and Rates	102	0	0	391	0	0	493
Support Services	0	29	15	5	0	0	49
Other	0	0	0	0	0	0	0
Total 2021-22	**102**	**29**	**15**	**396**	**0**	**0**	**542**
Total 2020-21	602	509	500	901	528	500	3,540
	Brent	**Ealing**	**Harrow**	**Hillingdon**	**Hounslow**	**Richmond**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debtors 2021-22	**15**	**235**	**0**	**3**	**85**	**0**	**339**
Debtors 2020-21	13	1,591	0	0	717	9	2,330
Creditors 2021-22	**705**	**212**	**157**	**176**	**679**	**180**	**2,109**
Creditors 2020-21	561	425	44	448	0	500	1,978
Borrowings 2021-22	**15,493**	**15,493**	**15,493**	**0**	**0**	**15,493**	**61,971**
Borrowings 2020-21	15,816	15,816	15,816	0	0	15,816	63,264
Cash / equivalents 2021-22	**0**	**23,000**	**0**	**0**	**0**	**0**	**23,000**
Cash / equivalents 2020-21	0	17,500	0	0	0	0	17,500

18. Leases

The Authority does not hold any finance or operating leases.

19. Other Liabilities

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

	2021-22	**2020-21**
Energy from waste facility:	£'000	£'000
Opening balance	108,659	112,662
Developer's contribution	0	0
Reduced through unitary payments	(4,081)	(4,003)
Closing balance	**104,578**	**108,659**

PPP liability repayments	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	**1,398**	**2,768**	**4,166**
Two to five years	6,560	11,072	17,632
Six to ten years	10,894	13,840	24,734
Eleven to fifteen years	14,912	13,840	28,752
Sixteen to twenty years	17,288	12,005	29,294
Twenty to twenty five years	0	0	0
Long term liability	**49,654**	**50,758**	**100,412**
Total repayments	**51,052**	**53,526**	**104,578**

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

PPP liability repayments including interest	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	**4,707**	**2,768**	**7,475**
Two to five years	18,826	11,072	29,899
Six to ten years	23,533	13,840	37,374
Eleven to fifteen years	23,533	13,840	37,374
Sixteen to twenty years	20,409	12,005	32,415
Twenty to twenty five years	0	0	0

Long term liability	86,302	50,758	137,060
Total repayments	**91,009**	**53,527**	**144,535**

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

20. Defined Benefit Pension Scheme

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

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

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

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

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

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

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

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

Balance sheet disclosure	**2021-22**	**2020-21**
	£'000	£'000
Present value of funded obligation	(29,719)	(31,734)
Fair value of Scheme Assets (bid value)	22,930	20,882
Net Liability	**(6,789)**	**(10,852)**
Present value of unfunded obligations	(159)	(176)
Net Liability in Balance Sheet	**(6,948)**	**(11,028)**

Comprehensive Income and Expenditure Statement

	2021-22	**2020-21**
	£'000	£'000
Service costs	876	529
Net interest on defined liability	211	195
Administrative expenses	27	23
	1,114	**747**

Reconciliation of the present value of the scheme liabilities:	**2021-22**	**2020-21**
	£'000	£'000
Opening balance as at 1 April	31,910	25,154
Current service cost	876	529
Interest cost	612	627
Change in financial assumptions	(2,734)	7,197
Change in demographic assumptions	0	(260)
Experience (gain)/loss on liabilities	81	(344)
Liabilities assumed/extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(1,142)	(1,264)
Past service costs including curtailments	0	0
Contributions by scheme participants and other employers	289	285
Unfunded pension payments	(14)	(14)
Closing balance as at 31 March	**29,878**	**31,910**

Reconciliation of fair value of the scheme (plan) assets:	**2021-22**	**2020-21**
	£'000	£'000
Opening balance as at 1 April	20,882	17,355
Interest on assets	401	432
Return on assets less interest	2,342	3,921
Other actuarial gains	0	0
Administration expenses	(27)	(23)
Employer contributions	199	190
Contributions by scheme participants and other employers	289	285
Benefits paid	(1,156)	(1,278)
Settlement prices received/(paid)	0	0
Closing balance as at 31 March	**22,930**	**20,882**

Assumptions as at	**31 March 2022 p.a.**	**31 March 2021 p.a.**	**31 March 2020 p.a.**
Discount rate	2.80%	1.95%	2.55%
Pension increases	3.20%	2.80%	1.90%
Salary increases	4.20%	3.80%	2.90%

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

Life expectancy from age 65 (years)		**31 March 2022**	**31 March 2021**
Retiring today	Males	22.2	22.1
	Females	23.7	23.6
Retiring in 20 years	Males	22.7	22.6
	Females	26.0	25.9

Sensitivity analysis on major assumptions	**£'000**	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	29,368	29,878	30,397
▪ Projected service cost	708	729	750
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	29,912	29,878	29,844
▪ Projected service cost	729	729	728
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%

▪ Present value of total obligation	30,361	29,878	29,403
▪ Projected service cost	750	729	708
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	31,336	29,878	28,492
▪ Projected service cost	761	729	697

Re-measurements in other comprehensive income	**2021-22**	**2020-21**
	£'000	£'000
Return on plan assets in excess of interest	2,342	3,921
Other actuarial gains on assets	0	0
Change in financial assumptions	2,734	(7,197)
Change in demographic assumptions	0	260
Experience gain on defined benefit obligation	(81)	344
Total	**4,995**	**(2,672)**

Projected pension expense for next year	**2022-23**
	£'000
Service cost	729
Net interest on the defined liability	192
Administration expenses	30
Total	**951**
Employer contributions	**193**

Assets by Class	**2021-22**	**2020-21**
	£'000	£'000
Equities	12,868	11,874
Target Return Portfolio	4,873	4,878
Infrastructure	2,290	1,732
Property	2,003	1,894
Cash	896	504
Total	**22,930**	**20,882**

Analysis of 2021-22 Assets		**% Quoted**	**% Unquoted**
Equities			
	Real Estate	1%	
	Consumer Discretionary	5%	
	Consumer Staples	7%	
	Energy	0%	
	Financials	6%	
	Health Care	3%	
	Industrials	5%	
	Information Technology	12%	
	Materials	1%	
	Communication Services	2%	
	Utilities	1%	
	Fixed Income & Other	0%	
	Trade Cash/Pending	3%	
	Synthetic Equity	0%	
Private Equity			9%
Fixed Income		3%	
Total Return			
	Investment/Hedge funds and unit trusts	10%	
Credit			8%
Infrastructure			10%
Real Estate			9%
Cash			
	Cash	1%	
	LDI	3%	
	Currency Hedge (Forward Contracts)		-0%
Total		**65%**	**35%**

21. Contingent Liabilities

At 31 March 2022 there was no contingent liability (31 March 2021: nil)

22. Miscellaneous Income

Over the longer term there may also be opportunities to secure income by increasing third party waste volumes processed at the Severnside Energy Recovery Centre (SERC). This is the key facility for managing residual waste as part of the West London Residual Waste Services contract between the Authority and West London Energy Recovery Ltd (WLER). Should this proposal come to fruition, there will be additional income received by the Authority, which will be partially be disbursed to the boroughs and a proportion retained to mitigate risks and invest in a wider strategic project across the six constituent boroughs.

This income has been recognised within Miscellaneous Income, and totals £9.8 million.

Annual Governance Statement 2021-22

1. Scope of Responsibility

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

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

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

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

2. The Purpose of the Governance Framework

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

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

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

3. The Governance Framework

The key elements of the Governance Framework include

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

4. Review of Effectiveness

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

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

- Health and Safety
- Revenues
- Data

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

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

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

5. Significant Governance Issues

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

Councillor Graham Henson,

Chair to the Authority

23rd September 2022

Hugh Peart,

Clerk

23rd September 2022

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