

West London Waste Authority

Statement of Accounts

For the year ended 31 March 2024

West London Waste
Treating waste as a valuable resource

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Narrative Report

Introduction

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

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

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

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

The Authority is governed by six Councillors, one from each of the six constituent boroughs: the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames. The members of the Authority usually meet five times each year. They also convene an Audit Committee twice a 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: 41) in two locations, the main administrative office in West Drayton and a household reuse and recycling centre in Brent. WLWA is headed by the Managing Director and three part-time chief officers – the Clerk, Treasurer and Chief Technical Adviser. Having close working relationships with the constituent boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:

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

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 in 2016/17, 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 and supporting a longer-term push for a circular economy, with the aim of 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. To further support this strategy, the Authority's Projects team has developed into a

Circular Economy and Net Zero team to increase our capability to meet the legislative challenges ahead.

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 Authority believes in a carbon neutral West London and our mission - in pursuit of that vision - is to create the new accepted model for how waste and resources are managed; we are going to redefine how people perceive and understand waste. The Authority has developed programmes of work to reduce waste in West London and prepare for legislative changes ahead with the view to drive financial savings and reduce carbon among West London.

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. Examples of this include improving existing reports and creating further reports on our self-service hub for boroughs, which enables them to have access to management information reports and data visualisation to enable trend analysis and discussions around areas of concern.

In 2020/21 the Authority provided £3.0 million funding to its constituent boroughs to increase access to food waste recycling services to over 100,000 households. Throughout the three financial years since, there has been a significant improvement in participation, but there is still more work to be done to drive down food waste within residual waste.

In 2022/23, the Authority invested £1.2 million in the boroughs' household reuse and recycling centres and support in improving diversion from residual waste. This was to enable boroughs to reduce residual waste and thus provide cost benefits overall. The Authority monitored performance throughout 2022/23 and in the current financial year, and provided assistance where needed to improve diversion from residual waste at each household reuse and recycling centre. The aim for the coming financial year is to further enhance performance at boroughs' household reuse and recycling centres to reduce household waste residual waste, by setting strong performance measures.

The Authority maintains a risk register which is reported to the Audit Committee. The principal risks lie around operational issues, legislative changes, economic climate and cyber security. The Authority faces the risk that there is not a reduction in waste, in particular residual waste in West London. This will see levies increase over time to boroughs as the cost of treating waste increases and is impacted by legislative changes.

The Authority routinely reviews business risks and has concluded that the current level of reserves at £157.7 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 table below shows a 5.0% increase in the volume of borough collected waste being received by the Authority to 606,000 tonnes for the year. Whilst this is an increase from last year, the tonnages collected are indicative of efficiencies made by the Authority's investments in waste reduction. During the year, 98% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

| | 2023-24 | 2022-23 |
|---------------------|----------------|----------------|
| | Tonnes | Tonnes |
| Recycling and reuse | 91,000 | 89,000 |
| Composting | 85,000 | 78,000 |
| Energy recovery | 416,000 | 407,000 |
| Landfill | 14,000 | 4,000 |
| Total waste | 606,000 | 578,000 |

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 96,000 tonnes. Of this, householders deposited 33,000 tonnes; 30,000 tonnes was trade waste and 33,000 tonnes was borough collected waste. A breakdown follows.

| | 2023-24 | 2022-23 |
|--|----------------|----------------|
| | Tonnes | Tonnes |
| Household residual waste | 33,000 | 32,000 |
| Household recycle and re-used waste | 15,000 | 11,000 |
| Household composted waste | 10,000 | 10,000 |
| Trade residual waste | 30,000 | 28,000 |
| Borough residual street cleansing waste | 33,000 | 21,000 |
| Total Household Re-use and Recycling Centre waste | 121,000 | 102,000 |

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 £67.6 million (£62.7 million in the previous financial year). During the year, there has been an increase of net cost of services to £53.2 million, from the previous year's £46.7 million. Net financing costs are at £7.3 million, and the overall result shows a surplus on provision of services of £7.1 million, a slight decrease on the surplus of £7.2 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. In 2022/23, the Authority received £19.1 million which was included within Miscellaneous Income. This financial year, WLWA received £12.9 million again shown under Miscellaneous Income largely driven by high electricity prices. Two thirds of this income is disbursed to boroughs.

Another large component within Miscellaneous Income is £5.2 million, which is in relation to a service for the disposal of dry mixed recyclable waste. In previous years this service was for the London Borough of Ealing. However, in 2023/24, the service also included London Borough of Brent. This contract is a related party transaction and outside of the PPP scheme mentioned previously.

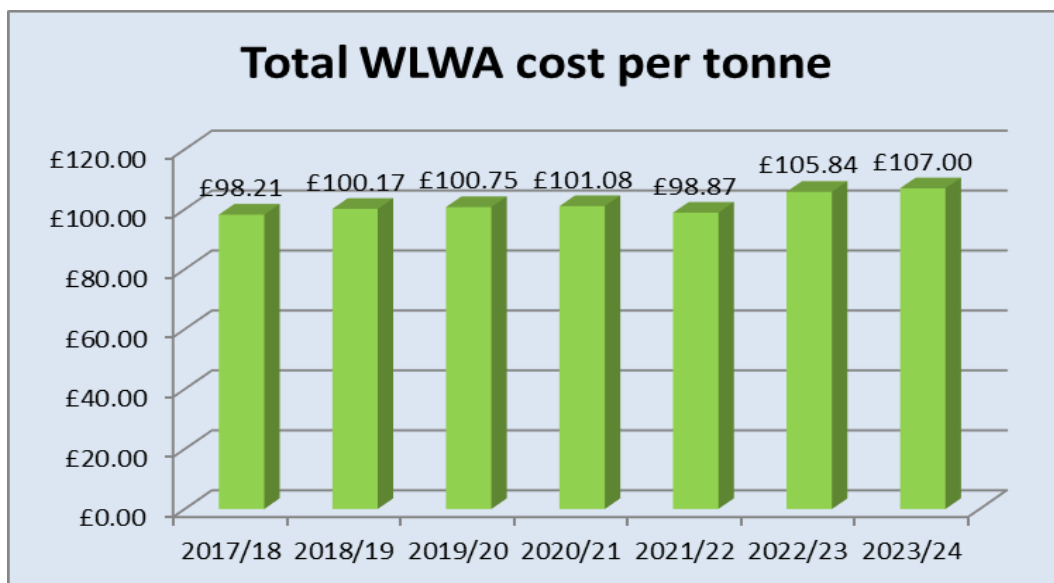
The Authority continues to aim to deliver ambitious business plan objectives and at the same time to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from boroughs. The Authority has continued to achieve 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 £241.0 million and have been funded by loans from constituent boroughs and the Public Works Loans Board with combined total balances of £81.1 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 reserves 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 balanced 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.

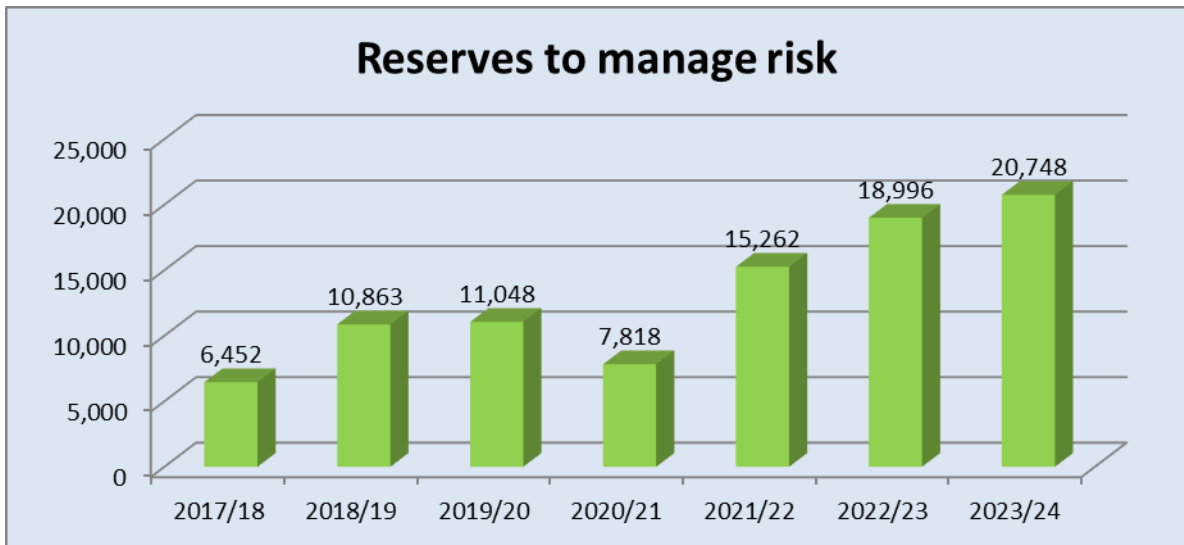
To put the numbers into context and provide a better perspective of financial performance, it helps to look at results over time. To this effect, the key measure is the Authority's cost per tonne. This looks at how effectively the Authority has managed costs and is a key measure of efficiency and

performance. The total cost of delivering services (Net Cost of Services plus Financing less Revaluation Costs) 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 £12.9 million has been excluded. The provision of the share of this income to be disbursed to the Boroughs, totalling £8.6 million which has been included in Other Supplies and Payments has been excluded from this measure. Also, an adjustment of disbursement to boroughs (principally of excess reserves) from 2022/23 which totalled £3.3 million has also been excluded. This measure reflects our real operating efficiency and has been plotted over seven years in the chart that follows.



The key feature illustrated by this chart is that the Authority’s operating cost per tonne is 8.95% more than it was in 2017/18, with a 1.09% increase on the previous year (which excludes any valuation gains/losses recognised in the Comprehensive Income and Expenditure Statement). Whilst there is a small increase year on year, the chart reflects the continuous operational efficiencies the Authority makes whilst delivering on their services. The increase in costs is in line with inflationary increases that have impacted the Authority.

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, and the earmarked reserves (accumulated WLWA share of the PPP income and investment in improving Borough’s diversion rate from residual waste) set aside for delivering on the Authority’s strategic priorities. The Authority has improved its position since 2013/14 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.

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

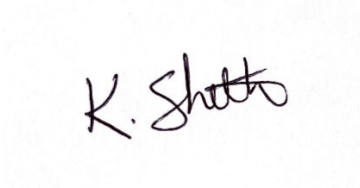
I certify that the Statement of Accounts presents a true and fair view of the Authority’s income and expenditure for the year ended 31 March 2024 and the Authority’s financial position as at 31 March 2024.



Ian O'Donnell
 Treasurer
 10th February 2025

Authority

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

A handwritten signature in black ink, appearing to read 'K. Sheth', is written on a light-colored, textured background.

Signed on behalf of West London Waste Authority
Councillor Krupa Sheth (Chair)
10th February 2025

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 | 2023-24 £'000 | 2022-23 £'000 |
|--|------|------------------|------------------|
| Gross expenditure | | | |
| Employees | | (3,017) | (3,457) |
| Premises | | (3,059) | (2,479) |
| Waste transport and disposal | | (49,298) | (40,465) |
| Other supplies and payments | 30 | (10,883) | (14,839) |
| Depreciation | 13 | (10,449) | (10,465) |
| Total | | (76,706) | (71,704) |
| Gross income | | | |
| Trade waste | | 2,706 | 2,334 |
| Agency | 25 | 373 | 373 |
| Miscellaneous income | 30 | 20,426 | 22,315 |
| Reversal of prior year revaluation losses recognised in the CIES | | 0 | 0 |
| Total | | 23,505 | 25,022 |
| Net cost of services | | (53,201) | (46,681) |
| Net financing and investment income and expenditure | 12 | (7,329) | (8,729) |
| Levies on constituent councils | 24 | 67,634 | 62,654 |
| Total | | 60,305 | 53,925 |
| (Deficit)/Surplus on provision of services | | 7,104 | 7,243 |
| Gain / (loss) from revaluation of property | 13 | 69,572 | 0 |
| Actuarial (loss) / gain on pension liability | 28 | (1,596) | 10,351 |
| Other comprehensive income and expenditure | | 67,976 | 10,351 |
| Total comprehensive income and expenditure | | 75,080 | 17,594 |

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 2023 | | 40,457 | 45,422 | 85,879 |
| Surplus/(deficit) on provision of services (accounting basis) | | 7,104 | 0 | 7,104 |
| Other comprehensive income/(expenditure) | | 0 | 67,976 | 67,976 |
| Total comprehensive income/(expenditure) | | 7,104 | 67,976 | 75,080 |
| Adjustments between accounting basis and funding basis under regulations (Note 11) | 11 | (18,016) | 18,016 | 0 |
| Increase/(Decrease) in year | | (10,912) | 85,992 | 75,080 |
| Less: Disbursement of excess reserves | | (3,300) | 0 | (3,300) |
| Balance at 31 March 2024 | | 26,244 | 131,414 | 157,658 |
| | | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
| Balance at 1 April 2022 | | 32,771 | 38,775 | 71,546 |
| Surplus/(deficit) on provision of services (accounting basis) | | 7,243 | 0 | 7,243 |
| Other comprehensive income/(expenditure) | | 0 | 10,351 | 10,351 |
| Total comprehensive income/(expenditure) | | 7,243 | 10,351 | 17,594 |
| Adjustments between accounting basis and funding basis under regulations (Note 11) | 11 | 3,704 | (3,704) | 0 |
| Increase/(Decrease) in year | | 10,947 | 6,647 | 17,594 |
| Less: Disbursement of excess reserves | | (3,261) | 0 | (3,261) |
| Balance at 31 March 2023 | | 40,457 | 45,422 | 85,879 |

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 2nd May 2024 and the audited accounts are authorised for issue on 10th February 2025.

| | | 2023-24 | 2022-23 |
|-------------------------------|---------|------------------|------------------|
| | | £'000 | £'000 |
| Property, plant and equipment | 13 | 288,984 | 229,766 |
| Capital work in progress | 14 | 83 | 83 |
| Long Term Assets | | 289,067 | 229,848 |
| Cash and cash equivalents | 16 | 41,641 | 33,202 |
| Short term debtors | 17 | 21,385 | 25,991 |
| Pension fund asset | 28 | 0 | 1,309 |
| Current Assets | | 63,026 | 60,502 |
| Total Assets | | 352,093 | 290,350 |
| Short term creditors | 18 | (17,037) | (19,735) |
| Short term borrowing | 19 & 27 | (2,622) | (2,483) |
| Current PPP liability | 27 | (4,354) | (4,257) |
| Current Liabilities | | (24,013) | (26,475) |
| Long term borrowing | 19 & 27 | (78,480) | (81,102) |
| Other long-term liabilities | 27 | (91,802) | (96,893) |
| Pension fund liability | 28 | (139) | 0 |
| Long Term Liabilities | | (170,421) | (177,995) |
| Net Assets | | 157,659 | 85,879 |
| Usable Reserves | 20 | 29,544 | 43,718 |
| Less: Disbursement of | | (3,300) | (3,261) |
| Excess reserves | | | |
| Unusable reserves | 21 | 131,415 | 45,422 |
| Total Reserves | | 157,659 | 85,879 |

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:

| | | 2023-24 | 2022-23 |
|---|----|-----------------|-----------------|
| | | £'000 | £'000 |
| Net surplus/(deficit) on the provision of services | | 7,104 | 7,243 |
| Adjustments to net surplus | 31 | (50,237) | 14,555 |
| (Loss)/Gain on indexation and valuations | | 69,572 | |
| Net cash generated from operating activities | | 26,439 | 21,798 |
| <i>Investment activities</i> | | | |
| Payments for property, plant and equipment | 13 | (96) | (71) |
| Interest received | 12 | 1,505 | 554 |
| Net cash used in investment activities | | 1,409 | 483 |
| <i>Financing activities</i> | | | |
| Interest paid | 12 | (8,631) | (9,080) |
| Loans repaid* | 19 | (7,477) | (5,783) |
| Disbursements to boroughs | | (3,300) | (3,261) |
| Net cash generated (used in)/from financing activities | | (19,408) | (18,124) |
| Net movement in cash and cash equivalents | | 8,439 | 4,157 |
| Opening balance | | 33,202 | 29,045 |
| Cash and cash equivalents at end of year | | 41,641 | 33,202 |

*Loans repaid consist of £2,484k relating to borrowings and £4,994k PPP liability (PY: £2,354k and £3,429k).

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.

| 2022-23 | | | | 2023-24 | | |
|---------------------------------------|--|---|---------------------------------------|---------------------------------------|--|---|
| 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 |
| (35,391) | (11,290) | (46,681) | Net Cost of Services | (63,563) | 10,361 | (53,202) |
| 46,339 | 7,586 | 53,925 | Other income and expenditure | 52,650 | 7,655 | 60,306 |
| 10,947 | (3,704) | 7,243 | Surplus or (deficit) | (10,913) | 18,016 | 7,104 |
| <hr/> | | | | <hr/> | | |
| 32,771 | | | Opening General Fund Balance | 40,457 | | |
| 10,947 | | | Surplus or (deficit) | (10,913) | | |
| (3,261) | | | Less: Disbursement of excess Reserves | (3,300) | | |
| 40,457 | | | Closing General Fund Balance | 26,244 | | |

2. 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

Cash is represented by cash in hand and the Authority deposits funds which are managed under a service level with the London Borough of Ealing. Some deposit funds are made on a fixed term of three to twelve months and generate high interest rates for the Authority. The Authority is able to draw on funds from London Borough of Ealing within three working days.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Debtors and Creditors

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Depreciation is charged 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 | 19-25 |
| 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.

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 are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 CIES is the amount payable for the year according to the loan agreement.

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 has 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 and meet its financial obligations as they fall due for at least the next 12 months or longer from the date of signing these accounts. The majority of income is comprised of levies charged to the six constituent boroughs and the assumption is that this will continue. The majority of the Authority's expenses are the waste transport and disposal costs which are covered by the levies charged to the six constituent boroughs. 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 £26.0 million was approved by the Authority in January 2024. This was made up of £18.0 million needed to manage immediate and medium-term risks. The PPP income retained by the Authority would be building up reserves to mitigate against longer term risks incurred through legislative changes. The total reserves 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. 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. 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 finance leases during 2023-24.

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 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.

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension.

Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme: The liabilities of the London Pensions Fund Authority (LPFA) attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bond – Merrill Lynch AA rated corporate bond).

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 2022). 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.

The Authority has in place a risk sharing arrangement with third party organisation Suez, in respect of employer pension contributions. The obligation arising from this arrangement has been valued consistently with the Authority's pension obligations, as the Authority believes that it retains the vast majority of defined benefit risks relating to the Suez membership. Suez remain responsible for the ongoing standard contributions payable in respect of future benefit accrual within the Fund. All other risks are retained by the Authority.

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

Assets are initially measured at cost, comprising: the purchase price any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Authority does not capitalise borrowing costs incurred while assets are under construction. 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 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.

Provisions

Provisions are made where an event has taken place that gives the Authority a present obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

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.

Within Miscellaneous Income, the Authority has recognised £12.9 million of income which is from the Public Private Partnership (PPP). The Authority is entitled to a share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, and from the

increase in electricity prices. The additional income is due to be paid to the Authority in financial year 2024-25.

In relation to a trial at London Borough of Ealing and London Borough of Brent 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

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept managing the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

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".

3. Accounting standards that have been issued but not yet adopted

The standards introduced by the 2022/23 Code where disclosures are required in the financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on Local Authority Financial Statements.

4. 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;
- The recognition of assets and calculation of depreciation; and
- The recognition of the contractual promise to third party, Suez in respect of pensions contributions within the pension's valuation, rather than as a separate financial instrument.

5. 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 2024 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 28. |
| 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 21 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. |
| Fair Value of Long Term Borrowing/ PPP Liability estimated by Arlingclose | Independent professional fair value valuations take place every year by an external independent valuer, Arlingclose. The valuations are undertaken in accordance with relevant rules and regulations and use of a variety of information and the judgement of valuers in relation to market conditions, components and lifecycles. | 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 2024. |

6. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 2nd May 2024. 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 2024 they have been taken into account.

7. Material Items of Income and Expense

The majority of income is comprised of levies charged to the six constituent boroughs. Details of this is within the Related Parties Transaction note. The Authority is also 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 totalling £12.9 million.

A material expense which makes up the majority of the Authority’s expenses are the waste transport and disposal costs. These are outlined in the Comprehensive Income and Expenditure Statement. Within Other Supplies and Payments, £8.6 relates to the payment of the above income to the six constituent boroughs. This will be paid to the boroughs within the financial year 2024-25.

8. Segmental Income

The majority of income is comprised of levies charged to the six constituent boroughs. Details of this is within the Related Parties Transaction note. This is agreed at the start of the financial year and paid monthly by the boroughs to the Authority.

There are no other material segmental income to disclose.

9. Expenditure and Income Analysed by Nature

All material expenditure and income has been analysed within the Comprehensive Income and Expenditure Statement, Related Parties Transaction note, and Material Items of Income and Expense note.

10. Provisions

Within Short Term Creditors, a provision of £8.6 million has been made which has been charged to Other Supplies and Payments. This relates to the payment to the six constituent boroughs of the additional PPP income driven by an increase in electricity prices. This will be paid to the boroughs within the 2024/25 financial year.

11. Adjustments between Accounting Basis and Funding Basis under Regulations

| | 2023-24 £'000 | 2022-23 £'000 |
|---|------------------|------------------|
| Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded: | | |
| Depreciation* (note 13) | 10,449 | 10,465 |
| Impairments and revaluation (gains)/losses* | (20,800) | 0 |
| Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations | (148) | 1,020 |
| | (10,499) | 11,485 |

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 21) | (7,425) | (7,718) |
| Revenue expenditure funded from capital under statute (note 21) | (96) | (71) |
| | (7,521) | (7,789) |
| Transfer (from)/to general reserves | | |
| Accumulated Absences Account (note 11) | 3 | 8 |
| | 3 | 8 |
| Net additional amount to be credited to general balances for the year | (18,016) | 3,704 |

* Adjustments impact capital adjustment account (unusable reserve)

12. Financing and Investment Income and Expenditure

| | 2023-24 | 2022-23 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Interest payable and similar charges | 5,054 | 5,181 |
| Pensions interest and expected return on pensions assets | (135) | 203 |
| PPP financing interest | 3,218 | 3,308 |
| PPP contingent rents | 697 | 591 |
| Interest receivable and similar income | (1,505) | (554) |
| | 7,329 | 8,729 |

13. 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 2023 | 240,011 | 0 | 574 | 240,585 |
| Additions | 13 | 0 | 82 | 95 |
| Revaluation increases/(decreases) recognised in Revaluation Reserve | 48,722 | 0 | 0 | 48,772 |
| Revaluation increase/(decrease) recognised in comprehensive income and expenditure statement | 0 | 0 | 0 | 0 |
| Gross book value at 31 March 2024 | 288,796 | 0 | 656 | 289,452 |
| Accumulated depreciation at 1 April 2023 | (10,400) | 0 | (420) | (10,820) |
| Depreciation charge for the year | (10,400) | 0 | (49) | (10,449) |
| Depreciation written out to Revaluation Reserve | 20,800 | 0 | 0 | 20,800 |
| Accumulated depreciation at 31 March 2024 | 0 | 0 | (469) | (469) |
| Net book Value at 31 March 2024 | 288,746 | 0 | 187 | 288,984 |
| Net book Value at 01 April 2023 | 229,611 | 0 | 155 | 229,766 |

Land and buildings include assets under the PPP arrangement with net book value of £156.9 million. A full valuation exercise was carried out at 31 March 2022.

Within depreciation charge for the year, £378k 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 2022 | 239,984 | 0 | 530 | 240,514 |

| | | | | |
|--|-----------------|----------|--------------|-----------------|
| Additions | 27 | 0 | 44 | 71 |
| Revaluation increases/(decreases) recognised in Revaluation Reserve | 0 | 0 | 0 | 0 |
| Revaluation increase/(decrease) recognised in comprehensive income and expenditure statement | 0 | 0 | 0 | 0 |
| Gross book value at 31 March 2023 | 240,011 | 0 | 574 | 240,585 |
| Accumulated depreciation at 1 April 2022 | 0 | 0 | (355) | (355) |
| Depreciation charge for the year | (10,400) | 0 | (65) | (10,465) |
| Depreciation written out to Revaluation Reserve | 0 | 0 | 0 | 0 |
| Accumulated depreciation at 31 March 2023 | (10,400) | 0 | (420) | (10,820) |
| Net book Value at 31 March 2023 | 229,611 | 0 | 155 | 229,766 |
| Net book Value at 01 April 2022 | 239,984 | 0 | 175 | 240,159 |

14. Capital Work in Progress

| | 2023-24 | 2022-23 |
|--------------------------------|-----------|-----------|
| | £'000 | £'000 |
| Opening balance | 83 | 83 |
| Expenditure in year | 0 | 0 |
| Recognised in long term assets | 0 | 0 |
| Closing balance | 83 | 83 |

15. Financial Instruments

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

| | Long term | | Current | |
|---|-----------|----------|----------|---------|
| | 2023-24 | 2022-23 | 2023-24 | 2022-23 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial Assets – Amortised Cost | | | | |
| Cash and cash equivalents | 0 | 0 | 41,641 | 33,202 |
| Trade debtors and prepayments | 0 | 0 | 21,385 | 23,245 |
| Financial Liabilities – Amortised Cost | | | | |
| Trade creditors | 0 | 0 | (17,037) | (7,493) |
| Long term borrowing | (78,480) | (81,102) | (2,622) | (2,483) |
| PPP liability | (91,802) | (96,156) | (4,354) | (4,257) |

Fair Values of Assets and Liabilities

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

- The financial asset or liability's discount rate of return at 31 March 2024
- 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

| | 2023-24 | | 2022-23 | |
|-------------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £'000 | £'000 | £'000 | £'000 |
| Long term borrowing (note 19) | 81,102 | 71,076 | 83,586 | 72,800 |
| PPP liability | 96,156 | 88,245 | 100,412 | 89,314 |

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 2024 (same methodology used in previous year). The discount rates range between 5.12% and 9.63% (previous year: 5.40% and 9.56%) 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. Due to higher inflation, policy makers have continued raising interest rates to control the impact and this in turn continues to drive the higher discount rate for financial year 2023/24.

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 17.

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 2024 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.

16. Cash and Cash Equivalents

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

| | 2023-24 | 2022-23 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Bank balance (HSBC) | 5,641 | 5,202 |
| Deposit placed with the London Borough of Ealing | 36,000 | 28,000 |
| | 41,641 | 33,202 |

17. Short Term Debtors

| | 2023-24 | 2022-23 |
|--------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Other Local Authorities | 667 | 987 |
| Central Government Bodies | 2,855 | 2,360 |
| Other Entities and Individuals | 487 | 60 |
| Prepayments and Accrued Income | 17,376 | 22,583 |
| Total | 21,385 | 25,991 |

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 | 2023-24 | 2022-23 |
|-------------------------------|----------------|----------------|
| | £'000 | £'000 |
| < 90 days | 1,135 | 307 |
| 90 – 180 days | 0 | 0 |
| > 180 days | 0 | 0 |
| Total | 1,135 | 307 |

18. Short Term Creditors

| | 2023-24 | 2022-23 |
|--------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Other Entities and Individuals | (8,163) | (6,089) |
| Other Local Authorities | (8,874) | (13,647) |
| Total | (17,037) | (19,736) |

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

19. 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%.

| | 2023-24 | 2022-23 |
|------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Opening balance | (83,586) | (85,940) |
| Loans in year | 0 | 0 |
| Repayments | 2,484 | 2,354 |
| Closing balance | (81,102) | (83,586) |

At 31 March 2024 £140,000 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

| | 2023-24 | 2022-23 |
|---------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Short term element | (2,622) | (2,483) |
| Between 2 and 4 years* | (8,794) | (11,416) |
| Between 5 and 10 years* | (18,465) | (18,465) |
| 10 years or more* | (51,221) | (51,222) |
| Long term element | (78,480) | (81,102) |
| Total liability | (81,102) | (83,586) |

*In the year 2022-23 the classification of loan balances was incorrectly classified between the long term elements. The correct allocation of loan balances as of 2022-23 should have been as follows: Between 2 and 4 years: (£8,389), Between 5 and 10 years: (£17,551), 10 years or more: (£54,157), Total liability: (£82,560). This correction does not impact the 2023-24 total balance of long term liabilities.

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

Analysis by maturity

| | 2023-24 | 2022-23 |
|---------------------------|------------------|------------------|
| | £'000 | £'000 |
| Short term element | (7,513) | (7,517) |
| Between 2 and 4 years* | (22,509) | (30,021) |
| Between 5 and 10 years* | (37,393) | (37,393) |
| 10 years or more* | (66,858) | (66,858) |
| Long term element | (126,760) | (134,272) |
| Total liability | (134,273) | (141,789) |

*In the year 2022-23 the classification of loan balances was incorrectly classified between the long term elements. The correct allocation of loan balances as of 2022-23 should have been as follows: Between 2 and 4 years: (£22,524), Between 5 and 10 years: (£37,426), 10 years or more: (£77,086), Total liability: (£144,553). This correction does not impact the 2023-24 total balance of long term liabilities.

20. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

21. Unusable Reserves

| | 2023-24 | 2022-23 |
|------------------------------|------------------|-----------------|
| | £'000 | £'000 |
| Revaluation reserve | (122,304) | (52,732) |
| Capital adjustment account | (9,286) | 8,585 |
| Pensions reserve | 139 | (1,309) |
| Accumulated absences account | 36 | 33 |
| | (131,415) | (45,422) |

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

(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.

| | 2023-24 | 2022-23 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Balance as at 1 April | 8,585 | 5,521 |
| Depreciation | 10,449 | 10,465 |
| Statutory provision for repayment of debt | (7,425) | (7,718) |
| Impairment and revaluation | (20,800) | 0 |
| Amounts written out of Revaluation Reserve | 0 | 0 |
| Net written out amount of the cost of non-current assets consumed in the year | (9,191) | 8,268 |
| Revenue financing to capital | (96) | (71) |
| Balance at 31 March | 9,287 | 8,197 |

(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 between the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| | 2023-24 | 2022-23 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance as at 1 April | (1,309) | 8,022 |
| Actuarial gains or losses on pension assets and liabilities | 1,596 | (10,351) |
| 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 | (13) | 817 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (135) | 203 |
| | <hr/> | <hr/> |
| Balance at 31 March | 139 | (1,309) |

(iv) Accumulated Absences Account

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2024. 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.

| | 2023-24 | 2022-23 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance as at 1 April | 33 | 25 |
| Amounts accrued at the end of the current year by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements | 3 | 8 |
| | <hr/> | <hr/> |
| Balance at 31 March | 36 | 33 |

22. Officers' Remuneration

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

| | Salary and Termination Benefits (£) | | Pension Contributions (£) | | Total (£) | |
|--------------------------------------|-------------------------------------|---------|---------------------------|---------|-----------|---------|
| | 2023-24 | 2022-23 | 2023-24 | 2022-23 | 2023-24 | 2022-23 |
| Director | 155,940 | 150,667 | 22,767 | 20,612 | 178,707 | 171,279 |
| Clerk | 11,711 | 11,316 | 1,710 | 1,528 | 13,421 | 12,843 |
| Technical Advisor (till December 23) | 8,783 | 11,316 | 0 | 0 | 8,783 | 11,316 |
| Treasurer | 11,711 | 11,316 | 1,710 | 1,528 | 13,421 | 12,843 |

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:

| Remuneration Band including exit packages | 2023-24 No of employees | 2022-23 No of employees |
|---|----------------------------|----------------------------|
| £50,000 to £54,999 | 3 | 5 |
| £55,000 to £59,999 | 1 | 3 |
| £60,000 to £64,999 | 1 | 1 |
| £65,000 to £69,999 | 1 | 0 |
| £70,000 to £74,999 | 0 | 2 |
| £80,000 to £84,999 | 2 | 0 |
| £85,000 to £89,999 | 0 | 1 |
| £90,000 to £94,999 | 1 | 0 |
| £95,000 to £99,999 | 1 | 0 |
| £105,000 to £109,000 | 1 | 0 |
| £125,000 to £129,999 | 0 | 1 |

Members Allowances

£5,200 allowance to members was paid for attending Authority meetings 23-24.

£1,500 allowance was paid to Audit committee member for meetings in 23-24.

Redundancy Payments

£43,817 for a redundancy payment was made to a member of staff in 23-24.

£136,443 was paid to London Pension Fund for early retirement in 23-24.

23. External Audit Fees

The audit fees reflected in the accounts are as follows:

| | 2023-24 | 2022-23 |
|------------------------|----------------|----------------|
| | £'000 | £'000 |
| Audit of the Authority | 129 | 62 |
| Total Fees | 129 | 62 |

24. 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 and all the transactions are at arms' length. 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 2023-24. 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 | 10,040 | 10,832 | 7,497 | 10,312 | 8,734 | 6,189 | 53,604 |
| Fixed Cost Levy | 2,389 | 2,872 | 2,104 | 2,447 | 2,109 | 2,109 | 14,030 |

| | | | | | | | |
|---------------------------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
| Total Levies | 12,429 | 13,704 | 9,601 | 12,759 | 10,843 | 8,298 | 67,634 |
| Agency and other income | 2,505 | 3,156 | 6 | 7 | 10 | 19 | 5,703 |
| Total 2023-24 | 14,934 | 16,860 | 9,607 | 12,766 | 10,853 | 8,317 | 73,337 |
| Total 2022-23 | 11,559 | 15,580 | 9,132 | 11,687 | 10,031 | 7,729 | 65,717 |
| Interest expense 2023-24 | 1,137 | 1,137 | 1,137 | 0 | 0 | 1,137 | 4,550 |
| Interest expense 2022-23 | 1,164 | 1,164 | 1,164 | 0 | 0 | 1,164 | 4,655 |
| Expenditure | | | | | | | |
| Waste | | | | | | | |
| Transport and Disposal Costs | 84 | 21 | 2 | 314 | 23 | 56 | 500 |
| Rent and Rates | 134 | 0 | 0 | 520 | 0 | 0 | 654 |
| Support Services | 11 | 32 | 40 | 0 | 0 | 0 | 83 |
| Other | 21 | 1 | 58 | 0 | 55 | 56 | 191 |
| Borough Disbursement | 1,483 | 1,921 | 1,224 | 1,535 | 1,229 | 1,228 | 8,620 |
| Total 2023-24 | 1,734 | 1,975 | 1,324 | 2,369 | 1,307 | 1,341 | 10,048 |
| Total 2022-23 | 76 | 148 | (41) | 416 | (106) | (31) | 460 |

| | Brent | Ealing | Harrow | Hillingdon | Hounslow | Richmond | Total |
|--------------------------|--------------|---------------|---------------|-------------------|-----------------|-----------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Debtors 2023-24 | 450 | 638 | 0 | 0 | 12 | 76 | 1,176 |
| Debtors 2022-23 | 35 | 385 | 0 | 0 | 0 | 0 | 420 |
| Creditors 2023-24 | 1 | 45 | 156 | 307 | 0 | 0 | 509 |
| Creditors 2022-23 | 271 | 841 | 227 | 361 | 233 | 59 | 1,992 |

| | | | | | | | |
|---------------------------------|---------------|---------------|---------------|----------|----------|---------------|---------------|
| Borrowings 2023-24 | 14,770 | 14,770 | 14,770 | 0 | 0 | 14,770 | 59,079 |
| Borrowings 2022-23 | 15,145 | 15,145 | 15,145 | 0 | 0 | 15,145 | 60,579 |
| Cash equivalents 2023-24 | 0 | 36,000 | 0 | 0 | 0 | 0 | 36,000 |
| Cash equivalents 2022-23 | 0 | 28,000 | 0 | 0 | 0 | 0 | 28,000 |

25. Agency Services

This can be found under the Related Parties Transaction note. This is a charge to a borough for managing their Household Recycling and Reuse Site.

26. Leases

The Authority does not hold any finance leases but holds one rental operating lease which is not material. This lease agreement will expire in March 2024.

27. 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.

| | 2023-24 | 2022-23 |
|----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Energy from waste facility: | | |
| Opening balance | 100,413 | 104,578 |
| Developer's contribution | 0 | 0 |
| Reduced through unitary payments | (4,257) | (4,165) |
| Closing balance | 96,156 | 100,413 |

| PPP liability repayments | Finance liability | Deferred income | Total repayments |
|---------------------------------|-------------------|-----------------|------------------|
| | £'000 | £'000 | £'000 |
| Within one year | 1,586 | 2,768 | 4,354 |

| | | | |
|-----------------------------|---------------|---------------|---------------|
| Two to five years | 7,438 | 11,072 | 18,510 |
| Six to ten years | 12,352 | 13,840 | 26,192 |
| Eleven to fifteen years | 16,907 | 13,840 | 30,747 |
| Sixteen to twenty years | 9,883 | 6,470 | 16,353 |
| Twenty to twenty five years | 0 | 0 | 0 |
| Total repayments | 46,580 | 45,222 | 91,802 |

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 | 29,898 |
| Six to ten years | 23,533 | 13,840 | 37,373 |
| Eleven to fifteen years | 23,533 | 13,840 | 37,373 |
| Sixteen to twenty years | 15,703 | 9,237 | 24,940 |
| Twenty to twenty-five years | 0 | 0 | 0 |
| Long term liability | 81,595 | 47,989 | 129,584 |
| Total repayments | 86,302 | 50,757 | 137,059 |

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.

On early termination or expiry, West London Waste Authority is placed in a position broadly equivalent to if the main treatment facility was constructed on an Authority site and the PPP contract provides WLWA with a variety of options as follows (which it may exercise at its discretion):

- WLWA may walk away on expiry of the contract without having to bear decommissioning risks and SUEZ must pay WLWA the Residual Life Rebate;
- WLWA may extend the contract for 5 years after which WLWA may walk away without having to bear decommissioning risks but SUEZ then do not pay WLWA the Residual Life Rebate; or

WLWA may exercise its right to take a lease of SERC (Conditional Lease) for 25 years post expiry to allow WLWA to secure the site and retender the operation of the facility. With this option, WLWA would have to pay rent and bear decommissioning risks at the end of the term and SUEZ do not pay WLWA the Residual Life Rebate.

28. 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. 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 and IFRIC 14) 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.

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. WLWA and the administering authority are monitoring developments in terms of whether there is expected

to be any impact on LGPS Funds and will consider if there are any implications for the pension scheme. As a result, WLWA does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

Asset ceiling assumptions:

The asset ceiling is the present value of any economic benefit available to the WLWA in the form of refunds or reduced future contributions.

There is no prospect of WLWA having an unconditional right to a refund of surplus on the basis that such a payment would be at the discretion of the Fund.

WLWA is a scheduled body and assumed to participate indefinitely. Primary contributions are considered to be a minimum funding requirement (MFR). It is assumed that WLWA can benefit from their negative secondary contributions. The appropriate period of assessment for the present value of the negative secondary contributions is the lesser of their expected participation period and the surplus spreading period.

As the current contribution rate exceeds the current cost of accrual then the potential economic benefit from future contribution reductions is nil. The asset ceiling therefore applies in full, leaving a recognisable surplus of nil.

Suez arrangement

In 2013 WLWA entered into a contract with Suez to handle the municipal waste generated by residents in the authority's jurisdiction. This contract resulted in a number of eligible employees becoming TUPEd to Suez. At 31st March 2024, as in previous years, based on the information available to the authority from the LGPS actuary, WLWA has continued to account for these employees within the gross present value of defined benefit obligations and gross fair value of plan assets disclosed in the note below. This is because WLWA have retained the vast majority of risk in respect of these members, and therefore in substance this remains a defined benefit risk for WLWA.

Whilst these members are not employed by WLWA for the duration of the contract, the original contracted agreed with Suez included a contractual promise in respect of employer contributions for these employees. A contractual obligation arises for these employees in respect of contributions above the cap rate and below the collar rate, set out in the agreement between WLWA and Suez. In management's view, continuing to include the SUEZ share within the gross present value of defined benefit obligations and gross fair value of plan assets, and reflecting the contributions from SUEZ similar to employee contributions as a deduction of current service costs, best reflects the agreement between the authority and SUEZ.

At 31st March 2024 the participation for WLWA is in surplus, which as described above the Authority does not have a right to recognise under the requirements of the accounting standard. WLWA have also assumed that any surplus arising from the Suez membership would not be recognisable, and have therefore applied an asset ceiling in full to the combined participation.

Balance sheet disclosure

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:

| | 2023-24 | 2022-23 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Present value of funded obligation | (22,254) | (22,413) |
| Fair value of Scheme Assets (bid value) | 24,993 | 23,871 |
| Net Asset/(Liability) | 2,739 | 1,458 |
| Present value of unfunded obligations | (139) | (149) |
| Impact of asset ceiling | (2,739) | |
| Net Asset/(Liability) in Balance Sheet | (139) | 1,309 |

Comprehensive Income and Expenditure Statement

| | 2023-24 | 2022-23 |
|-----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Service costs | 407 | 1,085 |
| Net interest on defined liability | (135) | 203 |
| Administrative expenses | 7 | 7 |
| | 279 | 1,295 |

Reconciliation of the present value of the scheme liabilities:

| | 2023-24 | 2022-23 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Opening balance as at 1 April | 22,562 | 31,582 |
| Current service cost | 265 | 1,085 |
| Interest cost | 1,086 | 812 |
| Change in financial assumptions | (280) | (12,213) |
| Change in demographic assumptions | (280) | (1,099) |
| Experience (gain)/loss on liabilities | 73 | 2,972 |
| Liabilities assumed/extinguished on settlements | 0 | 0 |
| Estimated benefits paid net of transfers in | (1,448) | (891) |
| Past service costs including curtailments | 142 | 0 |
| Contributions by scheme participants and other employers | 288 | 329 |
| Unfunded pension payments | (15) | (15) |
| Closing balance as at 31 March | 22,393 | 22,562 |

| | 2023-24 | 2022-23 |
|--|----------------|----------------|
|--|----------------|----------------|

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

| | £'000 | £'000 |
|--|---------------|---------------|
| Opening balance as at 1 April | 23,871 | 23,560 |
| Interest on assets | 1,221 | 609 |
| Return on assets less interest | 656 | (5) |
| Other actuarial gains | 0 | 16 |
| Administration expenses | (7) | (7) |
| Employer contributions | 427 | 275 |
| Contributions by scheme participants and other employers | 288 | 329 |
| Benefits paid | (1,463) | (906) |
| Settlement prices received/(paid) | 0 | 0 |
| | <hr/> | <hr/> |
| Closing balance as at 31 March | 24,993 | 23,871 |

| Assumptions as at | 31 March 2024 | 31 March 2023 | 31 March 2022 |
|--------------------------|----------------------|----------------------|----------------------|
| | p.a. | p.a. | p.a. |
| Discount rate | 4.90% | 4.80% | 2.60% |
| Pension increases | 2.90% | 2.90% | 3.30% |
| Salary increases | 3.90% | 3.90% | 4.30% |

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 0.0%).

| Life expectancy from age 65 (years) | | 31 March 2024 | 31 March 2023 |
|--|---------|----------------------|----------------------|
| Retiring today | Males | 21.5 | 21.8 |
| | Females | 23.3 | 23.6 |
| Retiring in 20 years | Males | 21.2 | 21.5 |
| | Females | 25.4 | 25.7 |

| Sensitivity analysis on major assumptions | £'000 | £'000 | £'000 |
|--|--------------|--------------|--------------|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| ▪ Present value of total obligation | 22,096 | 22,393 | 22,696 |
| ▪ Projected service cost | 280 | 291 | 337 |
| Adjustment to long term salary increase | +0.1% | 0.0% | -0.1% |
| ▪ Present value of total obligation | 22,404 | 22,393 | 22,382 |
| ▪ Projected service cost | 291 | 291 | 291 |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| ▪ Present value of total obligation | 22,691 | 22,393 | 22,101 |
| ▪ Projected service cost | 303 | 291 | 280 |
| Adjustment to mortality age rating assumption | +1 Year | None | -1 Year |

| | | | |
|-------------------------------------|--------|--------|--------|
| ▪ Present value of total obligation | 23,401 | 22,393 | 21,432 |
| ▪ Projected service cost | 303 | 291 | 279 |

| Re-measurements in other comprehensive income | 2023-24 | 2022-23 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Return on plan assets in excess of interest | 656 | (5) |
| Other actuarial gains on assets | 0 | 16 |
| Change in financial assumptions | 280 | 12,213 |
| Change in demographic assumptions | 280 | 1,099 |
| Experience gain on defined benefit obligation | (73) | (2,972) |
| Changes in effect of asset ceiling | (2,739) | 0 |
| Total | (1,596) | 10,351 |

| Projected pension expense for next year | 2024-25 |
|--|----------------|
| | £'000 |
| Service cost | 291 |
| Net interest on the defined liability | (136) |
| Administration expenses | 7 |
| Total | 162 |

Employer contributions **310**

| Assets by Class | 2023-24 | 2022-23 |
|-------------------------|----------------|----------------|
| | £'000 | £'000 |
| Equities | 15,133 | 13,741 |
| Target Return Portfolio | 4,312 | 4,344 |
| Infrastructure | 2,871 | 2,956 |
| Property | 2,286 | 2,294 |
| Cash | 391 | 536 |
| Total | 24,993 | 23,871 |

| Analysis of 2023-24 Assets | % Quoted | % Unquoted |
|-----------------------------------|-----------------|-------------------|
| Equities | | |
| Basic materials | 0.75% | |
| Consumer Discretionary | 10.25% | |
| Consumer Staples | 3.40% | |
| Energy | 0.48% | |
| Financials | 7.19% | |
| Health Care | 3.73% | |
| Industrials | 10.27% | |
| Real estate | 0.41% | |
| Technology | 14.74% | |
| Telecommunications | 0.60% | |
| Utilities | 0.62% | |
| Other | 0% | |

| | | | |
|-----------------------|--|---------------|---------------|
| Fixed Income & Fees | | 0.05% | |
| Trade Cash/Pending | | 1.01% | |
| Private Equity | | 0% | 7.05% |
| Fixed Income | | 2.41% | |
| Total Return | | | |
| | Investment/Hedge funds and Unit trusts | 2.94% | |
| Credit | | | 11.90% |
| Infrastructure | | | 11.49% |
| Real Estate | | | 9.15% |
| Cash | | | |
| | Cash | 1.54% | |
| | LDI | 0% | |
| | Currency Hedge (Forward Contracts) | | 0.03% |
| | BlackRock DDG | 0% | |
| Total | | 60.39% | 39.61% |

29. Contingent Assets and Liabilities

At 31 March 2024 there was no contingent assets or liabilities (31 March 2023: contingent asset: £389,000, contingent liability: Nil)

30. Miscellaneous Income and Other Supplies and Payments

This year income from the Severnside Energy Recovery Centre (SERC) has been recognised within Miscellaneous Income and totals £12.9 million (31 March 2023: £19.1 million). It principally relates to income resulting from high electricity prices and current levels of activity. The disbursement to the boroughs of £8.6 million (31 March 2023: £12.7 million) has been recognised within Other Supplies and Payments.

The remaining income within Miscellaneous Income is in relation to a trial for the disposal of dry mixed recyclable waste for the London Borough of Brent and London Borough of Ealing, this amounts to £5.2 million (31 March 2023: £2.7 million).

Over the longer term there may also be opportunities to secure income by increasing third party waste volumes processed at the 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). When 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.

31. Note to Cash Flow Statement

| | 2023-24 | 2022-23 |
|---|-----------------|----------------|
| | £'000 | £'000 |
| Adjustments to net surplus for non-cash movements | | |
| Depreciation and impairments | 10,449 | 10,465 |
| Valuation adjustments | (69,572) | 0 |
| IAS 19 non-cash pension entries | (148) | 1,020 |
| (Increase)/decrease in short term debtors | 4,606 | (9,403) |
| (Decrease)/increase in short term creditors | (2,698) | 3,948 |
| Sub Total | <u>(57,363)</u> | <u>6,030</u> |
| Adjustments for items included in financing/investing activities | | |
| Interest received | (1,505) | (554) |
| Interest paid | 8,631 | 9,080 |
| Total Adjustments | <u>50,237</u> | <u>14,555</u> |

32. Significant Accounting Estimates and Judgements

Significant judgement

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and judgements that management has made in the process of applying accounting policies and have the most significant effect on the amounts recognised in the financial statements are described below.

1) Valuation of Severnside Energy Recovery Centre

The Authority makes judgements and assumptions when valuing the land and building assets associated with the Severnside Energy Recovery Centre. The property is held by WLWA under an agreement for a term of 24.35 years from Q4 2016. Land ownership reverts to WLWA's waste contractor, Suez, upon expiry.

The key valuation inputs/assumptions are detailed below:

- a) Gross Replacement Cost (GRC): Taking into account the age of the building, WLWA believe that the asset still fulfils its purpose with no operational constraints. Accordingly, the

valuer (Vail Williams) has adopted the current build area as the hypothetical modern equivalent asset (MEA). To determine the GRC, the valuer has adopted the historic build cost and indexed this forward using relevant BCIS cost indices for each component, resulting in an overall inflation of 36%. The Historical Build Cost is inclusive of professional fees but exclusive of VAT due to WRWA being VAT exempt.

- b) **Physical Depreciation & Obsolescence Adjustments:** Depreciation for the remaining life has been reflected on a straight-line basis based on elemental remaining lives of 35-50 years. The valuer has not made any functional or economic obsolescence adjustments.
- c) **Leasehold Considerations:** WLWA currently lease the building and land under an agreement with third party provider Suez. The existing lease agreement expires in 2040/41. At expiry, under the terms of the agreement, the land will revert to Suez ownership and the building will revert to WLWA ownership.

When valuing the building element of the asset, WLWA have assumed that on expiry of the existing lease agreement, they will enter into a new lease on the land at a market rent. WLWA's intention is to continue providing the service potential of the building beyond the current expiry date and it is expected they will do so. When valuing the building asset the valuer has adopted leasehold methodology to reflect the likely service potential of the asset while also reflecting that WLWA does not have full freehold ownership due to the land element. They have assumed a lease term equal to the remaining life of the building, resulting in a c.3.6% discount from the freehold building value.

To arrive at the leasehold land value, the valuer has capitalised to the remaining existing lease term, rather than the remaining life of the building. On expiry of the existing lease term, WLWA have assumed they would pay a market rent for the land, therefore any right of use value would be counteracted by the rent paid meaning there would be no additional value to WLWA beyond the existing unexpired terms. Should this assumption change, and it becomes clear that WLWA do not intend to carry the lease to the end of the remaining life of the building, this could have a significant impact on future fair value.

33. IFRS 16 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time. A finance lease is defined as a lease if it transfers substantially all the risks and rewards incidental to ownership. An operating lease is defined as not transferring substantially all the risks and rewards incidental to ownership. The Authority did not perform early adoption of IFRS 16 Leases and there has been no financial impact. IFRS 16 Leases will be adopted in 2024/25 when implementation will be mandatory. However, in contrast to previous years the Code allows individual local authorities to choose to adopt IFRS 16 on a voluntary basis.

Annual Governance Statement 2023-24

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:

- Income
- Cyber Security
- Residual Waste Contract (Excess Revenue Calculation)

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 either substantial or reasonable assurance for two reported areas and limited assurance for Cyber Security. They identified no critical risk items/recommendations, one high risk and mostly medium and low risk recommendations all of which have been accepted..

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

A significant weakness in the procurement process pertaining to spend thresholds below £5,000.

Whilst this makes up a small proportion of the Authority’s spend; the Authority has strengthened controls and processes from 1st April 2024. The Procurement Review Board review monthly the cumulative spend by supplier, which is also shared with budget holders, as well as spend analysis sent to Finance.

An independent review of the Authority’s Procurement Governance will commence from 2024/25 to ensure existing controls are more robust and identify recommended implementations to the procurement process.



Councillor Krupa Sheth

Chair to the Authority

10th February 2025



Hugh Peart,

Clerk

10th February 2025

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

REPORT ON THE AUDIT OF THE AUTHORITY’S FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of West London Waste Authority (“the Authority”) for the year ended 31 March 2024 on pages 10 to 51 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and the related notes, including the Expenditure and Funding Analysis and the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of the Authority’s income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Treasurer has prepared the financial statements on the going concern basis as they have not been informed by the government of the intention to either cease the Authority’s services or dissolve the Authority without the transfer of its services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the Treasurer’s conclusions, we considered the inherent risks associated with the continuity of services provided by the Authority over the going concern period.

Our conclusions based on this work:

- we consider that the Treasurer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Treasurer’s assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Authority will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management and internal audit and inspection of policy documentation as to the Authority’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Authority’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Assessing the incentives for management to manipulate reported financial performance as a result of financial pressures in order to be able to set a balanced budget for future periods.
- Reading Authority and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Reading the Authority’s accounting policies.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls in particular the risk that Authority management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of specialised assets and Public Private Partnership (PPP) liabilities. On this audit we did not identify a fraud risk related to revenue recognition due to the block nature and contractual arrangements in place.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected entries relating to cash, revenue and expenditure.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with the Treasurer and other management (as required by auditing standards), and discussed with the Treasurer and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Authority is subject to laws and regulations that directly affect the financial statements, including the financial reporting aspects of local government legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Authority is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law and environmental legislation, recognising the nature of the Authority's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Treasurer and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Treasurer is responsible for the other information, which comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the other information included in the Statement of Accounts for the financial year is consistent with the financial statements.

Treasurer's and Audit Committee's responsibilities

As explained more fully in the statement set out on page 8, the Treasurer is responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the

government of the intention to either cease the services provided by the Authority or dissolve the Authority without the transfer of its services to another public sector entity.

The Audit Committee of the Authority is responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "NAO Code of Audit Practice"), we are required to report to you if we identify any significant weaknesses in the arrangements that have been made by the Authority to secure economy, efficiency and effectiveness in its use of resources.

Except for the matters explained below, we have nothing to report in this respect.

Significant Weakness – Improving economy, efficiency and effectiveness

Our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following concerns in respect of the Authority's procurement processes:

- Evidence of historical sub-standard capital works being completed following non-compliance with the Authority's procurement policy;
- A lack of segregation of duties in procurement tendering, procurement authorisation and invoice authorisation;
- A failure to consistently obtain tenders for qualifying contracts and to provide evidence in some cases to demonstrate that this control had operated effectively; and.
- A lack of review and assessment by Members and management of cumulative expenditure with the Authority's smaller suppliers which leaves the Authority exposed to a risk of cumulative material expenditure that is not subject to tendering processes.

These matters are evidence of weaknesses in proper arrangements for effective and economical procurement that supports the delivery of strategic priorities.

Recommendation

The Authority should ensure that compliance with procurement policies and internal controls within the procurement function is monitored and that controls are strengthened to improve the segregation of duties and monitoring of cumulative expenditure on smaller suppliers.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

As explained more fully in the statement set out on page 8, the Authority is responsible for ensuring that it has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are required under section 20(1) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We are also not required to satisfy ourselves that the Authority has achieved value for money during the year.

We planned our work and undertook our review in accordance with the NAO Code of Audit Practice and related statutory guidance, having regard to whether the Authority had proper arrangements in place to ensure financial sustainability, proper governance and to use information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

Statutory reporting matters

We are required by Schedule 2 to the NAO Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make written recommendations to the Authority under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in this respect.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's 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 and the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

As at the date of this audit report, we have not yet completed our work in respect of the Authority's Whole of Government Accounts consolidation pack for the year ended 31 March 2024.

Until we have completed this work, we are unable to certify that we have completed the audit of the financial statements of the West London Waste Authority for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO Code of Audit Practice.



Jessica Hargreaves

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

10 February 2025