

PAPER NO. WRWA 637**WESTERN RIVERSIDE WASTE
AUTHORITY**

MEETING	25 th June 2009
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 871 8300) 19 th June 2009
SUBJECT	Report of the Treasurer on the Authority's Accounts for 2008/09 and the outlook for 2009/10 and future years
CONTENTS	Page 1 Executive Summary and Background Page 2 Recommendations Page 3 Appendix A - Waste Tonnages Managed by the Authority Page 4 Appendix B - Summary of Revenue Outturn 2008/09 Page 6 Appendix C – Administration Costs Pages 7 - 27 Appendix D – Statement of Accounts
STATUS	Open-circulation of this paper is not restricted.
BACKGROUND PAPERS	No background papers were used in the production of this report

This page has been left blank intentionally.

EXECUTIVE SUMMARY AND BACKGROUND

1. **Introduction.** This report presents and comments on the Authority's accounts for the financial year ended 31st March 2009. The accounts are presented for approval before audit and compiled in accordance with the latest Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code has statutory force as representing proper accounting practice.
2. **Outturn compared with Budget.** Appendix A compares tonnage estimates for 2008/09 with outturn tonnages. Total outturn was 448,353 tonnes, down around 3% from a revised budget of 462,323 tonnes, attributable to reductions in estimated commercial, Civic Amenity and Wandsworth Council household waste.
3. Appendix B compares the outturn spending with the Authority's revised budget for 2008/09, showing a net under-spending of £0.923 million against the £33.8 million revised budget, and gives reasons for significant variances. Appendix C gives details of the administration costs summarised in Appendix B.
4. **Capital Expenditure.** Construction of the Authority's Materials Recycling Facility (MRF) at the Smugglers Way Site is under way. The Authority is committed to finance around £20 million or 80% of the capital cost of the project with the balance being financed by Cory under the WMSA. Expenditure of almost £5 million, including fee costs of approximately £0.3 million in 2007/08, has been incurred by 31st March 2009, financed by loans from the Public Works Loan Board.
5. **Statement of Accounts.** Appendix D contains the Authority's Statement of Accounts for the financial year ended 31st March 2009.
6. **Outlook for 2009/10 and future years.** The outturn for 2008/09 increased the working balance at 31st March 2009 to £3.608 million. Of this, £0.685 million was applied to moderate the increase in the levy for 2009/10 leaving a working balance of around £2.9 million for the year to 31st March 2010. The working balance position was around £0.9 million better than forecast in February 2009 after net savings on disposal of lower volumes of waste (-£0.7m), and lower than anticipated administration costs (-£0.2 million). The estimated working balance requirement of £2 million set in February 2009 will be reviewed in February 2010.
6. **2008/09 variances.** There were no cost variances identified in the 2008/09 out-turn that would suggest that expenditure for 2009/10 cannot be contained within the budget and working balance set in February 2009 (Paper No. WRWA 629). From 2009/10 the greater part of Authority costs is being recovered on a cost per tonne basis, which gives individual Councils a direct incentive to pursue recycling or waste minimisation initiatives in the year. There is, however, less financial risk to the Authority as charges are based on direct contract costs payments only and reduced income from the boroughs will broadly be matched by reduced costs.
7. **Longer term influences.** Landfill tax is set to increment by £8 per tonne from 1st April 2010, adding directly to constituent council costs and around £0.28 million in total to Authority costs for civic amenity waste. Also, the Authority's disposal costs are in part linked to oil costs and the current relatively low world price may not be sustained. The Landfill Allowance Trading

Scheme (LATS) has been operative since 1st April 2005. The Authority is likely to need to trade for the first time in 2009/10 and LATS prices cannot be predicted accurately at this stage.

RECOMMENDATIONS

9. The Authority is recommended:
- (a) to note the summary of revenue outturn as shown in Appendix B; and
 - (b) to approve, subject to any minor drafting changes, the Statement of the Authority's Accounts for the financial year ended 31st March 2009, as shown in Appendix D.

The Town Hall
Wandsworth
LONDON SW18 2PU

CHRIS BUSS
Treasurer

19th June 2009

Waste Tonnes Managed by the Authority 2008/09

		2008/09 Revised Estimate		2008/09 Outturn	
		Tonnes	Tonnes	Tonnes	Tonnes
<u>Boroughs' Household Tonnes</u>					
<u>General</u>	Hammersmith and Fulham	78,744		78,744	
	Kensington and Chelsea	80,887		80,887	
	Lambeth	120,365		120,365	
	Wandsworth	<u>108,634</u>	388,630	<u>108,024</u>	388,020
<u>Clinical</u>	Hammersmith and Fulham	90		87	
	Kensington and Chelsea	3		3	
	Lambeth	71		71	
	Wandsworth	<u>49</u>	213	<u>47</u>	208
<u>Boroughs' Chargeable Tonnes</u>					
<u>General</u>	Hammersmith and Fulham	5,441		3,865	
	Kensington and Chelsea	9,290		7,152	
	Lambeth	15,003		11,778	
	Wandsworth	<u>2,956</u>	32,690	<u>1,864</u>	24,659
<u>Clinical</u>	Lambeth	<u>20</u>	20	<u>19</u>	19
<u>Inert</u>	Hammersmith and Fulham	-		-	
	Kensington and Chelsea	8		6	
	Lambeth	18		17	
	Wandsworth	<u>4</u>	30	<u>3</u>	26
Civic Amenity Sites		40,740	<u>40,740</u>	35,421	<u>35,421</u>
			<u>462,323</u>		<u>448,353</u>
<u>Memorandum – recycled tonnages *</u>					
By WRWA for constituent councils			90,620		89,352
By WRWA from civic amenity sites			<u>6,154</u>		<u>4,338</u>
			<u>96,774</u>		<u>93,690</u>

* Waste recycled is shown as a memorandum as these tonnages are also included in the main table above.

Summary of Revenue Outturn 2008/09

	<u>Revised</u> <u>Budget</u> £000	<u>Outturn</u> £000	<u>Variance</u> £000
<u>Contract Operations</u>			
General Waste	28,392	27,100	-1,292
Recycling and Other Waste	6,653	6,548	-105
Landfill Allowances	4,185	4,233	48
	<u>39,230</u>	<u>37,881</u>	<u>-1,349</u>
<u>Employees/Running Costs</u>			
Employees	488	457	-31
Rates	870	840	-30
Administration	1,166	1,056	-110
	<u>2,524</u>	<u>2,353</u>	<u>-171</u>
<u>Capital Financing/Cash Flow Interest</u>	<u>256</u>	<u>158</u>	<u>-98</u>
GROSS EXPENDITURE	<u>42,010</u>	<u>40,392</u>	<u>-1,618</u>
<u>Commercial Charges to Constituent Councils</u>			
Hammersmith & Fulham	-489	-351	138
Kensington and Chelsea	-835	-645	190
Lambeth	-1,359	-1,091	268
Wandsworth	-266	-157	109
	<u>-2,949</u>	<u>-2,244</u>	<u>705</u>
<u>Other Income</u>			
Recycling	-138	-87	51
Miscellaneous	-86	-99	-13
	<u>-224</u>	<u>-186</u>	<u>38</u>
LATS grant	<u>-4,185</u>	<u>-4,185</u>	<u>-</u>
GROSS INCOME	<u>-7,358</u>	<u>-6,615</u>	<u>743</u>
NET EXPENDITURE	<u>34,652</u>	<u>33,777</u>	<u>-875</u>
Appropriation to(+)/from(-)LATS reserve	-	-48	-48
Appropriation to(+)/from(-)General reserve	-606	317	923
LEVY	<u>34,046</u>	<u>34,046</u>	<u>-</u>

Notes of Main Variances

Contract Operations (- £1,397,000)

Waste contract costs were lower than budgeted due to lower than estimated tonnages of borough commercial waste, household waste from Wandsworth and waste from the Authority's Civic Amenity sites. The saving on contract costs was offset in part by lower income from commercial charges.

Administration & General (-£110,000)

Administration costs are detailed in Appendix C. Spending was broadly to the revised budget, however the budget for legal fees and other consultants was under-spent as less input than expected in relation to the WMSA was required in the last quarter.

Capital Financing/Cash Flow Interest (- £98,000)

The underspending arose from the slippage on the Authority's MRF project and lower borrowing than budgeted in 2008/09.

Income – Constituent Councils (+ £705,000)

Lower than anticipated tonnages of chargeable waste from constituent councils were mirrored by reduced income, but offset by lower contract costs.

APPENDIX C**Administration Costs 2008/09**

	Revised Budget	Outturn	Varianc e
	£000	£000	£000
<u>Direct Costs</u>			
Legal and Consultancy Costs	700	653	-47
Recycle Western Riverside	138	138	-
Recycle WR-additional projects	110	62	-48
Office and Site Services	15	5	-10
Telecommunications	10	8	-2
Computer Systems	35	36	+1
Printing, Stationery, etc.	15	10	-5
Publicity	5	6	+1
Insurances	14	14	-
External Audit	31	30	-1
Bank Charges	1	1	-
	<u>1,074</u>	<u>963</u>	<u>-111</u>
 <u>WBC Administration Services – Financial</u>			
Accounting	18	20	+2
Budgeting	13	14	+1
Financial Advice/Support	36	34	-2
Audit	6	6	-
Payroll/Pensions	2	1	-1
Debt and Cash Flow Management	2	2	-
	<u>77</u>	<u>77</u>	<u>-</u>
 <u>WBC Administration Services – Other</u>			
Committee Services and Administrative Support	10	9	-1
Miscellaneous Support Services	5	7	+2
	<u>15</u>	<u>16</u>	<u>+1</u>
 Total Administration Costs	 <u>1,166</u>	 <u>1056</u>	 <u>-110</u>

**WESTERN
RIVERSIDE
WASTE
AUTHORITY**

APPENDIX D

**STATEMENT
OF
ACCOUNTS**

2008/09

CONTENTS	Page
Foreword to the Accounts	1
Purpose of Individual Statements of Account	3
Statement of Responsibilities for the Accounts	4
Income and Expenditure Account	5
Statement of Movement on General Balance	6
Statement of Total Recognised Gains and Losses	7
Balance Sheet	8
Cash Flow Statement	9
Statement of Accounting Policies	10
Notes to the Income and Expenditure Account	13
Notes to the Balance Sheet	16

FOREWORD TO THE ACCOUNTS

Income and Expenditure Account

The General Reserve at the end of March 2009 stood at £3.608 million, an increase of £0.317 million over the year. This was better than anticipated when the budget for 2009/10 was set in February due to a combination of lower costs on levy borne waste and an under-spending on administration costs. The balance covered the Authority's £2 million requirement to meet contingencies, assessed when setting the budget and levy for 2009/10, and also allowed a contribution of £0.685 million to moderate the increase in the council tax based element of the levy for 2009/10.

Total waste managed by the Authority fell by around 5%, but an increasing proportion is being recycled as constituent councils strive to meet government recycling targets. Recycling represented almost 21% of total waste managed in 2008/09 compared to 20% in 2007/08.

Net levy borne expenditure rose by 21% reflecting in particular inflation on contract costs and an £8 per tonne increase on landfill tax.

Balance Sheet

The Authority's fixed assets were valued at 31st March 2009 at £28.634 million after allowing for depreciation in the year and preliminary expenditure of around £5 million on initial costs for the Materials Reclamation Facility including fees. An updated valuation with effect from 1st April 2009 is currently being arranged.

The current Waste Management Services contract provides for a programme of spending on plant and machinery. As part of this programme waste transport containers to a value of £1.3 million were purchased in 2003/04. Under the terms of the revised WMSA ownership of these assets will revert to the Authority without financial liability in the event of contract termination.

Debtors and other accruals, including HM Revenue and Customs, reduced due to lower bills for commercial waste and earlier reimbursement of VAT than in 2007/08. Creditors increased in line with increased contract costs including landfill tax.

Pensions

All permanent staff are eligible for inclusion in the statutory Local Government Pension Scheme (LGPS) administered by the London Pension Fund Authority (LPFA). The LGPS is a defined benefit statutory scheme, administered in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007, the LGPS (Administration) Regulations 2008 and the LGPS (Transitional Provisions) Regulations 2008.

The Authority's deemed share of the LPFA Pension Fund assets is £3.6 million, a decrease of £1.06 million over the year. The Fund's actuary estimated that the present value of scheme liabilities has also fallen over the same period by £0.24 million, from £5.72 million to £5.48 million. The net pension liability therefore increased by £0.82 million from £1.06 million to £1.88 million.

The scale of the net liability, compared with total annual employment costs of around £0.5million, underlines the risk of increased pension contributions that could ultimately be required. The valuation as at 31st March 2004 showed a deficit of £1.24 million. The Authority has agreed to make this deficit up over fifteen years from 1st April 2005, with annual lump-sum contributions increasing by 4.4% per annum.

Borrowing Facilities

The Authority finances debt through the Public Works Loan Board (PWLB) with loans totalling £7 million outstanding at 31st March 2009. Short term balances are invested with Wandsworth Council.

Landfill Allowance Trading Scheme

The Landfill Allowance Trading Scheme (LATS) came into effect on 1st April 2005. Under the scheme the Authority receives annual allowances from Defra for landfilling Biodegradable Municipal Waste (BMW), which accounts for broadly two thirds of municipal waste land-filled. Each allowance received represents grant income, while each tonne of BMW landfilled incurs a liability to Defra. Up to and including 2008/09 any unused allowances have been carried forward in the Balance Sheet as an Authority asset. Transactions are reflected in the 2008/09 Revenue Account at a value of £17.67 per allowance. However, 2009/10 is the first 'target year' of the LATS scheme and surplus allowances at 31st March 2009 cannot be carried forward into 2009/10. A nationwide reduction in municipal waste means that these surplus allowances are unlikely to be saleable and they have therefore been attributed a zero value for Balance Sheet purposes at 31st March 2009. The Authority makes quarterly returns to the Environment Agency detailing its usage of LATS allowances. These returns are reconciled in an annual process. The Authority was in dispute with Defra/the Environment Agency during 2007/08 on the definition of some marginal waste to be included in the returns for the purpose of consuming allowances. The figures included in the accounts allow for a conservative interpretation of the LATS scheme requirements.

Conclusion

Despite increased costs due, in no small measure, to statutory pressures from both landfill taxation and recycling targets, the Authority has been able to maintain a sound financial base to meet future financial pressures of burgeoning environmental legislation.

PURPOSE OF INDIVIDUAL STATEMENTS OF ACCOUNT

THE INCOME AND EXPENDITURE ACCOUNT AND MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of resources generated and consumed over the last twelve months. However, the Authority is required to raise its levy on a different accounting basis, the main differences being:

-

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Balance compares the Authority's spending against the levy that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Balance.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Authority over the year and shows the aggregate change in its net worth.

BALANCE SHEET

The Balance Sheet is fundamental to the understanding of the Authority's financial position at the year end. It shows its balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Treasurer who accordingly is responsible for the preparation of the Authority's statement of accounts, to present fairly the financial position at the accounting date and its income and expenditure for the year.

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;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the statement of accounts;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE

I certify that the statement of accounts presents fairly the financial position of Western Riverside Waste Authority at the end of the period to which it relates and its income and expenditure for that period.

C BUSS
Treasurer

25th June 2009

Councillor
Chairman

25th June 2009

INCOME AND EXPENDITURE ACCOUNT

		<u>2008/09</u>		<u>2007/08</u>	
	(Note)	£000	£000	£000	£000
<i>Operating Expenditure</i>					
Employees	1			572	
Premises	2	457		807	
General waste disposal		845		23,239	
Landfill allowance liability	3	27,100		4,456	
Other waste disposal		4,233		6,162	
Other supplies and payments	4.5.14	6,548		821	
Pension service cost	6-12	1,051		67	
Pension interest cost and expected return on pension assets	6-12	73	40,372	1	36,125
<i>Operating Income</i>					
Commercial waste					
Hammersmith & Fulham		(351)		(586)	
Kensington and Chelsea		(645)		(856)	
Lambeth		(1,091)		(1,776)	
Wandsworth		(157)		(144)	
LATS grant	3	(4,185)		(4,737)	
Recycling		(87)	(6,516)	(117)	(8,216)
<i>NET OPERATING EXPENDITURE</i>			33,856		27,909
<i>Other Items</i>					
Depreciation		585		585	
Interest paid		63		74	
Government grant	13	-		(42)	
Interest received		(115)		(160)	
Miscellaneous income		(99)	434	(161)	296
<i>NET EXPENDITURE</i>			34,290		28,205
<i>Levy on constituent authorities</i>					
Hammersmith & Fulham		(6,746)		(5,350)	
Kensington and Chelsea		(7,016)		(5,928)	
Lambeth		(10,206)		(7,834)	
Wandsworth		(10,078)	(34,046)	(8,224)	(27,336)
<i>DEFICIT</i>			244		869

STATEMENT OF MOVEMENT ON THE GENERAL BALANCE

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Balance for the year.

	<u>2008/09</u>		<u>2007/08</u>	
	£000	£000	£000	£000
Depreciation	(585)		(585)	
Net charges for retirement benefits in accordance with FRS 17	(138)		(68)	
LATS adjustment for the year	(48)		281	
		(771)		(372)

Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Balance for the year.

Statutory provision for debt redemption	210		219	
		210		219
Net additional amount required to be credited/debited to the General Balance for the year.		<u>(561)</u>		<u>(153)</u>
Deficit/(Surplus) for the year on the Income and Expenditure Account		244		869
Net additional amount to be credited/debited to the General balance for the year.		(561)		(153)
Change in General balance for the year		(317)		716
General balance at start of year		(3,291)		(4,007)
General balance at end of year		(3,608)		(3,291)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses for the Authority for the year and shows the aggregate change in its net worth.

	2008/09 £'000	2007/08 £'000
(Deficit)/Surplus for the year on the Income and Expenditure Account	244	(869)
Actuarial gains (losses) on Pension Fund Assets and Liabilities	(843)	485
Increase/decrease in LATS Reserve for the year	(1,518)	332
Other gains/(losses) included in the Balance Sheet	(280)	(628)
Total recognised gains/(losses) for the year.	(2,397)	(680)

BALANCE SHEET

	(Note)	<u>31st March 2009</u>		<u>31st March 2008</u>	
		£000	£000	£000	£000
<i>Fixed Assets</i>					
	15				
Land and buildings			20,384		20,764
Fixed plant and equipment			3,054		3,176
Vehicles and moveable plant			223		306
Assets under construction			4,973		302
			28,634		24,548
 <i>Current Assets</i>					
Debtors and accrued income	16.25	1,266		1,862	
Stock	17	100		100	
Short term deposit	18	6,645		3,030	
LATS Allowances	19.25	4,233		5,923	
			12,244		10,915
 <i>Current Liabilities</i>					
Short Term Loans	20	4,500			
Creditors	21.25	7,180		6,017	
Pension Deficit	22	1,880		1,059	
LATS Liabilities	19	4,233		4,405	
			17,793		11,481
<i>Net Current Assets/(Liabilities)</i>			(5,549)		(566)
<i>Total Assets less Current Liabilities</i>			23,085		23,982
Long term borrowing	23.24	(2,500)	(2,500)	(1,000)	(1,000)
Total Assets less Liabilities			20,585		22,982
Capital Adjustment Account	25.25		18,857		19,232
Pension Reserve	21		(1,880)		(1,059)
LATS Reserve	19		-		1,518
General Reserve			3,608		3,291
Total Equity			20,585		22,982

CASH FLOW STATEMENT

	<u>2008/09</u>		<u>2007/08</u>	
	£000	£000	£000	£000
REVENUE ACTIVITIES				
<i>Cash outflows</i>				
Cash paid to and on behalf of employees	457		572	
Other cash payments	<u>34,516</u>		<u>27,870</u>	
		34,973		28,442
<i>Cash inflows</i>				
Levy on constituent Authorities	(34,046)		(27,336)	
Cash received for goods and services	<u>(3,026)</u>		<u>(3,642)</u>	
		<u>(37,072)</u>		<u>(30,978)</u>
Net cash inflow from revenue activities		(2,099)		(2,536)
 CAPITAL ACTIVITIES & SERVICING OF FINANCE				
<i>Cash outflows</i>				
Capital spending	4536		302	
Interest paid	63		74	
Repayment of Loan	<u> </u>		<u>500</u>	
		4,599		876
<i>Cash inflows</i>				
Interest received	(115)		(160)	
Loan raised	<u>(6,000)</u>		<u> </u>	
		(6,115)		(160)
Decrease(Increase) in cash		(3,615)		(1,820)

Reconciliation of the movement on the general balance to revenue activities net cash flow

	<u>2008/09</u>		<u>2007/08</u>	
	£000	£000	£000	£000
(Increase)/decrease in general balance		317		713
<i>Non cash transactions</i>				
Depreciation	(585)		(585)	
Revenue provision for debt redemption	(210)		(219)	
Contributions to reserves	(3)		(18)	
		(798)		(786)
<i>Other items, including those on an accruals basis</i>				
Increase/(decrease) in debtors	(596)		81	
Other adjustments	193		243	
(Increase)/decrease in creditors	(1,163)		(2,701)	
		(1,566)		(2,377)
Add: interest paid/received		(52)	(86)	(86)
Net cash (in) flow from revenue activities		(2,099)		(2,536)

STATEMENT OF ACCOUNTING POLICIES

General Principles

The general principles adopted in the compiling and presentation of the accounts are those recommended in the Code of Practice on Local Authority Accounting in the United Kingdom -A Statement of Recommended Practice (the SORP), which is recognised by statute as representing proper accounting practice. The 2007 SORP introduced a change to the presentation of equity in the published statements. From 1st April 2007 the Fixed Assets Restatement Account and the Capital Financing Account were replaced by a Revaluation Reserve and a Capital Adjustment Account. Any unrealised revaluation gains arising after 1st April 2007 from holding fixed assets would be recorded in the Revaluation Reserve. The existing balance on the Account was transferred to the Capital Adjustment Account at 31st March 2007.

Debtors and Creditors

Revenue transactions are accounted for on the basis of income and expenditure attributable to the year, establishing debtors and creditors amounts on the basis of estimates where necessary.

Provisions

Provisions are made where a financial liability is likely as a result of a past event, but where the amount of the liability and the timing of the payment cannot be determined with precision.

Government grant

Government grant is recognised as income at the date that the Authority satisfies the conditions of entitlement, there is reasonable assurance that the grant will be received and the expenditure for which the grant is given has been incurred.

Stocks

The value of stock has been progressively written down to £100,000 to take account of potential stock obsolescence under the current waste management contract and this valuation, based on net realisable value, was confirmed by the General Manager on a sample valuation basis in October 2002.

Fixed Assets

Expenditure on the acquisition, creation or enhancement of fixed assets is included in the accounts on an expenditure basis, where the item is valued at £50,000 or more.

Fixed assets are valued at five yearly intervals in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), although material changes to asset valuations would be adjusted in the interim period, as and when they occurred. A valuation is currently being arranged to reflect values as at 1st April 2009.

Impairment

The values of each category of asset that is not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment was identified as part of this review or as a result of a valuation exercise, it would be accounted for by being charged either to the Income and Expenditure Account or written off to the Revaluation Reserve.

Contingent Liabilities

No allowance is made for contingent liabilities in the accounting statements. Contingent liabilities would be recognised as a note to the accounts where a possible obligation arose from a past event, but where the existence of the liability would only be confirmed by the occurrence of an uncertain future event not wholly within the Authority's control.

Capital Charges

All operational assets, other than land, are depreciated on a straight line basis over the expected residual life of the asset following the most recent valuation. External interest payable and a statutory provision for debt redemption are charged to the Income and Expenditure Account.

Interest payable and receivable

Interest payable is at fixed rates on maturity loans from the Public Works Loans Board. Interest receivable is on temporary deposits with Wandsworth Council at one month market rates.

Pensions

Accounting for Pensions is in accordance with FRS17, with specific accounting entries advised by an officially appointed actuary, Hymans Robertson.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. Debtors on the Balance Sheet includes reimbursements outstanding from HM Revenue and Customs.

Landfill Allowance Trading Scheme.

Accounting in relation to the Landfill Allowance Trading Scheme (LATS) is in accordance with LAAP Bulletin 64 - Accounting for the Landfill Allowance Trading Scheme (England). Initially this was intended to apply only to 2005/06, but the same principles have been extended to 2008/09.

NOTES TO THE ACCOUNTS

NOTES TO THE INCOME & EXPENDITURE ACCOUNT

1. General Principles.

The general principles adopted in compiling the accounts are those recommended by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. However, the presentation reflects features of specific relevance for the statutory waste disposal sector.

2. Staff Remuneration

The following table shows the number of staff whose taxable pay was £50,000 or more grouped in rising bands of £10,000:

<u>Range of Taxable Pay</u>	<u>No. of Staff 2008/09</u>	<u>No. of Staff 2007/08</u>
£60,001 - £70,000	-	1
£80,001 - £90,000	1	-
£130,001- £140,000	-	1

3. Landfill Allowance Trading Scheme (LATS)

The cost of consuming LATS allowances is treated as expenditure on waste disposal. The value of LATS allowances is treated as grant income, offset by the value of allowances consumed. The Authority used a value of £17.67 for its 2008/09 budget and commercial charging policy and has therefore used this value for the purpose of the 2008/09 accounts. Up until 31st March 2009 surplus allowances could be carried forward for application against LATS liabilities in future years. However, this is not possible into 2009/10, a 'target year' under the scheme. Due to a national surplus of LATS it is assumed that the value of allowances at 31st March 2009 will be nil for Balance Sheet purposes.

4. Publicity

The costs in the Income and Expenditure Account include the following amounts spent on publicity:

<u>2008/09</u>	<u>2007/08</u>
£	£
5,751	11,201

5. External Audit Fees. The costs in the Income and Expenditure Account include payments of £ 30,000 to the Authority's External Auditors, KPMG.

PENSIONS

6. Pension Scheme. All permanent staff are eligible for inclusion in the statutory Local Government Pensions Scheme (LGPS) which is administered by the London Pensions Fund Authority (LPFA). The LGPS is a defined benefit statutory scheme, administered in accordance

with the LGPS (Benefits, Membership and Contributions) Regulations 2007, the LGPS (Administration) Regulations 2008 and the LGPS (Transitional Provisions) Regulations 2008. Employee costs shown in the accounts include the contributions paid to the scheme in respect of the employees concerned in accordance with Regulations governing the Scheme. An independent firm of actuaries, Hymans Robertson, was instructed to undertake FRS17 calculations on behalf of the Authority as at 31st March 2009.

7. Asset Valuation. The Authority's deemed share of the London Pensions Fund Authority Pension fund as at 31st March 2009 is £3.6 million, implying for the purposes of FRS17 a net liability of £1.88 million, as shown below:

	Value 31.3.09 £m	Value 31.3.08 £m	Value 31.3.07 £m
Estimated Authority Assets (A)	3.60	4.66	4.84
Present Value of Scheme Liabilities (B)			
- Employee Members	1.76	1.78	2.33
- Deferred Pensions	2.15	2.27	3.00
- Pensioners	1.57	1.67	1.14
	5.48	5.72	6.47
Net Pension Liability (A)-(B)	1.88	1.06	1.63

The estimated assets of the Authority valued at fair value, principally market value for investments, and the returns on those assets, are detailed in the tables below:

8. Asset Distribution

Assets	Value 31.3.09 £000	Asset Distribution %	Value 31.3.08 £000	Asset Distribution %	Value 31.3.07 £000	Asset Distribution %
Equities	2,054	57.0	2,786	59.7	3,014	62.3
Bonds	360	10.0	900	19.3	1,082	22.3
Property	901	25.0	838	18.0	614	12.7
Cash	288	8.0	140	3.0	130	2.7
Total	3,603	100	4,664	100	4,840	100

9. Asset Returns

Assets	Long term Return 2008/09 % p.a.	Long term Return 2007/08 % p.a.	Long term Return 2006/07 % p.a.
Equities	7.0	7.5	7.7
Target return funds	5.5	6.3	6.4
Alternative assets	6.0	6.7	6.8
Cash	4.0	4.8	4.9
Total	6.4	7.0	7.2

10. Liabilities. Liabilities have been valued on the basis of the updated last triennial valuation as at 31st March 2004, using the "projected unit rate" method, which assesses whether the future

liabilities of the fund from the contribution rate meets the costs of benefits accruing in the year after the valuation date. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement. The main assumptions used in the calculations were as follows:

Assumptions	2008/09 % p.a.	Real %	2007/08 % p.a.	Real %	2006/07 % p.a.	Real %
Price Increases	3.1	-	3.6	-	3.2	-
Salary Increases	4.6	1.5	5.1	1.5	4.7	1.5
Pension Increases	3.1	-	3.6	-	3.2	-
Discount Rate	6.9	3.7	6.9	3.2	5.4	2.1

11. Charges to the Income and Expenditure Account

	2008/09 £000	2007/08 £000
<u>Amounts charged to operating expenditure</u>		
Current service cost	39	67
Past service cost	34	-
Total operating charge (A)	73	67
<u>Amount credited to other income</u>		
Expected return on employer assets	324	340
Interest on pension scheme liabilities	(389)	(341)
Net return (B)	(65)	(1)
Net Revenue Account Cost (A)-(B)	138	68

12. Pension Fund Membership

	2009 No.	2008 No.	2007 No.
As at 31st March			
Employees	5	6	6
Deferred Pensioners	46	50	56
Pensioners	42	37	32

13. Government Grant. A final quarter's grant was received for 2007/08 in respect of defined new burdens under Waste Electronic and Electrical Equipment (WEEE) legislation.

14. Related Party Transactions

This disclosure note has been prepared on the basis of specific declarations obtained in respect of related party transactions from each of the Authority's Members and senior staff. There are no declarable related party transactions with senior officers, Members or their related parties with the exception of the following: -

The Authority is composed of Councillors appointed by four constituent London Councils: Hammersmith & Fulham, Kensington and Chelsea, Lambeth and Wandsworth. The Authority's Clerk and Treasurer are chief officers of Wandsworth Council. The Authority had transactions with all four constituent Councils as waste collection authorities liable to pay for disposal of commercial waste and to pay levies, as detailed in the Income and Expenditure Account

The Authority's accounts also include the costs of the following services provided by Wandsworth Council:

	£
Financial Services	77,000
Other Services	16,000
Total	<u>93,000</u>

At 31st March 2009 the following Authority balances related to Wandsworth Council:

	£
Debtors & Accrued Income	3,341

Net interest payments of £115,369 were received during the year on cash flow balances.

NOTES TO THE BALANCE SHEET

15. Fixed Assets

Movement of Fixed Assets 2008/09

	<u>Land and Buildings</u> £000	<u>Fixed Plant & Equipment</u> £000	<u>Assets Under Construction</u> £000	<u>Vehicles & Moveable Plant</u> £000	<u>Total</u> £000
Value 1 st April 2008	20,765	3,176	302	305	24,548
Spend in year	-	-	4,671	-	4,671
Depreciation for year	(380)	(122)	-	(83)	(585)
Value 31 st March 2009	20,385	3,054	4,973	222	28,634

The spend of £4,671,000 in the year was the Authority's contribution to the costs of the Materials Recycling Facility and is shown in the Balance Sheet as 'Assets Under Construction'.

Depreciation

Depreciation is provided on all fixed assets, other than land. The basis of depreciation differs according to the type of asset:

Buildings: straight line basis over the expected life of the asset (generally 40 years for new buildings or major refurbishment).

Vehicles, plant and equipment: straight line basis over the residual life of the asset at the last formal valuation (generally between 5 and 20 years).

Fixed Asset Valuation

The freehold properties which comprise the Authority's property portfolio were revalued as at 1st April 2004 by independent valuers, Erinaceous (formerly Dunlop Heywood), on the basis of depreciated replacement cost in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Inspections were carried out between April 2004 and March 2005. A new revaluation will be under-taken during 2009/10.

16. Debtors and Accrued Income

Debtors and accrued income of £1.266 million at 31st March 2009 can be analysed as follows:

	£'000
VAT Reimbursements due	1,089
Constituent Councils	37
Other sums due*	140
Total	1,266

* Net of Bad Debts provision

Provision of £39,000 has been made for one doubtful debt.

17. Stock

The value of stock was progressively written down to £100,000 to take account of potential stock obsolescence as equipment is expected to be gradually replaced under the current waste management contract. This valuation was confirmed by the General Manager on a sample valuation basis in October 2002.

18. Short Term Deposit

The Authority's short-term surpluses are deposited with Wandsworth Council at market rates, which averaged 4.2% in 2008/09.

19. Landfill Allowance Trading Scheme (LATS)

The Landfill Allowance Trading Scheme was introduced with effect from 1st April 2005. Under the Scheme Defra provides Waste Disposal Authorities (WDAs) with allowances representing the total tonnage of Biodegradable Municipal Waste that they can landfill in a given year.

Under the Scheme WDAs have a six month reconciliation period into the next financial year to determine their allowances consumed for the previous year and to agree these with Defra.

The monetary value of the total allowances issued for 2008/09 combined with the balance of allowances unapplied to 31st March 2008 appear in the Balance Sheet as a current asset, but this is offset by a provision in the current liabilities for the estimated value of allowances to be surrendered to Defra at the end of the reconciliation period for BMW landfilled. Any net surplus of allowances is available for application against future LATS commitments but only up to target years. These entries are based on CIPFA accounting guidance issued in 2005/06. Allowances for 2009/10 and future years, although already known, are, as recommended by CIPFA, not included in the Balance Sheet at 31st March 2009. The Authority has used a value of £17.67 for its budget and commercial charging policy in 2008/09 and has therefore retained this value for accounting purposes in the Income and Expenditure Account. However, as unused allowances cannot be carried forward into 2009/10, the first target year, for Balance Sheet purposes they have been allocated a value of nil.

20. Short term borrowing.

Short term borrowing includes any loan repayable within 12 months. The Authority has £4.5 million of loans from the Public Works Loan Board (PWLB) in this category, which will require refinancing during 2009/10. The average interest rate on these loans is 1.448%. In total (see note 23) the Authority has £7 million of loans from the PWLB. Accounting practice requires the Authority to disclose the fair value of this portfolio, taking into account potential PWLB 'premature repayment' costs. The fair value of the Authority's total debt of £7,000,000 was estimated by the PWLB on 31st March 2009 at £7,159,133.

21. Creditors

Creditors were higher at 31st March 2009, mirroring the increase in monthly contract payments.

22. Pensions Deficit

The pension deficit increased by £0.82 million from £1.06 million to £1.88 million at 31st March 2009, a small reduction in the present value of scheme liabilities being more than offset by a reduction in the value of the Authority's deemed share of LPFA assets of £1.06 million.

23. Long Term Borrowing

All long term borrowing is from the Public Works Loan Board. An analysis of the debt as at 31st March 2009 is shown below:

Maturity Within:	£000	Ave. Rate (%)
1 - 2 years	500	5.625
6 - 10 years	<u>2,000</u>	<u>3.500</u>
	<u>2,500</u>	<u>3.925</u>

In total (see note 20) the Authority has £7 million of loans from the PWLB. Accounting practice requires the Authority to disclose the fair value of this portfolio, taking into account

potential PWLB ‘premature repayment’ costs. The fair value of the Authority’s total debt of £7,000,000 was estimated by the PWLB on 31st March 2009 at £7,159,133.

24. Capital Adjustment Account

The capital financing account contains the amounts contributed from the Income and Expenditure Account for the repayment of external loans, and is adjusted for depreciation.

	<u>2008/09</u>	<u>2007/08</u>
	£000	£000
Balance brought forward	19,232	(3,212)
Closing balance from Fixed Asset Restatement Account*		22,810
Provision for debt redemption	210	219
Depreciation provision	(585)	(585)
Balance carried forward	18,857	19,232

* With effect from 1st April 2007.

25. Restatement of the Balance Sheet as at 31st March 2009.

In compiling the Balance Sheet as at 31st March 2009 errors came to light in the 31st March 2008 figures. Correction of these errors, which also impact on the 207/08 Cash Flow Statement, is essential both to show the correct prior year comparisons and also to produce accurate balances at 31st March 2009. The adjustments are detailed below:

Description	Original Balance	Adjustment	Revised Balance	Reason for Adjustment
	£'000	£'000	£'000	
Debtors	1,682	180	1,862	Under-estimation
LATS Allowances	4,737	1,186	5,923	Compilation error
Creditors	-5,151	-866	-6,017	Under-estimation
Net Change-Assets less Liabilities		500		
Capital adjustment Account	18,732	500	19,232	Loan repayment netted out in error
Net Change Equity		500		

26. Revaluation Reserve

Any unrealised revaluation gains arising after 1st April 2007 from holding fixed assets would be recorded in the Revaluation Reserve. The existing balance on the Account was transferred to the Capital Adjustment Account at 31st March 2007.