WESTERN RIVERSIDE WASTE AUTHORITY

Date: 26th July 2019

For further information on this agenda, please contact the Committee Secretary: Ms Thayyiba Shaah on Tel: 0208 871 6039 or email: thayyiba.shaah@richmondandwandsworth.gov.uk

MEMBERS OF THE AUDIT COMMITTEE ARE HEREBY SUMMONED TO ATTEND A MEETING OF THE COMMITTEE ON WEDNESDAY, 31ST JULY, 2019 AT 2.30 P.M. ROOM 122 - THE TOWN HALL, WANDSWORTH HIGH STREET, WANDSWORTH SW18 2PU

MARTIN WALKER
Clerk to the Authority

MEMBERS OF THE COMMITTEE

Hammersmith & Fulham Council	–	**Councillor Harcourt**
Kensington & Chelsea Council	–	**Councillor Palmer**
Lambeth Council	–	**Either Councillor Atkins or Councillor Holland**
Wandsworth Council	–	**Councillor Mrs Sutters (Deputy Chairman)**

AGENDA

GLOSSARY OF TERMS

Anaerobic Digestion (AD) – is a recovery process, carried out in the absence of oxygen, to generate biogas for combustion. It is most commonly used to treat liquid and semi-liquid slurries such as animal waste and human sewage but its potential for use with municipal waste treatment is being encouraged by Government.

AWDC – Apportionment of Waste Disposal Costs. Scheme agreed by the constituent councils for allocation of waste disposal costs, under the levy legislation, whereby the councils are charged on a monthly basis for the actual tonnages delivered under various categories of waste

Biodegradable Waste – waste that is capable of undergoing aerobic (oxygen dependent) or anaerobic (non-oxygen dependent) decomposition, such as food and garden waste, and paper and paperboard.

BIS – Department for Business, Innovation & Skills (the Government department responsible for some waste management issues, particularly those associated with industry compliance schemes).

BMW (Biodegradable Municipal Waste) – Waste which is both biodegradable and municipal. See definitions of Biodegradable Waste and Municipal Waste (as per the Waste and Emissions Trading Act 2003)

BPLC – Battersea Project Land Company – the Authority is in discussions with BPLC in relation to the redevelopment of the Authority's waste transfer station in Cringle Street, Battersea.

CA (Civic Amenity) Waste – This is the waste delivered by residents themselves to the Authority's Smugglers Way Household Waste and Recycling Centre.

CHP – Combined heat and power system. A system whereby waste heat from various combustion processes, such as EfW, is used to power other systems e.g. central heating systems in housing blocks.

CIPFA – Chartered Institute of Public Finance and Accountancy

Clinical waste – The majority of such waste received by the Authority for disposal emanates from domestic properties (patients who are treated at home). The nature of the waste is such that it carries a clear health risk and requires disposal by incineration.

Co-mingled recyclable material – mixed recyclable material that, in the Authority area, is usually collected from the kerbside in a single clear sack. The Authority currently limits these materials to glass bottles and jars, clean paper and card, food and drinks cans, aerosols, cartons and tetrapaks and plastic bottles, pots, tubs and trays.

Commercial waste (sometimes also referred to as Business or Trade waste) – Waste from premises used wholly or mainly for the purposes of a trade or business or for the purpose of sport, recreation, education or entertainment but not including household, agricultural or industrial waste.

DCF – Designated Collection Facility. A facility which is designated as a collection point where householders can deposit their waste electrical and electronic equipment (WEEE) free of charge. The Authority's Smugglers Way Household Waste and Recycling Centre is a DCF.

Defra – Department of Environment, Food and Rural Affairs (the Government department responsible for most waste management issues).

Detritus Waste – is waste, generally from street sweeping or gulley emptying operations, that requires some de-watering prior to its further treatment or disposal.

Domestic waste – This is commonly used to denote household waste collected from domestic premises only.

EfW – Energy from Waste. EfW facilities produce clean, renewable energy through the combustion of municipal solid waste in specially designed power plants equipped with the most modern pollution control equipment to ensure clean emissions.

ELV (End of Life Vehicle) – this is the vehicle at the point when it is no longer to be used for transportation and needs to be recycled/disposed of. These vehicles can arise from voluntary surrenders or roadside abandonment. Under the European ELV Directive producers of vehicles are being made responsible for achieving certain recycling targets as well as environmental standards for the storage and treatment of ELVs.

Environment Agency (EA) – An agency established by statute to monitor and protect the environment. Its responsibilities include licensing of waste facilities. **EPA (Environmental Protection Act 1990)** - One of the key acts governing waste collection and disposal with the aim of preventing the pollution from emissions to air, land or water from scheduled processes.

Hazardous Waste – Waste, such as batteries, paint and paint thinners, which puts human health or the environment at particular risk.

Household waste – This includes all the waste collected by constituent councils from purely domestic premises, but also a number of other categories that people would not think of as being household waste e.g. most schools, parks and also all fly-tipped waste.

Industrial Waste – Waste produced or arising from manufacturing or industrial activities or processes.

JMWMS (Joint Municipal Waste Management Strategies) – Waste Disposal Authorities (WDAs), in two-tier areas, are required to develop joint municipal waste strategies with the Waste Collection Authorities (WCAs) in their area. The Western Riverside Waste Authority is one such WDA.

JWDA (Joint Waste Disposal Authority) - see Waste Disposal Authority.

MRF (Materials Recycling Facility) – is a facility to sort mixed delivered recyclables into individual commodities with a view to securing maximum recycling and value. The Authority uses a "clean" MRF to sort co-mingled recyclable materials into individual material types. A "dirty" MRF sorts recyclable material from the general waste stream.

Municipal Waste – This term is *generally* meant to refer to *all* waste that is in the possession or under the control of waste disposal or waste collection authority. Sometimes also referred to as Municipal Solid Waste.

However the WET Act 2003 introduced a new formal definition:

Waste from households, and other waste that because of its nature or composition is similar to waste from households.

National Indicators – national indicators were used by Government to measure the performance of local government (they have now been abolished). Only 3 indicators applied to the Western Riverside Waste Authority namely:

NI 191 - Residual household waste per household

NI 192 - Household waste reused, recycled and composted
NI 193 - Municipal waste landfilled

PRN (Packaging Waste Recovery Note) – PRNs are the evidence that businesses need to prove they have met the requirements of the Packaging and Packaging Waste Regulations.

Recyclable materials – Recyclable materials are materials that are capable of being recycled. Dry recyclable materials include paper, plastic, glass and cans, aerosols and cartons which are either collected separately or deposited into on street banks by the public.

Recycle Western Riverside (RWR) – Recycle Western Riverside is an initiative focussed on the Authority's area., The initiative commenced in October 2002 and encompasses a waste awareness, education and communication campaign delivered by WRWA officers in partnership with constituent council officers.

Riverside Waste Partnership – the collective name for the Authority and its constituent councils. – Can't remember the last time we used this term.

Waste Collection Authority (WCA) – The local authority (in London, the London Borough) responsible for collecting waste from households and certain commercial premises.

Waste Disposal Authority (WDA) – The local authority responsible for disposing of waste collected by the WCA. In London this can be either a joint waste disposal authority (e.g. WRWA) or a unitary authority. London Boroughs, not a constituent member of a joint authority, are both unitary disposal authorities and collection authorities.

WasteDataFlow (WDF) – A web based programme on which waste data is submitted.

Waste hierarchy – This is the Government's strategic order of preference for waste management under which, for instance, energy recovery and recycling is consider better than landfill.

WEEE (Waste Electrical and Electronic Equipment Directive (2002/96/EC)) – The Directive aims to reduce the waste arising from electrical and electronic equipment; and improve the environmental performance of all those involved in the life cycle of electrical and electronic products.

WET Act – The Waste and Emissions Trading Act 2003

WMSA – Waste Management Services Agreement – The Authority's long-term contract with Cory Environmental Ltd.

WRAP (The Waste and Resources Action Programme) – was established in 2001 in response to the UK Government's Waste Strategy 2000 to promote sustainable waste management. WRAP is set up as a not-for-profit company limited by guarantee by DEFRA and the DTI. The Authority and constituent councils have received funding from WRAP for eligible projects.

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ITEM 1

PAPER NO. WRWA 886

WESTERN RIVERSIDE WASTE AUTHORITY AUDIT COMMITTEE

MEETING	31st July 2019
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 871 2788) 26th July 2019
SUBJECT	Report of the Treasurer on the Authority's Audited Accounts for 2018/19
CONTENTS	Page 1 Executive Summary and Background Page 2 Recommendations Page 4 Appendix A – Statement of Accounts To follow Appendix B – Deloitte's Draft ISA 260 report relating to the Accounts for 2018/19
STATUS	Open-circulation of this paper is not restricted.
BACKGROUND PAPERS	No background papers were used in the production of this report

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EXECUTIVE SUMMARY AND BACKGROUND

1. As reported to the Authority at its meeting on 15th July, the Accounts and Audit Regulations (England and Wales) 2015 (**"the Regulations"**) require the Authority to approve the Accounts by 31st July 2019. The External Auditors following the Audit of the accounts, are also required to give a formal opinion on the Authority's accounts by the due date. The Authority has considered the outturn position at the meeting of the 15th July 2019. The Auditors for the reasons stated below have been unable to complete the audit by the statutory deadline and discussions are ongoing. In accordance with the Regulations, the Authority will be required to place a notice on its website concerning the audit.

ACCOUNTS AND AUDIT 2018/19

2. As the responsible financial officer, the Treasurer signed and dated the Statement of Accounts for 2018/19 on 29th May 2019. During the audit the Auditors bought to the attention of the Treasurer that the valuations used for balance sheet purposes as at 31st March 2018 and audited by the previous Auditors were incorrect. This error was contained in a spreadsheet provided by the Authority's valuation consultants, this has led to both the March 2017 and 2018 balance sheets being restated, together with depreciation being wrongly stated, the latter was not corrected. There was also an adjustment of the balance sheet presentation of some of the Authority's investments.

3. The Treasurer has also had detailed and lengthy discussions on the application of two new accounting standards to the Authority's accounts. The discussions with the Auditors have also involved consideration as to whether certain elements of the Authority's Waste Management Services Agreement (**"the WMSA"**) with Cory Environmental Limited constitutes either a financial guarantee or an insurance contract in line with accounting standards and the accounting treatment of other items which are contained within the WMSA such as the residual value agreement and the £3.5 million receipt from Cory in 2018. These issues have not been resolved as fresh issues were raised as late as the 26th July 2019 by Deloitte's technical team.

4. The accounting arrangements for the WMSA have been the same since financial close was reached in 2008 and have been subject to external audit by three different firms since 2008 without any detailed comment. The approach taken by the current external auditors is in a small part due to the new accounting standards which apply to local government for the first time this year but also to the fact, in my view, that external auditors generally are themselves subject to greater scrutiny following some noted apparent failures that were not picked up in past private sector audits. The

unusual features and complexity of the WMSA means that it doesn't neatly fit into accounting standards and there are some areas which are subject to interpretation, it is those areas where the Auditor and the Authority need more time to agree the approach taken. It must be stressed that the matters under question relate purely to the accounting treatment of current and potential benefits and liabilities under the WMSA which may impact on the way that these are treated in the accounts which could impact charges to constituent Councils. The auditors' comments with regard to the draft quality of the financial statements is noted and arrangements will be reviewed for 2019/20. However, the second recommendation with regard to accounting papers will need to be reviewed in the light of any potential resource implications arising from this recommendation. The Authority should note that I am however satisfied that based upon the Authority's current and historic interpretation of Accounting standards that the Accounts give a "true and fair view" of the Authority's accounts as at 31st March 2019.

5. The Authority is still required under the Regulations to approve the Accounts, with or without an Audit Certificate. The draft audited set of accounts are now attached, at Appendix A, for approval by the Sub-Committee.

6. Under the Auditing Practices Board's International Auditing Standard (UK and Ireland) 260 – "Communication of audit matters with those charged with governance", the Auditor is required to report to those charged with governance on the significant findings from the audit as a prelude to issuing a formal Opinion on the Authority's accounts. Clearly with the matters outstanding no final ISA 260 report is available. However, the Auditors will provide a draft of their report with outstanding queries which will follow and will constitute Appendix B of this report. Representatives of the Auditors will be present at the Sub-Committee meeting.

7. The Regulations do deal with the situation that the Authority now finds itself in. Regulation 10 (a) states that the Authority must "publish (which must include publication on the authority's website) as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the statement of accounts and its reasons for this;" The Authority will need to do this and also work with the Auditor to reach a quick and satisfactory conclusion. A report on the progress and hopefully conclusion of this matter will be made to the September 2019 Authority meeting.

RECOMMENDATIONS

8. The Authority is recommended to:

   (a) approve the Authority's Statement of Accounts (Appendix A);

(b) publish the Statutory notice with regard to the non-completion of the audit by 31st July as required by Regulation 10.2 a of the Accounts and Audit (England and Wales) Regulations 2015;

(c) note Deloitte's Draft ISA 260 report relating to the Accounts for 2018/19 (Appendix B); and

(d) otherwise receive this report for information

Western Riverside Waste Authority
Administration Office
Smugglers Way
LONDON SW18 1JS

CHRIS BUSS
Treasurer

26th July 2019

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Appendix A

Western Riverside Waste Authority

Statement of Accounts

For the year ended 31 March 2019

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CONTENTS

CONTENTS (continued)

NARRATIVE REPORT TO ACCOMPANY THE STATEMENT OF ACCOUNTS

Introduction

This is the Statement of Accounts for the Authority for the year ended 31st March 2019. The purpose of the Statement of Accounts is to summarise the financial position of the Authority.

The report gives a general outline of the main items reported within the accounts and gives a summary of the Authority's overall financial performance for the year.

The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

The Statement of Accounts is made up of four core statements as follows:

- **Movement in Reserves Statement -** This is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It is analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce the Levy such as the General Fund) and 'unusable reserves'.
- **Comprehensive Income and Expenditure Statement -** This consolidates all the gains and losses experienced by the Authority during the financial year.
- **Balance Sheet** – This statement shows the value, as at 31st March each year, of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority
- **Cash Flow Statement -** This 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.

Organisational Overview, External Environment and Operational Model

Western Riverside Waste Authority (WRWA) is one of four Statutory Joint Waste Disposal Authorities in London which are charged by Parliament with managing the waste collected by their respective constituent councils. In the case of WRWA, these are the London Boroughs of Hammersmith & Fulham, Lambeth, Wandsworth and the Royal Borough of Kensington and Chelsea.

The Authority manages its affairs with a main contractor, Cory, through the Waste Management Services Agreement (WMSA) to minimise costs and maximise income from recycled materials. Total waste managed by the Authority reduced by 1,160 tonnes or less than 0.5% with General waste tonnage reducing by 3,339 tonnes, or just over 1%. Recycling represented just over 21% of total waste managed, slightly higher than 2017/18.

The Authority's chief sources of income are charges to constituent councils for the disposal costs of waste, Apportionment of Waste Disposal Costs charges and levies upon those councils. The Authority has a statutory duty to apportion levies among the constituent councils for each financial year to meet liabilities for which provision is not otherwise made.

The Authority's key achievements in 2018/19 were to have undertaken an extensive review of the potential to increase waste minimisation and recycling performance within its area which has led to the Authority developing a new waste minimisation focussed marketing campaign and beginning the development of a new joint waste policy document. In addition extensive negotiations with Cory's during refinancing have led to a one off payment of £3.5 million, recognised in year.

Risks

The Authority annually reviews its Risk Management Strategy and has developed a Risk Register which identifies key risks together with an analysis of their likelihood/impact and the key preventative, detective and corrective controls. The Annual Governance Statement again confirms that the Authority's Risk Management Strategy is effective and well embedded into management processes.

A key risk relates to the Local Authority sector's financial position in being able to fund their waste disposal costs and the potential subsequent pressure on the Authority to seek short term cost savings. The Authority continues to be open and transparent regarding its ability to reduce costs for constituent councils. The location of one of the Authority's transfer stations is within the regeneration area of Nine Elms and the redevelopment of the area may lead to possible nuisance claims by new residents. The Authority is mitigating this via ongoing discussions on a comprehensive redevelopment plan.

European Union Referendum **-** On the 23 June 2016 the European Union (EU) Referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision made to leave the EU. There was no impact on the figures contained within the Accounts in either 2017/18 or 2018/19. It is still too early to determine if this decision will have any impact upon future finances of the Authority.

The volatility of recycling rates is a key risk to the constituent Councils in terms of price. In order to mitigate this, the Authority has arrangements with its contractor to ensure both an available market and price certainty as far ahead as possible for recyclate.

Performance

The operational income and expenditure of the Authority is wholly affected by the tonnage of waste managed during the year. The Usable Reserves Balances at the end of March 2019 stood at £22.000 million, an increase of £4.9 million compared to that reported in March 2018. The balance was £4.3 million more than anticipated when the budget for 2019/20 was set in February 2019 due in part to the receipt of £3.5 million from the contractor, Cory, following the refinancing agreement of the WMSA. The Authority also did not make an MRP payment during the year as agreed in the amended Treasury management policy and did not spend as much on legal and consultancy costs as allowed for in the budget. It is proposed that £8.5 million of the General Fund balance be transferred to the newly established Loan Repayment Reserve and the remaining in year surplus be retained in the General Fund Reserve at this time.

Pensions

All permanent staff are eligible for inclusion in the statutory Local Government Pension Scheme (LGPS) administered by the London Pension Fund Authority (LPFA) under the Local Government Pension Scheme Regulations.

The Fund's net assets increased by £0.458 million to £8.108 million. The Fund's actuary estimated that the present value of scheme liabilities has reduced over the same period by £0.099 million, from £11.326 million to £11.425 million. The net pension liability therefore decreased by £0.359 million from £3.676 million to £3.317 million. The Authority has considered the verdict of the recent McCloud Judgement and has concluded that this Judgement has only a marginal impact on liabilities due to the Authority's pensioner profile.

The scale of the net liability, compared with total annual employment costs of around £0.5 million, underlines the risk of increased pension contributions that could ultimately be required. The Triennial Valuation undertaken as at 31st March 2016 set the minimum employer contribution rate as a percentage of payroll for the year from 1st April 2017 to 31st March 2020 at 12.4%. Additional minimum employer contributions as a monetary amount due for the three year period was set at £0.050 million for 2017/18, £0.051 million for 2018/19 and £0.052 million for 2019/20.

Borrowing Facilities

The Authority finances debt through the Public Works Loan Board (PWLB) with loans totalling £8.5 million outstanding at 31st March 2019, with no new loans advanced during the financial year and £2 million repaid on 1st April 2019. The Authority's current policy is to redeem debt from balances wherever this is practicable and a new earmarked reserve has been established to enable debt to be redeemed as outlined above. Average balances of £11.9 million were invested via Wandsworth Council earning the investment rate achieved by the Council at an average of 0.69%. During the year, the Authority also deposited £1 million into a new Diversified Income Fund account with the CCLA whilst the cashflow is managed within a Special Interest Bearing Account (SIBA) with the current retail banker (RBS/ Nat West) earning 0.25%. The Authority's total cash balance was £17.460 million at 31st March 2019. The cash balances are shown as cash or cash equivalents in the balance sheet.

Outlook

The total level of waste managed by the Authority in 2018/19 has reduced but the level of waste managed could grow in future years in line with the increase in population forecast for its area. The Authority continues to drive forward efficiencies from within the WMSA in order to generate savings for Constituent Councils in the current financial climate.

Key challenge for 2019/20 and beyond are:

- Redevelopment proposals at Cringle Dock, providing a new transfer station for the Authority and financial benefits for the Constituent Councils;
- Cory's proposal to redevelop land adjacent to the EfW facility at Belvedere; and
- Delivering savings

However, the Constituent Councils benefit from the EfW facility at Belvedere under the current WMSA with:

- the avoidance of increasing government landfill tax costs;
- certainty of capacity to dispose and
- contractual agreements through the WMSA to receive Royalties and excess revenue share, refinancing savings, income from the sale of energy and eventually, the benefits to be achieved from Residual Value at the end of the existing contract in 2032.

Conclusion

The Authority has been able to maintain a sound financial base to meet future financial pressures.

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Responsibility of the Authority

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Responsibility of the Treasurer

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with the 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
- complied with the local authority Code.

The Treasurer has also:

- 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 a true and fair view of the Western Riverside Waste Authority's income and expenditure for the year ending 31 March 2019 and the authority's financial position as at 31 March 2019.

C Buss
Treasurer July 2019

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 or reduce charges to Constituent Authorities) 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. These are different from the statutory amounts required to be charged to the General Fund Balance for determining the AWDC charges and the residual Levy. The net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance	Pension Liability Reserve	Levy Equalisation Reserve	Stabilisation Reserve	Loan Repayment Reserve	Recycling Initiatives Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017 carried forward	**4,000**	**1,800**	**1,105**	**5,725**	**-**	**250**	**12,880**	**31,898**	**44,778**
Surplus on provision of services	4,449	-	-	-	-	-	**4,449**	-	**4,449**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**11,398**	**11,398**
Total Comprehensive Income and Expenditure	**4,449**	-	-	-	-	-	**4,449**	**11,398**	**15,847**
Adjustments between accounting basis and funding basis under regulations (Note 7)	**(238)**	-	-	-	-	-	**(238)**	238	-
Net (Decrease)/ Increase before Transfers to Earmarked Reserves	**4,211**	-	-	-	-	-	**4,211**	**11,636**	**15,847**
Transfers to/from Earmarked Reserves	-	-	**(1,105)**	**1,105**	-	-	-	-	-
(Decrease)/ Increase in Year	**4,211**	-	**(1,105)**	**1,105**	-	-	**4,211**	**11,636**	**15,847**
Balance at 31 March 2018 carried forward (as restated)	**8,211**	**1,800**	**-**	**6,830**	**-**	**250**	**17,091**	**43,534**	**60,625**

	General Fund Balance	Pension Liability Reserve	Levy Equalisation Reserve	Stabilisation Reserve	Loan Repayment Reserve	Recycling Initiatives Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in Reserves during 2018/19									
Balance at 1 April 2018 carried forward (as previously stated)	**8,211**	**1,800**	**-**	**6,830**	**-**	**250**	**17,091**	**37,060**	**54,151**
Effect of prior year adjustment	-	-	-	-	-	-	**-**	6,474	**6,474**
Balance at 1 April 2018 carried forward (as restated)	**8,211**	**1,800**	**-**	**6,830**	**-**	**250**	**17,091**	**43,534**	**60,625**
(Deficit)/ Surplus on provision of services	3,742	-	-	-	-	-	**3,742**	-	**3,742**
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**465**	**465**
Total Comprehensive Income and Expenditure	**3,742**	**-**	**-**	**-**	**-**	**-**	**3,742**	**465**	**4,207**
Adjustments between accounting basis and funding basis under regulations (Note 7)	**1,167**	**-**	**-**	**-**	**-**	**-**	**1,167**	(1,167)	**-**
Net (Decrease)/ Increase before Transfers to Earmarked Reserves	**4,909**	**-**	**-**	**-**	**-**	**-**	**4,909**	**(702)**	**4,207**
Transfers to/from Earmarked Reserves	**(8,500)**	**-**	**-**	**-**	**8,500**	**-**	**-**	-	**-**
(Decrease)/ Increase in Year	**(3,591)**	**-**	**-**	**-**	**8,500**	**-**	**4,909**	**(702)**	**4,207**
Balance at 31 March 2019 carried forward	**4,620**	**1,800**	**-**	**6,830**	**8,500**	**250**	**22,000**	**42,832**	**64,832**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from AWDC charges and the Residual Levy. The Authority raises income to cover expenditure in accordance with regulations; this may be different from the accounting cost. The position relating to the raising of income to cover expenditure is shown in the Movement in Reserves Statement.

	2017/18 (Restated)		2018/19	
	£000	£000	**£000**	**£000**
Operating expenditure				
Employees	578		**566**	
Premises	617		**614**	
General waste disposal	44,326		**48,436**	
Other supplies and payments	439		**567**	
Depreciation and Impairment (Note 11)	1,634		**1,061**	
Total		47,594		**51,244**
Operating Income (outside IFRS 15)				
Hammersmith and Fulham	(9,131)		**(9,127)**	
Kensington and Chelsea	(9,470)		**(9,546)**	
Lambeth	(14,126)		**(14,300)**	
Wandsworth	(12,463)		**(12,454)**	
Total		(45,190)		**(45,427)**
Net Cost of Services		2,404		**5,817**
Other Items				
Financing and investment income and expenditure (Note 9)		358		**291**
Other income recognised under IFRS 15 (Note 10)		(141)		**(3,664)**
Other income outside IFRS 15		(387)		**(223)**
Deficit on Provision of Services		2,234		**2,221**
Levy on Constituent Authorities (outside IFRS 15)				
Hammersmith and Fulham	(1,258)		**(1,125)**	
Kensington and Chelsea	(1,586)		**(1,392)**	
Lambeth	(1,714)		**(1,557)**	
Wandsworth	(2,125)		**(1,889)**	
		(6,683)		**(5,963)**
Surplus on Provision of Services		(4,449)		**(3,742)**
Surplus on revaluation of Property, Plant and Equipment assets (Note 11)		(10,808)		-
Remeasurements of the net defined benefit liability (Note 28)		(590)		**(465)**
Other Comprehensive Income and Expenditure		(11,398)		**(465)**
Total Comprehensive Income and Expenditure		(15,847)		**(4,207)**

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (AWDC charges and the Residual Levy) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2017/18 £000			**2018/19 £000**		
	Net Expenditure chargeable to the General Fund	Adjustments between the funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	**Net Expenditure chargeable to the General Fund**	**Adjustments between the funding and accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
Employees	450	128	578	**562**	**4**	**566**
Premises	617	-	617	**614**	**-**	**614**
General Waste Disposal	44,326	-	44,326	**48,436**	**-**	**48,436**
Other supplies and payments	439	-	439	**567**	**-**	**567**
Depreciation and Impairment (Note 11)	-	1,634	1,634	**-**	**1,061**	**1,061**
Operating Income	(45,190)	-	(45,190)	**(45,427)**	**-**	**(45,427)**
Net Cost of Services	642	1,762	2,404	**4,752**	**1,065**	**5,817**
Other Expenditure	2,358	(2,000)	358	**189**	**102**	**291**
Other Income	(528)	-	(528)	**(3,887)**	**-**	**(3,887)**
Levy income	(6,683)	-	(6,683)	**(5,963)**	**-**	**(5,963)**
Deficit/ (surplus)on Provision of Services	**(4,211)**	**(238)**	**(4,449)**	**(4,909)**	**1,167**	**(3,742)**
Opening Usable Reserve Balance	**12,880**			**17,091**		
Plus surplus or (Deficit) on Revenue Reserve in Year	**4,211**			**4,909**		
Usable Reserve Balance carried forward	**17,091**			**22,000**		

For a breakdown of Useable Reserves, please refer to the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets 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 reserves are 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.

	Notes	1 April 2017 (Restated) £000	31 March 2018 (Restated) £000	**31 March 2019 £000**
Property, Plant and Equipment	11	51,735	60,909	**59,848**
Long Term Assets		51,735	60,909	**59,848**
Short Term Debtors	13	5,422	8,128	**5,120**
Short Term Investments	14	-	-	**1,003**
Cash and Cash Equivalents	14	8,859	9,119	**17,460**
Prepayments		14	16	**31**
Current Assets		14,295	17,263	**23,614**
Receipts in Advance		-	1,557	**2,890**
Short Term Borrowing	12	2,000	2,000	**5,500**
Short Term Creditors	15	6,614	3,814	**3,923**
Provisions	16	-	-	**-**
Current Liabilities		8,614	7,371	**12,313**
Long Term Borrowing	12	8,500	6,500	**3,000**
Pensions	28	4,138	3,676	**3,317**
Long Term Liabilities		12,638	10,176	**6,317**
Net Assets		44,778	60,625	**64,832**
Usable Reserves	17	12,880	17,091	**22,000**
Unusable Reserves	18	31,898	43,534	**42,832**
Total Reserves		44,778	60,625	**64,832**

The notes on pages 13 to 49 form part of the financial statements.

C Buss
Treasurer

July 2019

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting year. 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 by way of AWDC charges or the Residual Levy received from the Constituent Authorities. All activities are based on recovery of costs from the Constituent Authorities. Investing activities represent the extent to which cash outflows have been made for resources 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.

	2017/18 £000	**2018/19** **£000**
Net surplus on the provision of services	(4,449)	**(3,742)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 19)	2,189	**(5,602)**
Net cash flows from Operating Activities	(2,260)	**(9,344)**
Investing Activities (Note 20)	-	**1,000**
Financing Activities (Note 21)	2,000	**3**
Net increase in cash and cash equivalents	(260)	**(8,341)**
Represented by		
Cash and cash equivalents at the beginning of the reporting year (Note 14)	(8,859)	**(9,119)**
Cash and cash equivalent at the end of the reporting year (Note 14)	(9,119)	**(17,460)**
Increase in cash and cash equivalents	(260)	**(8,341)**

NOTES TO THE ACCOUNTS

PRIOR YEAR ADJUSTMENT

The Authority discovered an error in the revaluation of Property, Plant and Equipment completed as at 31 March 2018. This meant that Long Term Assets were undervalued by £6.473m.

In order to correct this error, the Authority has restated the prior year information for 2017/18 Balance sheet and reflected the £6.473m adjustment in the Revaluation Reserve.

The impact on assets, liabilities and reserves as at 31 March 2018 of the correction to the valuation of property, plant and equipment is as follows:

	As previously reported	Prior year adjustment	As restated
Property, plant and equipment	54,435	6,474	60,909
Total effect on net assets	54,435	6,474	60,909
Unusable Reserves	37,060	6,474	43,534
Total effect on reserves	37,060	6,474	43,534

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England and Wales) 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets. The principal accounting policies have been applied consistently throughout the year.

ii. Accruals of Income and Expenditure

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

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- 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 cash balances 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.

iii. New Accounting Policies – IFRS 15

Revenue transactions can be broadly divided into two types i.e. those which are exchange transactions and those which are non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an authority either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. There are other occasions that authorities can charge other bodies and for which there is no exchange or consideration in return. Income from constituent councils falls into this latter category as both the direct levy and tonnage charges are levied by statute to cover the entire costs of the Authority. Other income, such as income, from the use of facilities by Westminster and the one off payment from Cory is recognised as an exchange transaction according to IFRS 15 principles. *iv. Cash and Cash Equivalents*

Cash is represented by deposits with current retail banker (RBS/ Nat West) and investments via Wandsworth Council repayable without penalty on notice of not more than 24 hours.. Cash equivalents are investments that mature in a specified period, no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

v. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

vi. Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior year adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior year as if the new policy had always been applied.

Material errors discovered in prior year figures are corrected retrospectively by amending opening balances and comparative amounts for the prior year. An error was discovered in the calculation for the 2017/18 revaluation of Property, Plant and Equipment which has been restated in these accounts.

vii. Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Authority is not required to charge constituent Boroughs to fund depreciation, revaluation and impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance [MRP], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. Following a review of MRP policy and the establishment of an earmarked reserve to redeem debt MRP is nil in 2018/19 and future years.

viii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. health checks) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual would be made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year, however, this is immaterial for the Authority and not recognised in the accounts.

Termination Benefits

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 and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or making an offer to encourage voluntary redundancy.

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 enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of the LPFA pension scheme. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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 projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.35% in 2018/19 compared to 2.55% in 2017/18 (based on the net present value of the notional cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve – this has changed from the 'spot rate' approach adopted at the previous accounting date).

The assets of the pension fund are valued at market value in the Balance Sheet.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve; and
- contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

ix. Events After the Balance Sheet Date

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

x. Financial Instruments

Financial Liabilities

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 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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from a Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss, and
- Fair value through other comprehensive income

Authority's business model is to hold investments to collect contractual cashflows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Authority as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment which it owns, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

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; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction – depreciated historical cost;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value, i.e. for vehicles and moveable plant.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2009 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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), assets that are not yet available for use (i.e. assets under construction) and assets which have been reclassified from assets under construction within the year.

Depreciation is calculated on buildings, vehicles, plant, furniture and equipment on a straight-line basis over the useful life of the property as estimated by the valuer. (Remaining useful economic lives are as follows: Building structure –60 years, Roof – 35 years, fixed plant (heating etc) – 20 years, and electrical equipment – 35 years). 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. The depreciation policy was amended between 2017/18 and 2018/19 to reflect revised remaining useful economic lives provided as part of the 2018 revaluation.

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.

xiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive 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 in the year that the authority becomes aware of the 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.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xiv. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

xv. VAT

VAT payable is included as an expense in the comprehensive Income and Expenditure Statement and the capital accounts only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income accounts. VAT due from HMRC and payable to HMRC at the year end is accrued in the accounts and included in debtors or creditors.

xvi. *ROUNDING* – it is not the Authority's policy to adjust for immaterial cross-casting difference between the main statements and disclosure notes.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code introduces changes in Accounting Policies which will need to be adopted fully by the Authority in the 2019/20 financial statements. The Authority is required to disclose information relating to the expected impact of the accounting changes on the financial statements because of adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Authority.

The amendments are as follows:

- IFRS 16: Leases
- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

There is unlikely to be any areas within the above which apply to the Authority

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Authority's contractual agreements under the WMSA involve large financial sums up to 2032, with options to extend. The Authority considers that the controls within the WMSA provide sufficient certainty and safeguards to enable accounting policy to be implemented without incurring any impairment to the Authority's assets or future revenue streams.
- The Authority has received £3.5m in 2018/19 from the main contractor which was in effect a payment to facilitate their refinancing, this payment has no impact on future potential or contingent liabilities and thus future costs. This has therefore been recognised as income in year in line with accounting standards and the advice the authority has received.
- There is a high degree of uncertainty about the government's Landfill Tax policy. However, the Authority has determined that this uncertainty is not sufficient to undermine predictions about future levels of AWDC charges and the Residual Levy due to the use of the EfW plant.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. In the event that wear and tear on the assets is more intensive than assumed, then the assets will have to be depreciated over a shorter period of time, resulting in higher repairs and maintenance costs to extend the life of the asset or a shorter repayment period before PWLB loans fall due.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. After the Valuation as at 31st March 2018, It is estimated that the annual depreciation charge for buildings would increase by £16,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £181,000.

	firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	However, the assumptions interact in complex ways. A +1 year adjustment to the mortality age rating assumption would result in an increase in the pension liability of £404,000.
Arrears	The Authority recovers the significant majority of its costs from the Constituent Authorities under statute. Late payment by the Constituent Authorities will incur additional cash flow charges or result in a reduction in interest earned on cash flow movements.	If collection rates were to deteriorate, a higher penalty rate would have to be imposed on Constituent Councils to ensure cash flow losses are not incurred.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Authority received £3.5 million cash receipt as a result of Cory executing a debt refinancing of the Belvedere Energy from Waste plant in October 2018.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer on 31st May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

2018/19	**General Fund Balance £000**	**Movement in Unusable Reserves £000**
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	**(1,061)**	**1,061**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Statutory provision for the financing of capital investment	**-**	**-**
Loan repayment charged against the General Fund	**-**	**-**
Capital expenditure charged against the General Fund	**-**	**-**
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 27)	**(216)**	**216**
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 27)	**110**	**(110)**
Total Adjustments	**(1,167)**	**1,167**

2017/18	**General Fund Balance £000**	**Movement in Unusable Reserves £000**
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	**(1,634)**	**1,634**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Statutory provision for the financing of capital investment	**-**	**-**
Loan repayment charged against the General Fund	**2,000**	**(2,000)**
Capital expenditure charged against the General Fund	**-**	**-**
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 27)	**(236)**	**236**
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 27)	**108**	**(108)**
Total Adjustments	**238**	**(238)**

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

The Authority created a Pension Liability Reserve in 2012/13 of £1.8 million. The Actuary for the Pension fund (administered by the LPFA) has reported on the triennial valuation that as at 31st March 2016, the Authority's element of the LPFA fund was fully funded. This valuation, although it is a forward look, is still only valid as at that point in time and the fund will be subject to market pressures which could mean that the funding level drops due to investments not performing as well as could be expected. In light of this it is proposed to retain the Pension Liability Reserve at this time in provide against future increases in charges from the LPFA requiring increases in the Levy.

In 2015/16 the Authority set up the Levy Equalisation Reserve, Rates Stabilisation Reserve and Recycling Initiatives Reserve. These first two reserves were set up as a prudent approach to offset potential changes in rates and the Levy as a result of circumstances outside the Authority's control. With effect from 1st April 2017 these two reserves were merged enabling the Authority to have greater flexibility in how it meets spending pressures in these two key areas. The Recycling Initiatives Reserve will enable future recycling projects to be proposed and funded without the requirement of additional borough funding. In 2018/19 a Loan Repayment Reserve has been established to provide for the redemption of all current debt with the PWLB.

	Balance 1 April 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance 31 Mar 2018 £000	**Transfers Out 2018/19** £000	**Transfers In 2018/19** £000	**Balance 31 Mar 2019** £000
General Fund:							
General Fund Balance	**4,000**	**(2,000)**	**6,211**	**8,211**	**(8,500)**	**4,909**	**4,620**
Pension Liability Reserve	**1,800**	**-**	**-**	**1,800**	**-**	**-**	**1,800**
Levy Equalisation Reserve	**1,105**	**(1,105)**	**-**	**-**	**-**	**-**	**-**
Rates Stabilisation Reserve/ renamed Stabilisation Reserve	**5,724**	**1,105**	**-**	**6,829**	**-**	**-**	**6,829**
Loan Repayment Reserve	**-**	**-**	**-**	**-**	**-**	**8,500**	**8,500**
Recycling Initiatives Reserve	**250**	**-**	**-**	**250**	**-**	**-**	**250**
Total	**12,879**	**(2,000)**	**6,211**	**17,090**	**(8,500)**	**13,409**	**21,999**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18 £000	**2018/19** **£000**
Interest payable and similar charges	304	**342**
Net interest on the net defined benefit liability (asset)	116	**102**
Interest receivable and similar income	(62)	**(153)**
Total	358	**291**

10. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients include the £3.5m receipt from Cory and £154,000 income from Westminster council for the use of the Authority's civic amenity site:

	2017/18	**2018/19**
	£000	**£000**
Revenue from contracts with service recipients	141	**3,664**

Nothing is included in the Balance Sheet for contracts with service recipients.

11. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2018/19

A valuation was carried out by the Authority's Valuer, P C Smith, MRICS IRRV (Hons), RICS Registered Valuer of Wilks Head & Eve LLP, on land, buildings and fixed plant and equipment as at 31st March 2018. The results of the valuation are shown below. Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The 31st March 2018 figures have been restated due to errors in the base calculation and assessment of land values.

	Land and Buildings	Fixed Plant and Equipment	Vehicles and Moveable Plant	**Total**
	£000	£000	£000	**£000**
Cost or valuation at 1 April 2018 (as restated)	54,796	8,780	223	**63,799**
Additions	-	-	-	**-**
Reclassifications	-	-	-	**-**
Revaluation increases/ (decreases) recognised in Revaluation Reserve	-	-	-	**-**
Revaluation increases to Surplus/ Deficit on Provision of Services	-	-	-	**-**
At 31 March 2019	**54,796**	**8,780**	**223**	**63,799**
Accumulated Depreciation and Impairment at 1 April 2018	-	(2,667)	(223)	**(2,890)**
Depreciation charge	(791)	(270)		**(1,061)**
Depreciation written out to the Revaluation Reserve	-	-	-	**-**
At 31 March 2019	**(791)**	**(2,937)**	**(223)**	**(3,951)**
Net Book Value				
at 31 March 2019	**54,005**	**5,843**	**-**	**59,848**
at 31 March 2018	**54,796**	**6,113**	**-**	**60,909**

Fixed Plant and Equipment

No capital expenditure was incurred during 2018/19.

2017/18

	Land and Buildings	Fixed Plant and Equipment	Vehicles and Moveable Plant	**Total**
	£000	£000	£000	**£000**
Cost or valuation at 1 April 2017 (as previously stated)	42,790	13,550	223	**56,563**
Prior year adjustment	7,233	(760)	-	**6,473**
Cost or valuation at 1 April 2017 (as restated)	50,023	12,790	223	**63,036**
Additions	-	-	-	**-**
Reclassifications	-	-	-	**-**
Revaluation increases/ (decreases) recognised in Revaluation Reserve	4,773	(4,010)	-	**763**
Revaluation increases to Surplus/ Deficit on Provision of Services	-	-	-	**-**
At 31 March 2018	**54,796**	**8,780**	**223**	**63,799**
Accumulated Depreciation and Impairment at 1 April 2017	(2,613)	(1,992)	(223)	**(4,828)**
Depreciation charge	(959)	(675)		**(1,634)**
Depreciation written out to the Revaluation Reserve	3,572	-	-	**3,572**
At 31 March 2018	**-**	**(2,667)**	**(223)**	**(2,890)**
Net Book Value				
at 31 March 2018 (as restated)	**54,796**	**6,113**	**-**	**60,909**
at 31 March 2017	**40,177**	**11,558**	**-**	**51,735**

12. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2018 £000	**31 March 2019 £000**	31 March 2018 £000	**31 March 2019 £000**
Financial Assets				
Fair value through profit and loss	-	-	-	**1,003**
Amortised cost	-	-	8,129	**5,120**
Total Financial Assets	**-**	**-**	8,129	**6,123**
Financial Liabilities				
Fair value through profit and loss	-	**-**	-	**-**
Amortised cost	6,500	3,000	5,814	**9,423**
Total Financial Liabilities	**6,500**	**3,000**	7,371	**9,423**

* The 31 March 2018 loans outstanding have been separated out between current and long-term liabilities

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:

- estimated ranges of interest rates at 31 March 2019 of 3.50% to 4.57% for loans from the PWLB;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities	31 March 2018 Carrying amount £000	31 March 2018 Fair value £000	**31 March 2019 Carrying amount £000**	**31 March 2019 Fair value £000**
Financial Liabilities held at amortised cost – short term borrowing	2,000	2,059	**5,500**	**5,610**
Financial Liabilities held at amortised cost – long term borrowing	6,500	7,223	**3,000**	**3,434**
Total	8,500	9,282	**8,500**	**9,044**

The fair value of outstanding long term debts as at 31st March 2019 was higher than the book value due to the changes in market factors since the original borrowing was made.

Financial Assets	31 March 2018 Carrying amount £000	31 March 2018 Fair value £000	**31 March 2019 Carrying amount £000**	**31 March 2019 Fair value £000**
Financial assets held at fair value through Profit and loss – Diversified income fund	-	-	**1,003**	**1,003**
Financial Assets held at amortised cost	8,129	8,129	**5,120**	**5,120**
Total	8,129	8,129	**6,123**	**6,123**

Fair Values of Financial Assets
Some of the Authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial Assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2018 £000	As at 31 March 2019 £000
Fair Value Through Profit or Loss				
Diversified Income Fund	Level 1	Unadjusted quoted prices in statement received	-	1,003
Total			-	1,003

13. SHORT TERM DEBTORS

Short term debtors and other receivables at 31st March 2018 and 31st March 2019 can be analysed as follows:

ITEM	31 March 2018 £000	**31 March 2019 £000**
Trade Receivables	4,925	**3,591**
Other Receivable Amounts	3,204	**1,529**
Total	**8,128**	**5,120**

14. CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2018 £000	**31 March 2019 £000**
Cash at bank	1,086	**2,221**
Cash held by Wandsworth Council	8,033	**15,239**
Total	**9,119**	**17,460**

The balance of Short Term Investments is made up of the following:

	31 March 2018 £000	**31 March 2019 £000**
Diversified Income Fund	0	**1,003**
Total	**0**	**1,003**

15. SHORT TERM CREDITORS

Creditor payments 31st March 2018 and 31st March 2019 can be analysed as follows:-

ITEM	31 March 2018 £000	**31 March 2019 £000**
Trade payables	3,628	**3,836**
Other payables	186	**87**
Total	**3,814**	**3,923**

16. PROVISIONS

There are no provisions recognised at 31 March 2019 (31 March 2018 was also nil).

17. USABLE RESERVES

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

18. UNUSABLE RESERVES

	31 March 2018 as previously stated £000	31 March 2018 as restated £000	31 March 2019 £000
Revaluation Reserve	22,887	29,360	**29,360**
Pensions Reserve	(3,676)	(3,676)	**(3,317)**
Capital Adjustment Account	17,850	17,850	**16,789**
Accumulated Absences Account	-	-	**-**
Total Unusable Reserves	37,061	43,534	**42,832**

Revaluation Reserve

The Revaluation Reserve contains the 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:

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

The Reserve contains only revaluation gains accumulated since 1 April 2009, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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 employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources 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.

	2017/18 £000	**2018/19** **£000**
Balance at 1 April	(4,138)	**(3,676)**
Remeasurements of the net defined benefit liability/ (asset)	590	**465**
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	(236)	**(216)**
Employer's pensions contributions and direct payments to pensioners payable in the year	108	**110**
Balance at 31 March	(3,676)	**(3,317)**

<u>Capital Adjustment Account</u>

The Capital Adjustment Account contains the amounts contributed from the Comprehensive Income and Expenditure Statement for the repayment of external loans, and is adjusted for depreciation. There has been no provision for debt redemption in 2018/19 as voluntary additional contributions have been made to date and therefore a payment 'holiday' is in operation. In 2017/18 £2m of PWLB loans were repaid and in order to write out the annual provision for debt redemption in relation to these debts, a payment has been made between the General Fund and the Capital Adjustment Account.

	2017/18 £000	**2018/19** **£000**
Balance at 1 April	17,484	**17,850**
Provision for debt redemption	-	**-**
Depreciation provision	(1,634)	**(1,061)**
Revaluation losses on Property, Plant and Equipment	-	**-**
Repayment of PWLB loans	2,000	**-**
Balance at 31 March	17,850	**16,789**

<u>Accumulated Absences Account</u>

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences 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 Balance is neutralised by transfers to or from the Account.

The effect of any annual leave entitlement carried forward at 31 March 2019 is deemed immaterial in the accounts.

19. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2017/18 £000	**2018/19 £000**
Interest received	62	**153**
Interest paid	(304)	**(342)**
Total	(242)	**(189)**

The surplus or deficit on the provision of services has been adjusted for the following movements:

	2017/18 £000	**2018/19 £000**
Depreciation	(1,634)	**(1,061)**
Increase in receipts in advance	(1,557)	**(1,333)**
Decrease/(Increase) in creditors	2,798	**(108)**
Increase/(Decrease) in debtors	2,708	**(3,009)**
Increase in prepayments	2	**15**
Movement in pension liability	(128)	**(106)**
	2,189	**(5,602)**

20. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2017/18 £000	**2018/19 £000**
Purchase of property, plant and equipment	-	**-**
Purchase of short-term and long-term investments	-	**1,000**
Other payments for investing activities	-	**-**
Other receipts from investing activities	-	**-**
Net cash flows from investing activities	-	**1,000**

21. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2017/18 £000	**2018/19 £000**
Cash receipts of short- and long-term borrowing	**-**	-
Other receipts from financing activities	-	**3**
Repayments of short- and long-term borrowing	2,000	**-**
Net cash flows from financing activities	2,000	**3**

22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

There are no liabilities arising from the financing activities during the year 2018/19. During 2017/18 a £2m PWLB loan was repaid:

	1 April 2017	Financing cashflows	Non-cash changes	31 March 2018
Long term borrowing	8,500	-	(2,000)	6,500
Short term borrowing	2,000	(2,000)	2,000	2,000
Total liabilities from financing activities	**10,500**	**(2,000)**	**-**	**8,500**

	1 April 2018	Financing cashflows	Non-cash changes	31 March 2019
Long term borrowing	6,500	-	(3,500)	3,000
Short term borrowing	2,000		3,500	5,500
Total liabilities from financing activities	**8,500**	**-**	**-**	**8,500**

23. OFFICERS' REMUNERATION

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

Title	Year	Salary, Fees and Allowances £000	Bonuses £000	Expenses Allowances £000	Pension Contribution £000	**Total £000**
General Manager	2017/18	129	11	1	17	158
	2018/19	**132**	**11**	**1**	**18**	**162**
Deputy General Manager	2017/18	73	6	-	10	89
	2018/19	**75**	**7**	**-**	**10**	**92**

Bonuses relates to a Performance Related Pay award.

Remuneration band	2017/18 Number of Employees	2018/19 Number of Employees
£75,000 - £74,999	1	0
£85,000 - £89,999	0	1
£140,000 - £144,999	1	1

The Authority's other employees receive below £50,000 remuneration for the year (excluding employer's pension contributions).

There are no allowances paid to Members by the Authority and no exit packages in either 2017/18 or 2018/19.

24. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's auditors:

	2017/18 £000	**2018/19 £000**
Fees payable to KPMG LLP and Deloitte with regard to external audit services carried out by the appointed auditor for the year 2017/18 and 2018/19 respectively	16	**12**

25. RELATED PARTIES

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 and Fulham, Kensington and Chelsea, Lambeth and Wandsworth. The Authority's Treasurer was a chief officer of Kensington and Chelsea from 1st April – 21st July 2018. The Authority had transactions with all four constituent Councils as waste collection authorities liable to pay for disposal of waste and to pay levies, as detailed in the Comprehensive Income and Expenditure Statement.

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

	2017/18 £000	**2018/19 £000**
Financial Services	52	**54**
Other Services (admin support etc)	32	**37**
Total	84	**91**

At 31st March 2018 and 31st March 2019 the following Authority balances related to Wandsworth Council:

	31 March 2018 £000	**31 March 2019 £000**
Debtors and Accrued Income	1,025	**1,012**

These sums relate to invoices which are not payable until April 2018 and April 2019 respectively.

The Authority invests cash via Wandsworth Council with a balance of £15.2m held with Wandsworth as at 31st March 2019 (£8.0m as at 31st March 2018). Net interest payments on cash flow balances of £78,544 were received by the Authority from Wandsworth Council for the year 2018/19 whilst net interest payments for 2017/18 amounted to £37,844.

26. CAPITAL EXPENDITURE AND CAPITAL FINANCING

There was no capital expenditure incurred in the year as shown in the table below. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/18	**2018/19**
	£000	**£000**
Opening Capital Financing Requirement	15,633	**13,633**
Capital investment		
Capital Expenditure	-	**-**
Sources of finance		
MRP	-	**-**
Direct revenue contributions	(2,000)	**-**
Closing Capital Financing Requirement	13,633	**13,633**
Explanation of movements in year		
Reduction in underlying need to borrow (unsupported by government financial assistance)	(2,000)	**-**
Decrease in Capital Financing Requirement	(2,000)	**-**

27. LEASES

Authority as Lessor

Operating Leases

The Authority has leased out land at Institute Wharf, Smugglers Way to Chartwell Properties Ltd on a 15 year lease with effect from 2015 for a rental value of £158,599 per annum.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	Minimum Lease Payments	
	31 March 2018	31 March 2019
	£000	£000
Not later than one year	159	159
Later than one year and not later than five years	634	634
Later than five years	1,223	1,065
Total	2,016	1,858

Authority as Lessee

Operating Leases

The Authority leases the Energy from Waste facility at Belvedere at a peppercorn rent. The Authority relinquished a lease from Wandsworth Borough Council for the use of Feather's Wharf at the end of October 2013. Therefore no lease payments have been made for the year 1st April 2018 to 31st March 2019.

28. DEFINED BENEFIT PENSION SCHEMES

1. PENSION FUND**.** 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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

2. Local Government 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) under the Local Government Pension Scheme Regulations. 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, Barnett Waddingham, was instructed to undertake IAS 19 calculations on behalf of the Authority as at 31st March 2019.

3. We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the Levy is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Year to 31 March 2018 £000	**Year to 31 March 2019 £000**
Comprehensive Income and Expenditure Statement		
Service cost	120	**114**
Financing and Investment Income and Expenditure		
Net Interest Expense	116	**102**
Total Post-employment Benefits charged to the Surplus of Deficit on the Provision of Services	236	**216**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(218)	**(497)**
Actuarial gains and losses arising on changes in demographic assumptions	-	**-**
Actuarial gains and losses arising on changes in financial assumptions	(372)	**531**
Actuarial gains and losses arising on changes in demographic assumptions	-	**(499)**
Experience gain/(loss) on defined benefit obligation	-	**-**
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(590)	**(465)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(236)	**(216)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	108	**110**

The Supreme Court have recently ruled in favour of the McCloud case, challenging the 2015 rule changes to the public sector pensions as discriminatory to younger employees. The ruling means that local government pension funds are likely to have to compensate and account for payments to ensure that no employee is left out of pocket. However, the structure of the Authority's liabilities with most being either deferred or already in receipt of pension will mean that the majority are outside of the impact of this judgement and therefore exposure to this risk is limited.

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	2017/18 £000	**2018/19** **£000**
Present value of the defined benefit obligation	11,304	**11,407**
Fair value of scheme assets	(7,650)	**(8,108)**
Present value of unfunded obligation	22	**18**
Net liability arising from defined benefit obligation	3,676	**3,317**

Reconciliation of the Movements in the Fair Value of Scheme Assets

ITEM	2017/18 £000	**2018/19** **£000**
Opening fair value of scheme assets	7,426	**7,650**
Interest income	191	192
Remeasurement gain/ (loss):		
The return on assets, excluding the amount included in the net interest expense	218	497
Other actuarial gains/ (losses)	-	-
Contributions from employer	108	110
Contributions from employees into the scheme	30	30
Benefits paid plus unfunded net of transfers in	(313)	(361)
Administration expenses	(10)	(10)
Closing fair value of scheme assets	7,650	**8,108**

Local Government Pension Scheme Assets Comprised:

ITEM	2017/18		**2018/19**	
	£000	%	£000	%
Equities	4,677	61	4,411	54
Target Return Portfolio	1,714	22	2,162	27
Infrastructure	335	4	489	6
Property	551	7	762	9
Cash	373	5	284	4
Total	7,650	100	**8,108**	**100**

Reconciliation of Present Value of the Scheme Liabilities

ITEM	2017/18 £000	**2018/19** **£000**
Opening balance 1 April	11,564	**11,326**
Current service cost	120	114
Interest cost	297	284
Contributions from scheme participants	30	30
Remeasurement (gains) and losses:		
- Actuarial gains/losses arising from changes in demographic assumptions	-	(499)
- Actuarial gains/losses arising from changes in financial assumptions	(372)	531
Experience loss/(gain) on defined benefit obligation	-	-
Past Service Cost	-	-
Liabilities assumed on entity combinations		
Benefits paid	(308)	(356)
Unfunded pension payments	(5)	(5)
Closing balance at 31 March	11,326	**11,425**

4. Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The significant assumptions used by the actuary have been:

	2017/18	**2018/19**
Longevity at 65 for current pensioners:		
-Men	20.7	**19.8**
-Women	23.9	**22.9**
Longevity at 65 for future pensioners:		
-Men	23.1	**21.6**
-Women	26.2	**24.6**
Rate of inflation	2.35	**2.45**
Rate of increase in salaries	3.85	**3.95**
Rate of increase in pensions	2.35	**2.45**
Rate for discounting scheme liabilities	2.55	**2.35**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	£000	£000	£000
Longevity (sensitivity)	+1 Year	None	-1 Year
Present Value of Total Obligation	11,829	11,425	11,034
Projected Service Cost	119	115	111
Rate of increase in salaries (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	11,446	11,425	11,403
Projected Service Cost	115	115	115
Rate of increase in pensions (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	11,587	11,425	11,265
Projected Service Cost	118	115	112
Rate for discounting scheme liabilities (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	11,244	11,425	11,608
Projected Service Cost	112	115	118

29. CONTINGENT ASSETS

A power disruption at the Energy from Waste Facility at Belvedere in October 2018 caused the Turbine to be damaged and is expected to be out of action until June 2019. The energy risk share mechanism within the WMSA is based around the average wholesale electricity price achieved during the financial year. As little or no electricity has been sold during the winter months, when wholesale electricity prices are higher, the effect has been to depress the average price of electricity and therefore increase costs to the Authority. On the advice of the Authority's legal experts, it is probable that damages will be awarded to the Authority once Cory's insurance claim is processed.

30. CONTINGENT LIABILITY

The Authority's contract with Cory includes provisions in the event of early termination where in some circumstances the Authority may become liable for the repayment of the contractor's senior debt. The amount payable would depend upon the nature of the termination and timing. This would be offset either in part or in full by the transfer of the contractor's assets.

31. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.

- Liquidity risk – the possibility that the Authority may not have the funds available to meet its commitments to make payment.
- Refinancing 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.

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. Overall, the Authority is required to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators which limit the Authority's overall borrowing, it's maximum and minimum exposures to fixed and variable interest rates and its maximum and minimum exposure to the maturity structure of its debt.

In order to comply with the requirement that the Authority is required to set a balanced budget (Local Government Finance Act 1992) the above is required to be 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.

In accordance with Standing Orders, the Treasurer is responsible for all of the Authority's banking, borrowing and investment activities. Under the Authority's existing arrangements, the London Borough of Wandsworth administers part of the treasury management function on behalf of WRWA, there is a small sum invested within a Diversified Income Fund and the remainder is invested with the current retail banker (RBS/ Nat West) in a Special Interest Bearing Account (SIBA). WRWA receives reports and monitors the treasury management performance of the London Borough of Wandsworth on a regular basis.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Credit risk with banks and financial institutions are managed under the Treasury Management arrangements operated by the London Borough of Wandsworth.

Credit Risk in relation to payments due from Council Customers (Debtors)

Credit risks can arise from the Authority's exposure to customers. As the great majority of income due to WRWA is derived from its four constituent boroughs, risks are low. Payments for services are either required in advance or due at the time the service is provided. As at 31st March 2019, £5.120 million (£8.129 million as at 31 March 2018) is due to the Authority from its customers. Of this sum, constituent councils were liable to pay a net £3.591 million all of which was accrued income to the authority, and payable in April 2019. VAT due from the HMRC for February and March 2019 totalled £1.5 million whilst VAT due for February and March 2018 amounted to £1.4 million. These sums were received in April and May 2019 and 2018 respectively.

There was no provision for bad debts as at 31st March 2018 and 31st March 2019 as all outstanding debtors are expected to be paid.

Credit risk arising from deposits with Banks and Financial Institutions

This is managed through the Treasury Management Arrangements which adopt the same as those operated by the London Borough of Wandsworth.

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.

The Authority has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer-term funds and acts as lender of last resort to authorities. Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. As at 31st March 2019, all of the Authority's outstanding loans were with PWLB.

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 key risk is that the Authority will be bound to replenish a significant proportion of its financial instruments, in the form of PWLB loans, at a time of unfavourable interest rates. The risk relates to maturing financial liabilities as all PWLB loans are maturity loans. The Authority approved Treasury Management and Investment Strategies address the main risks and the Treasurer addresses the operational risks within approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt; and
- monitoring the daily cash flow.

The maturity structure for borrowing as at 31st March 2018 and 31st March 2019 is set out below and is within the Authority's Prudential Code limits for 2017/18 and 2018/19 as set out in its Treasury Management Strategy:

Renewal Period	Market Loans Outstanding as at 31 March 2018 £000	% of Total borrowing	**Market Loans Outstanding as at 31 March 2019 £000**	**% of Total borrowing**
Less than One Year	2,000	23.5	**5,500**	**64.7**
Between One and Two Years	3,500	41.2	**-**	**-**
Between Two and Five Years	2,000	23.5	**2,000**	**23.5**
Between Five and Ten Years	1,000	11.8	**1,000**	**11.8**
More than Ten Years	-	-	**-**	**-**
Total	8,500	100.0	**8,500**	**100.0**

All trade and other payables are due to be paid in less than one year

Market Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Interest rates during 2017/18 and 2018/19 continue at a reasonably low level. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the provision of services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has the following strategies to manage interest rate risk:

- All the Authority's borrowings are at fixed rates for the period of the loan.

- Spreading the maturity of loans so that a large proportion of loans do not mature in the same year.
- Ensure the average maturity period for all new loans is at least 4 years.

In view of the fact that the Authority has no variable rate borrowings, no financial impact on the Authority's financial performance for 2018/19 is reported in the key financial statements.

It should also be noted that the Authority has further protected against these risks by the establishment of an earmarked reserve to pay outstanding debt as it is due. As at 31st March 2019 the value of this reserve was equivalent to the debt to be redeemed if the latter is held until the due redemption date.

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