AS PROVIDED FOR UNDER SECTION 100B (4)(b) OF THE LOCAL GOVERNMENT ACT 1972 , THE CHAIRMAN IS OF THE OPINION THAT THIS REPORT SHOULD BE CONSIDERED AT THE MEETING AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES. THE CIRCUMSTANCES ARE THAT THE AUTHORITY NEEDS TO CONCLUDE THE AUDIT OF THE 2019/20 ACCOUNTS.

Date: 24th September 2020

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

WESTERN RIVERSIDE WASTE AUTHORITY

SUPPLEMENTAL AGENDA FOR THE AUTHORITY'S MEETING TO BE HELD VIRTUALLY ON TUESDAY, 29TH SEPTEMBER, 2020 AT 5.30 P.M.

ITEM 6

PAPER NO. WRWA 20-19

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	29th September 2020
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 871 2788) 23rd September 2020
SUBJECT	Report of the Treasurer on the Authority's Audited Accounts for 2019/20
CONTENTS	Page 1 Executive Summary and Background Page 3 Recommendations Followed by : Appendix A – Statement of Accounts Appendix B – Report from the Auditor including Draft Isa 260 Appendix C –draft Letter of Representation
STATUS	Open-circulation of this paper is not restricted. **LATE CIRCULATION : AS PROVIDED FOR UNDER SECTION 100B (4)(b) OF THE LOCAL GOVERNMENT ACT 1972 , THE CHAIRMAN IS OF THE OPINION THAT THIS REPORT SHOULD BE CONSIDERED AT THE MEETING AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES. THE CIRCUMSTANCES ARE THAT THE AUTHORITY NEEDS TO CONCLUDE THE AUDIT OF THE 2019/20 ACCOUNTS.**
BACKGROUND PAPERS	No background papers were used in the production of this report

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EXECUTIVE SUMMARY AND BACKGROUND

1. As outlined in the outturn report presented in June to the Authority, the auditing standards placed on the external auditor (Deloitte) require that the Auditor makes a report to the Authority following the Audit of the accounts, as a prelude to issuing a formal Opinion on the Authority's accounts. Following changes arising from The Accounts and Audit (England) Regulations 2015, the date by which principal local authorities must normally publish their accounts along with the auditor's opinion would be 31 July 2020. However, the Accounts and Audit (coronavirus) (amendment) Regulations 2020 delay that date to 30 November 2020, with a set of accounts presented to the auditor and signed by the Treasurer by 30 September 2020.

2. Members will remember that there were a number of delays to the conclusion of the 2018/19 audit due to the complexities relating to the WMSA and the Authority's treatment of the £3.5 million facilitation payment. No additional complexities have been experienced this year and therefore the audit process has been relatively straightforward.

ACCOUNTS AND AUDIT 2019/20

3. As the responsible financial officer, the Treasurer signed and dated the Statement of Accounts for 2019/20 on 19th July 2020, ahead of the statutory deadline. The draft audited set of accounts are now attached for approval by the Authority.

4. 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. The ISA260 is attached at Appendix B. This may be subject to minor review as the auditors are still awaiting confirmation from a few external sources. The Authority will be verbally updated of any changes on the night of the meeting.

5. The Audit report brings to your attention that there are no recommendations as a result of the 2019/20 work. Deloitte anticipate issuing an unqualified audit opinion on the Authority's financial statements. No areas of misstatement have been identified.

6. The Audit report has not noted any other deficiencies in relation to systems of internal control.

7. Deloitte are required to be satisfied that proper arrangements have been made by the Authority for securing value for money in its use of resources. Deloitte undertook their audit in accordance with the Code of Practice and have indicated that they will issue an Unqualified Opinion. The Auditor Opinion is included as on page 13 of the ISA260 report attached at Appendix B.

8. Auditing standards require Deloitte to obtain a written representation from management on certain matters material to their Opinion. A draft Letter of

Representation is attached at Appendix C. This may be subject to minor review as the auditors finalise their report as outlined in paragraph 4 above. The Authority is requested to delegate authority to the Treasurer to sign the final version of this Letter on behalf of the Authority.

9. Following the Audit, the Authority is requested to approve the audited Statement of Accounts for 2019/20 at Appendix A and to authorise the Treasurer and Chairman to sign it accordingly.

RECOMMENDATIONS

12. The Authority is recommended to:

(a) note the draft report from Deloitte relating to the Accounts for 2019/20 (Appendix B)

(b) authorise the Treasurer to sign the Letter of Representation (Appendix C), and if there are any matters arising after the meeting, to delegate to the Treasurer authority to agree the final version of this Letter

(c) approve the Authority's Statement of Accounts (Appendix A), and if there are any minor amendments as a result of the completion of the audit, to delegate to the Treasurer authority to approve any such amendments

(d) otherwise receive this report for information

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

CHRIS BUSS
Treasurer

23rd September 2020

SUBJECT TO FINAL AUDIT

Western Riverside Waste Authority

Statement of Accounts

For the year ended 31 March 2020

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CONTENTS

CONTENTS (continued) **PAGE NUMBER**

NARRATIVE REPORT TO ACCOMPANY THE STATEMENT OF ACCOUNTS

Introduction

This is the Statement of Accounts for the Authority for the year ended 31st March 2020. The purpose of the Statement of Accounts is to summarise the financial position of the Authority.

The Statement of Accounts is a complex, technical document, the form and content of which is governed by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which in turn is underpinned by International Financial Reporting Standards. This means that the accounts are prepared on the same basis as the rest of the local authorities in the United Kingdom. This report is intended to provide a fair, balanced and understandable guide to the most significant aspects of the Authority's financial performance, year-end financial position and cash flow, as well as giving information as to how the Authority will develop over the next few years.

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 Riverside Energy (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 6,156 tonnes or just over 2% with General waste tonnage reducing by 7,023 tonnes, or 2.4%. Recycling represented just over 22% of total waste managed, slightly higher than 2018/19. The reduction in General waste tonnage in the year is likely to be due to a number of factors, including light weighting by manufacturers and the initial impact of the Covid-19 outbreak (further information below).

The Authority's chief sources of income are charges to constituent councils for the disposal costs of waste, Apportionment of Waste Disposal Costs (AWDC) 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 has agreed with all four constituent councils the basis of this levy.

The Authority's key achievements in 2019/20 were to have undertaken two successful communications campaigns around the 'End of the Line for Waste' and 'What happens to your Recycling'. In addition extensive discussions with Cory have continued around their plans to build an integrated, low-carbon energy park at its site in Belvedere for which planning permission has been granted by the Secretary of State for Business, Energy and Industrial Strategy. The Mayor of London is contesting this decision and has made a request to the courts for permission for a judicial review. The High Court have since granted permission for a substantive hearing to be held in October 2020.

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.

Brexit – the possible impact of Brexit on commodity prices and transport delays to European markets is still uncertain. Cory is investigating the practicality of securing additional storage capacity in order to mitigate this risk but there are no direct financial implications either in the 2018/19 or 2019/20 accounts.

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.

The COVID-19 pandemic

On 24th March 2020, following a statement from the Prime Minister on 23rd March, the Household Waste and Recycling Centres (HWRCs) at Smugglers Way and Cringle Dock were temporarily closed due to the Covid-19 outbreak. However, Transfer Station and MRF operations were able to continue as normal. The HWRCs reopened successfully on 11th May 2020, following Government guidance around social distancing measures.

Overall, the total tonnage of General waste has fallen due to the constituent councils collecting less commercial waste, as most businesses have been required to close. Since April 2020, the Authority has seen a significant increase in the tonnage of household General waste collected with most households staying at home.

Staff and management functions have been carried out remotely with no impact upon service delivery. During the pandemic services have operated as normal (albeit virtually) apart from the closure of the HWRC referred to earlier. The Authority has reviewed its contingency arrangements in the event of there being a local lockdown of one or more of the operational facilities and is satisfied that these will maintain services at no additional cost to the Authority. The Authority has also reviewed the potential impact of Covid 19 on its cashflow and is satisfied that a combination of reserves and the arrangements for cost recovery from the constituent councils are robust. The Authority does not receive direct government support for any costs incurred from Covid 19.

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 2020 stood at £15.5 million, a reduction of £3.1 million compared to that reported in March 2019. The balance was £2 million more than anticipated when the budget for 2020/21 was set in January 2020 due in part to the recognition in revenue of £1.4 million additional income as a rebate from the contractor in relation to 'Triad payments' which are due to the Authority as part of the 'Energy uplift refund' under the WMSA. The Authority also incurred lower than expected HWRC site running costs (-£0.3m), reflecting the lower tonnage levels than predicted. The interest earned on balances invested in the CCLA account and with Wandsworth (-£0.2m) were also not assumed at budget setting time and the Authority has been able to recover its legal and consultancy costs from Cory (-£0.3m) in relation to both the potential redevelopment at Cringle and Riverside Energy Park at Belvedere. The £5.1 million held in the Loan Repayment Reserve at the beginning of the year has been transferred to the General Fund to fund the £5.5 million PWLB loan repayment. The Authority approved a transfer of £1.3 million from the General Fund to the Stabilisation Reserve in January 2020 when the 2020/21 budget was set and a further transfer of £2.0 million in June 2020. The remaining in year surplus has been retained within the General Fund.

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 assets reduced by £0.650 million to £7.458 million. The Fund's actuary estimated that the present value of scheme liabilities has reduced over the same period by £1.14 million, from £11.425 million to £10.285 million. The net pension liability therefore decreased by £0.490 million from £3.317 million to £2.827 million. The Authority has a cash reserve of £1.8 million which would offset some of these costs should they ever crystallise.

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. The Valuation undertaken as at 31st March 2019 will increase the minimum employer contribution rate to 13.8% from 2020/21 but with no secondary contribution requirement.

Borrowing Facilities

The Authority finances debt through the Public Works Loan Board (PWLB) with loans totalling £3.0 million outstanding at 31st March 2020, with no new loans advanced during the financial year and £5.5 million repaid during 2019/20. The Authority's current policy is to redeem debt from balances wherever this is practicable and the earmarked reserve established in 2018/19 has been used to enable the £5.5m debt to be redeemed as outlined above. Average balances of £9.7 million were invested via Wandsworth Council earning the investment rate achieved by the Council at an average of 0.76%. During the year, the Authority also invested a further £5.5 million into the existing £1 million held in the Diversified Income Fund (DIF) account with CCLA Investment Fund Management (CCLA). Day to day 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 £6.866 million at 31st March 2020. 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 2019/20 has reduced but as outlined above, a proportion of this is in relation to the Covid-19 pandemic. 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 challenges for 2020/21 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, 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; and
- 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 2020 and the authority's financial position as at 31 March 2020.

C Buss
Treasurer

September 2020

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 Apportionment of Waste Disposal Costs (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**	**Stabilisation Reserve**	**Loan Repayment Reserve**	**Recycling Initiatives Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Movement in Reserves during 2018/19								
Balance at 1 April 2018 carried forward	**8,211**	**1,800**	**6,830**	**-**	**250**	**17,091**	**43,534**	**60,625**
Surplus on provision of services	367	-	-	-	-	**367**	-	**367**
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**465**	**465**
Total Comprehensive Income and Expenditure	**367**	**-**	**-**	**-**	**-**	**367**	**465**	**832**
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	**1,534**	**-**	**-**	**-**	**-**	**1,534**	**(702)**	**832**
Transfers to/from Earmarked Reserves	**(5,125)**	**-**	**-**	**5,125**	**-**	**-**	-	**-**
(Decrease)/ Increase in Year	**(3,591)**	**-**	**-**	**5,125**	**-**	**1,534**	**(702)**	**832**
Balance at 31 March 2019 carried forward	**4,620**	**1,800**	**6,830**	**5,125**	**250**	**18,625**	**42,832**	**61,457**

	General Fund Balance	Pension Liability 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**
Movement in Reserves during 2019/20								
Balance at 1 April 2019 carried forward	**4,620**	**1,800**	**6,830**	**5,125**	**250**	**18,625**	**42,832**	**61,457**
Surplus on provision of services	560	-	-	-	-	**560**	-	**560**
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**700**	**700**
Total Comprehensive Income and Expenditure	**560**	**-**	**-**	**-**	**-**	**560**	**700**	**1,260**
Adjustments between accounting basis and funding basis under regulations (Note 7)	**(3,636)**	**-**	**-**	**-**	**-**	**(3,636)**	**3,636**	**-**
Net (Decrease)/ Increase before Transfers to Earmarked Reserves	**(3,076)**	**-**	**-**	**-**	**-**	**(3,076)**	**4,336**	**1,260**
Transfers to/from Earmarked Reserves	**1,769**	**-**	**3,356**	**(5,125)**	**-**	**-**	-	**-**
(Decrease)/ Increase in Year	**(1,307)**	**-**	**3,356**	**(5,125)**	**-**	**(3,076)**	**4,336**	**1,260**
Balance at 31 March 2020 carried forward	**3,313**	**1,800**	**10,186**	**-**	**250**	**15,549**	**47,168**	**62,717**

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.

	2018/19		**2019/20**	
	£000	£000	**£000**	**£000**
Operating expenditure				
Employees	566		**710**	
Premises	614		**704**	
General waste disposal	48,436		**46,338**	
Other supplies and payments	567		**541**	
Depreciation and Impairment (Note 11)	1,061		**941**	
Total		51,244		**49,234**
Operating Income (outside IFRS 15)				
Hammersmith and Fulham	(9,127)		**(9,060)**	
Kensington and Chelsea	(9,546)		**(9,587)**	
Lambeth	(14,300)		**(14,122)**	
Wandsworth	(12,454)		**(12,668)**	
Total		(45,427)		**(45,437)**
Net Cost of Services		5,817		**3,797**
Other Items				
Financing and investment income and expenditure (Note 9)		291		**1,048**
Other income recognised under IFRS 15 (Note 10)		(289)		**(529)**
Other income outside IFRS 15		(223)		**(127)**
Deficit on Provision of Services		5,596		**4,189**
Levy on Constituent Authorities (outside IFRS 15)				
Hammersmith and Fulham	(1,125)		**(898)**	
Kensington and Chelsea	(1,392)		**(1,104)**	
Lambeth	(1,557)		**(1,238)**	
Wandsworth	(1,889)		**(1,509)**	
		(5,963)		**(4,749)**
Surplus on Provision of Services		(367)		**(560)**
Surplus on revaluation of Property, Plant and Equipment assets (Note 11)		-		**-**
Remeasurements of the net defined benefit liability (Note 28)		(465)		**(700)**
Other Comprehensive Income and Expenditure		(465)		**(700)**
Total Comprehensive Income and Expenditure		(832)		**(1,260)**

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.

	2018/19 £000			**2019/20 £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	562	4	566	**587**	**123**	**710**
Premises	614	-	614	**704**	**-**	**704**
General Waste Disposal	48,436	-	48,436	**46,338**	**-**	**46,338**
Other supplies and payments	567	-	567	**541**	**-**	**541**
Depreciation and Impairment (Note 11)	-	1,061	1,061	**-**	**941**	**941**
Operating Income	(45,427)	-	(45,427)	**(45,437)**	**-**	**(45,437)**
Net Cost of Services	4,752	1,065	5,817	**2,733**	**1,064**	**3,797**
Other Expenditure	189	102	291	**5,748**	**(4,700)**	**1,048**
Other Income	(512)	-	(512)	**(656)**	**-**	**(656)**
Levy income	(5,963)	-	(5,963)	**(4,749)**	**-**	**(4,749)**
Deficit/ (surplus)on Provision of Services	(1,534)	1,167	(367)	**3,076**	**(3,636)**	**(560)**
Opening Usable Reserve Balance	17,091			**18,625**		
Plus surplus or (Deficit) on Revenue Reserve in Year	1,534			**(3,076)**		
Usable Reserve Balance carried forward	18,625			**15,549**		

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	31 March 2019	**31 March 2020**
		£000	**£000**
Property, Plant and Equipment	11	59,848	**58,907**
Long Term Assets		59,848	**58,907**
Short Term Debtors	13	5,120	**6,649**
Short Term Investments	14	1,003	**5,737**
Cash and Cash Equivalents	14	17,460	**6,866**
Prepayments		31	**44**
Current Assets		23,614	**19,296**
Receipts in Advance		2,890	**2,602**
Deferred Income		3,375	**3,125**
Short Term Borrowing	12	5,500	-
Short Term Creditors	15	3,923	**3,932**
Provisions	16	-	-
Current Liabilities		15,688	**9,659**
Long Term Borrowing	12	3,000	**3,000**
Pensions	28	3,317	**2,827**
Long Term Liabilities		6,317	**5,827**
Net Assets		61,457	**62,717**
Usable Reserves	17	18,625	**15,549**
Unusable Reserves	18	42,832	**47,168**
Total Reserves		61,457	**62,717**

The notes on pages 13 to 50 form part of the financial statements.

C Buss Treasurer September 2020

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.

	2018/19 £000	**2019/20 £000**
Net surplus on the provision of services	367	**560**
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 19)	8,977	**(154)**
Net cash flows from Operating Activities	9,344	**406**
Net cash outflow from Investing Activities (Note 20)	(1,000)	**(5,500)**
Net cash outflow from Financing Activities (Note 21)	(3)	**(5,500)**
Net increase/(decrease) in cash and cash equivalents	8,341	**(10,594)**
Represented by		
Cash and cash equivalents at the beginning of the reporting year (Note 14)	9,119	**17,460**
Cash and cash equivalent at the end of the reporting year (Note 14)	17,460	**6,866**
Increase/(decrease) in cash and cash equivalents	8,341	**(10,594)**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England and Wales) 2015. These Regulations also require that the accounts be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), all relevant approved accounting standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Issues Committee (IFRIC) and any relevant statutory guidance issued by Government.

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

ii. Going Concern

The Authority's financial statements are prepared on the going concern basis; that is, the accounts are prepared on the assumption that the Authority will continue in operational existence in the foreseeable future.

iii. 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.

- Where cash is received in advance of being due, this is recorded as a Receipt in Advance.

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.

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
- amortisation of intangible fixed assets attributable to the service

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 was nil in 2018/19 and reduced in 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 Local Government Pension Scheme, the LPFA is the administering authority. 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 2019/20 which is the same as 2018/19 (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. Market movements as a result of the pandemic towards the end of the year has reduced asset values although this has been more than outweighed by the gain as a result of assumption changes. Further detail is outlined in note 28.

The change in the net pension's 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; and
- 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.

The 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; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

For Pooled Investment Funds which includes the Authority's DIF with the CCLA, the government has introduced a regulation to mitigate the effects of changes in fair value on the councils for a period of 5 years from 1 April 2018. Changes in fair value are transferred from the CIES to an account established solely for this purpose on the Balance Sheet. This account is called the Pooled Investment Funds Adjustment Account.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Pooled Investment Funds Adjustment Account.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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 income outside IFRS 15 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; and
- 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); and
- 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 –59 years, Roof – 34 years, fixed plant (heating etc) – 19 years, and electrical equipment – 34 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.

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.

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 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 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 2020/21 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.

IAS 19 – Employee Benefits:
The revised IAS 19 standard specifies that any changes to the pension scheme (amendments, settlements or curtailments) are used from the date of the change to recalculate the revenue

costs of the scheme recognised in year. As this applies to changes from 1 April 2020 and could result in various potential movements in the net pension liability, no estimate can be made at this stage of the possible accounting impact.

IFRS 16 – Leases

IFRS 16 will require the Authority to recognise assets on the Balance Sheet where any contract gives rise to a 'right of use asset'. Currently a distinction exists between operating and finance leases for lessees. Finance leases are accounted for as acquisitions (asset on the Balance Sheet) and operating leases are expensed in year therefore are not currently required to be reported on lessee balance sheets. IFRS 16 largely removes this distinction, unless it is a short term (12 months or less) or low value contract. For lessors the reporting requirements are largely unchanged as under the revised IFRS 16 there is still a distinction between operating and finance leases.

There is unlikely to be any areas within the above which will materially affect the Authority. IFRS 16 will apply to the Authority's leases, but as it is a lessor (other than in respect of the Energy from Waste facility, discussed in note 3), there will be limited impact of the new standard.

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:

In 2002 the Authority entered into a long term Waste Management Services Agreement with Cory. This agreement has been restated where required to meet the needs of the Authority, most significantly in 2008 when Cory commenced construction of the Energy from Waste ("EfW") facility at Belvedere. The Authority's arrangements with Cory are complex, and accounting for them involves a number of Critical Accounting Judgements, as well as accounting estimates that are disclosed as Key Sources of Estimation Uncertainty. The principal aspects of these arrangements are disclosed below.

Services provided by Cory

The WMSA with Cory runs until 2032. The WMSA requires the Authority to direct its Constituent Councils to delivery all authority waste they are responsible for to Cory at agreed locations. Any waste that is not recycled is made available to Cory for incineration in the EfW facility. There is no minimum tonnage that must be supplied and no minimum payment.

The Authority pays a price per tonne for waste delivered to Cory (the "gate fee"), which is indexed each year. The gate fee was determined based on a financial model that took account of Cory's financing costs for the construction of the EfW facility, and the Authority has contractual protections to enable it to share in any refinancing gain if Cory refinances its debt (discussed further below).

The calculation of the gate fee for each period includes an energy revenue risk share mechanism, based on the average price (for electricity or other outputs) achieved during the financial year by Cory (with a lower price resulting in a higher cost to the Authority and vice versa). This variation is considered to be closely related to the underlying services provided by Cory, and so is not separated and separately accounted for.

The cost of services provided is accrued based upon the volume of activity and the applicable gate fee for the period. No account is taken of the Residual Value Agreement (discussed further below).

The cost of services is presented as a single net figure, including the refinancing benefit arising from the 2017 refinancing by Cory and without any grossing up for other elements of the Authority's arrangements with Cory for the reasons discussed below.

Residual Value Agreement

The design life of the EfW extends past the end of the main WMSA in 2032. The Authority has a Residual Value Agreement with Cory, which reflects that payments to 2032 will have financed the construction of an asset with life beyond that date. The Authority will have the option between 2032 and 2046 to:

- Subject to agreement of commercial terms, to continue to deliver waste to Cory, and receive a reduced gate fee; and/or
- Receive a royalty on waste from other sources processed at the plant.

The Authority's ability to benefit under the Residual Value Agreement is dependent upon the continued operation of the EfW facility past 2032, and the volume of waste (including Authority waste) processed at the facility. These may be affected by legislative and/or policy changes.

The potential estimated annual value of this entitlement (which is indexed and so will vary over time) is difficult to estimate but could be as much as £11 million in the first year of the Residual Value Agreement.

A critical accounting judgement is whether any amounts should be recognised in respect of this in advance of 2032 (which would reduce the expense recognised pre-2032, and increase the net expense recognised post-2032). The Authority is of the view that there is a significant level of uncertainty as to whether this value will accrue and has decided not to reflect this within the accounts.

In particular, no intangible asset has been recognised in respect of this, on the basis that:

- The "cost" paid as part of the gate fee to 2032 is not separately identifiable; and
- There is no active market to determine the fair value of the asset.

Authority sites

The Authority owns the Smugglers Way and Cringle Dock sites. These sites, including buildings and plant thereon, are leased to Cory until 2032 for an annual payment of £1.

Under the terms of the WMSA, Cory was required to carry out various capital works on the site, including the construction of the Civic Amenity Facility and Municipal Recycling Facility. The Authority paid separately for the construction of these assets, with payments accounted for as capital expenditure.

The Authority considers these arrangements represent operating leases, as the Authority retains substantially all the risks and rewards incidental to ownership of the assets. The economic value of the lease to Cory is not separately identifiable within the WMSA and lease agreement, and so it is not possible to show separately lease income and gross cost paid to Cory.

The assets are shown within Property, Plant and Equipment, and are revalued on a freehold basis as detailed in note xii above.

EfW site leases

Cory owns the site of the EfW facility. This has been leased to the Authority on a peppercorn lease until the earlier of 2058 or the end of the Residual Value period. This is then leased back to Cory for a peppercorn until 2032, and thereafter for the amount of any royalties due under the Residual Value Agreement.

The Authority has considered the substance of this arrangement, and has concluded that this does not represent a lease, and is instead in substance a protective provision to ensure payments of any amounts due under the Residual Value Agreement

Force Majeure provisions

The WMSA includes provisions to address various potential termination scenarios, including the possibility of Force Majeure events leading to termination of the contract. In the event of specified Force Majeure events occurring (and not being remedied by Cory), the Authority would be obligated to pay Cory an amount intended to cover inter alia the repayment of relevant elements of the Senior Debt. In return, the EfW facility would transfer to the Authority. Depending upon the situation arising, this could result in a valuable asset transferring to the Authority for under value, or the Authority acquiring an asset requiring significant expenditure to enable on-going operations. The principal element of any payment would be in respect of relevant elements of Cory's Senior Debt, the Authority assessed the risk of payment as less than 1 in 1,600 a year.

This arrangement involves the Authority taking on insurance risk, and therefore is considered under the requirements of IFRS 4. The Authority considers that there is no separately identifiable consideration for this arrangement that should be presented as income. The Authority has assessed the minimum level of provision required and has not recognised a provision as the possibility of cash outflows is currently considered remote.

Refinancing

The WMSA includes provisions to ensure that the Authority shares in any refinancing gains from Cory refinancing its borrowings.

- In 2017, the main contractor undertook a qualifying refinancing, with the result being treated as a combined arrangement with the Authority and resulting in a net benefit recognised over time via a change to the contract price and therefore reflected each year dependent upon the volume of activity
- In 2018, the Authority received £3.5m 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. However, as this payment has arisen due to the existence of the WMSA, it has been agreed with the Authority's auditors

that this income be recognised over the remaining life of the contract and therefore is held as deferred income and gradually released into revenue. An amount of £250,000 has been recognised as revenue in the 2019/20 accounts.

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.

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.

The items in the Authority's Balance Sheet at 31 March 2020 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. It is estimated that the annual depreciation charge for buildings would increase by £14,500 for every year that useful lives had to be reduced.
Land and Buildings	The outbreak of Covid19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. The current balance of the Revaluation Reserve will fund a reduction in the Authority's Land and Buildings of over 50% before this would result in any charge to the Comprehensive Income and

	Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid 19 on the economy. Further information is in Note 11.	Expenditure Statement.
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 firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	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 £163,000. 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 £344,000. A detailed sensitivity analysis for changes in assumptions is included in note 28.
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 which has been classified as deferred income in the accounts and recognised gradually in revenue over the lifetime of the WMSA, that being for the period until October 2032. The amount included within revenue in 2019/20 is £250,000.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer on 20th July 2020. 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 2020 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 Authority 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.

2019/20	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	**(941)**	**941**
Changes in fair value of pooled investments	**(767)**	**767**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Provision for debt redemption	**54**	**(54)**
Loan repayment charged against the General Fund	**5,500**	**(5,500)**
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 28)	**(318)**	**318**
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 28)	**108**	**(108)**
Total Adjustments	**3,636**	**(3,636)**

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 28)	**(216)**	**216**
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 28)	**110**	**(110)**
Total Adjustments	**(1,167)**	**1,167**

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 2019/20.

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 2019, 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 was established to provide for the redemption of the majority of current debt with the PWLB which was then applied during 2019/20 to fund the repayment of loans.

	Balance 1 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance 31 Mar 2019 £000	**Transfers Out 2019/20 £000**	**Transfers In 2019/20 £000**	**Balance 31 Mar 2020 £000**
General Fund:							
General Fund Balance	**8,211**	**(5,125)**	**1,534**	**4,620**	**(3,356)**	**2,049**	**3,313**
Pension Liability Reserve	**1,800**	**-**	**-**	**1,800**	**-**	**-**	**1,800**
Stabilisation Reserve	**6,830**	**-**	**-**	**6,830**	**-**	**3,356**	**10,186**
Loan Repayment Reserve	**-**	**-**	**5,125**	**5,125**	**(5,125)**	**-**	**-**
Recycling Initiatives Reserve	**250**	**-**	**-**	**250**	**-**	**-**	**250**
Total	**17,091**	**(5,125)**	**6,659**	**18,625**	**(8,481)**	**5,405**	**15,549**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19 £000	**2019/20 £000**
Interest payable and similar charges	342	**286**
Net interest on the net defined benefit liability (asset)	102	**87**
Interest receivable and similar income	(153)	**(92)**
Movements in fair value of financial instruments	-	**767**
Total	291	**1,048**

10. OTHER INCOME

Amounts included in the Comprehensive Income and Expenditure Statement for other income include the full year recognition of £250,000 of the £3.5m receipt from Cory classified as deferred income and £219,000 income from Westminster council for the use of the Authority’s HWRCs:

	2018/19	**2019/20**
	£000	**£000**
Other income	289	**529**

Nothing is included in the Balance Sheet for contracts with service recipients, nor was there in 2018/19.

11. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2019/20

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. 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 outbreak of Covid19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid 19 on the economy. However this position will be reassessed at the end of 2020/21, although there is no evidence as at the end of August as to any significant market changes.

	Land and Buildings	Fixed Plant and Equipment	Vehicles and Moveable Plant	**Total**
	£000	£000	£000	**£000**
Cost or valuation at 1 April 2019	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 2020	**54,796**	**8,780**	**223**	**63,799**
Accumulated Depreciation and Impairment at 1 April 2019	(791)	(2,937)	(223)	**(3,951)**
Depreciation charge	(702)	(239)		**(941)**
Depreciation written out to the Revaluation Reserve	-	-	-	**-**
At 31 March 2020	**(1,493)**	**(3,176)**	**(223)**	**(4,892)**
Net Book Value				
at 31 March 2020	**53,303**	**5,604**	**-**	**58,907**
at 31 March 2019	**54,005**	**5,843**	**-**	**59,848**

Fixed Plant and Equipment

No capital expenditure was incurred during 2019/20 or 2018/19.

2018/19

	Land and Buildings	Fixed Plant and Equipment	Vehicles and Moveable Plant	**Total**
	£000	£000	£000	**£000**
Cost or valuation at 1 April 2018	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**

12. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2019 £000	**31 March 2020 £000**	31 March 2019 £000	**31 March 2020 £000**
Financial Assets				
Fair value through profit and loss	-	-	1,003	**5,737**
Amortised cost	-	-	5,120	**6,649**
Total Financial Assets	**-**	**-**	6,123	**12,386**
Financial Liabilities				
Fair value through profit and loss	-	**-**	-	**-**
Amortised cost	3,000	3,000	9,423	**6,534**
Total Financial Liabilities	**3,000**	**3,000**	**9,423**	**6,534**

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 2020 of 3.69% 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 2019 Carrying amount £000	31 March 2019 Fair value £000	**31 March 2020 Carrying amount £000**	**31 March 2020 Fair value £000**
Financial Liabilities held at amortised cost – short term borrowing	5,500	5,610	**-**	**-**
Financial Liabilities held at amortised cost – long term borrowing	3,000	3,434	**3,000**	**3,384**
Total	8,500	9,044	**3,000**	**3,384**

The fair value of outstanding long term debts as at 31st March 2020 was higher than the book value due to the changes in market factors since the original borrowing was made.

Financial Assets	31 March 2019 Carrying amount £000	31 March 2019 Fair value £000	**31 March 2020 Carrying amount £000**	**31 March 2020 Fair value £000**
Financial assets held at fair value through Profit and loss – Diversified income fund	1,003	1,003	**5,737**	**5,737**
Financial Assets held at amortised cost	5,120	5,120	**6,649**	**6,649**
Total	6,123	6,123	**12,386**	**12,386**

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 2019 £000	As at 31 March 2020 £000
Fair Value Through Profit or Loss				
Diversified Income Fund	Level 1	Unadjusted quoted prices in statement received	1,003	5,737
Total			1,003	5,737

13. SHORT TERM DEBTORS

Short term debtors and other receivables at 31st March 2019 and 31st March 2020 can be analysed as follows:

ITEM	31 March 2019 £000	**31 March 2020 £000**
Trade Receivables	3,591	**5,188**
Other Receivable Amounts	1,529	**1,461**
Total	**5,120**	**6,649**

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 2019 £000	**31 March 2020 £000**
Cash at bank	2,221	**2,627**
Cash held by Wandsworth Council	15,239	**4,239**
Total	**17,460**	**6,866**

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

	31 March 2019 £000	**31 March 2020 £000**
Diversified Income Fund	1,003	5,737
Total	**1,003**	**5,737**

15. SHORT TERM CREDITORS

Creditor payments 31st March 2019 and 31st March 2020 can be analysed as follows:-

ITEM	31 March 2019 £000	**31 March 2020 £000**
Trade payables	3,836	**3,615**
Other payables	87	**317**
Total	**3,923**	**3,932**

16. PROVISIONS

There are no provisions recognised at 31 March 2020 (31 March 2019 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 2019 £000	31 March 2020 £000
Revaluation Reserve	29,360	**29,360**
Pensions Reserve	(3,317)	**(2,827)**
Capital Adjustment Account	16,789	**21,402**
Accumulated Absences Account	-	**-**
Pooled Investment Funds Adjustment Account	-	**(767)**
Total Unusable Reserves	42,832	**47,168**

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.

	2018/19 £000	**2019/20 £000**
Balance at 1 April	(3,676)	**(3,317)**
Remeasurements of the net defined benefit liability	465	**700**
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	(216)	**(318)**
Employer's pensions contributions and direct payments to pensioners payable in the year	110	**108**
Balance at 31 March	(3,317)	**(2,827)**

Capital Adjustment Account

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. In previous years there has been a payment 'holiday' in relation to debt redemption but the recognition of the contribution from Cory in 2018 as deferred income has led to the voluntary contribution of £54,000 in 2019/20. In 2019/20 £5.5m 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.

	2018/19 £000	**2019/20 £000**
Balance at 1 April	17,850	**16,789**
Provision for debt redemption	-	**54**
Depreciation provision	(1,061)	**(941)**
Revaluation losses on Property, Plant and Equipment	-	**-**
Repayment of PWLB loans	-	**5,500**
Balance at 31 March	16,789	**21,402**

Accumulated Absences Account

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 2020 is deemed immaterial in the accounts.

Pooled Investments Adjustment Account

The Pooled Investments Adjustment Account reflects the balance between fair value and investment originally made for funds held in the CCLA Diversified Income Fund. As noted there is a five year exemption operational from 2018 which allows for the accounting treatment in this way.

19. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2018/19 £000	**2019/20 £000**
Interest received	153	**92**
Interest paid	(342)	**(286)**
Total	(189)	**(194)**

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

	2018/19 £000	**2019/20 £000**
Depreciation	1,061	**941**
Impairment and downward valuations	-	**767**
Decrease/(Increase) in receipts in advance	1,333	**(289)**
Decrease/(Increase) in deferred income	3,375	**(250)**
Increase in creditors	108	**9**
Increase/(Decrease) in debtors	3,009	**(1,529)**
Increase in prepayments	(15)	**(13)**
Movement in pension liability	106	**210**
	8,977	**(154)**

20. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19 £000	**2019/20 £000**
Purchase of property, plant and equipment	-	**-**
Purchase of short-term and long-term investments	(1,000)	**(5,500)**
Other payments for investing activities	-	**-**
Other receipts from investing activities	-	**-**
Net cash flows from investing activities	(1,000)	**(5,500)**

21. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19 £000	**2019/20** **£000**
Cash receipts of short- and long-term borrowing	-	-
Other receipts from financing activities	(3)	-
Repayments of short- and long-term borrowing	-	**(5,500)**
Net cash flows from financing activities	(3)	**(5,500)**

22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

There are no liabilities arising from the financing activities during the year 2019/20. During 2019/20 £5.5m of PWLB loans were repaid:

	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**

	1 April 2019	Financing cashflows	Non-cash changes	31 March 2020
Long term borrowing	3,000	-	-	3,000
Short term borrowing	5,500	(5,500)	-	-
Total liabilities from financing activities	**8,500**	**(5,500)**	**-**	**3,000**

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 – Mark Broxup	2018/19	132	11	1	18	162
	2019/20	**139**	**12**	**1**	**19**	**171**
Deputy General Manager	2018/19	75	7	-	10	92
	2019/20	**78**	**7**	**-**	**11**	**96**
Clerk	2018/19	11	-	-	-	11
	2019/20	**11**	**-**	**-**	**-**	**11**
Treasurer	2018/19	11	-	-	-	11
	2019/20	**11**	**-**	**-**	**-**	**11**

Bonuses relates to a Performance Related Pay award.

Remuneration band	2018/19 Number of Employees	2019/20 Number of Employees
£80,000 - £84,999	1	0
£85,000 - £89,999	0	1
£140,000 - £144,999	1	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	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 2018/19 or 2019/20.

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:

	2018/19 £000	**2019/20 £000**
Fees payable to Deloitte with regard to external audit services carried out by the appointed auditor for the year 2018/19 and 2019/20 respectively	39	**12**

The 2018/19 figure includes an additional sum of £27,000 paid for audit services relating to the 2018/19 financial year, agreed and accounted for within the 2019/20 accounts.

25. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely.

Central Government: Central government has effective control over the general operations of the Authority in that it is responsible for providing the statutory framework within which the Authority operates.

Members: Each of the four constituent boroughs of the Authority appoints two of their Members to the Authority. Transactions between the Authority and its constituent boroughs, principally the Levy and charges for the treatment of waste, are detailed elsewhere in the accounts. Apart from this dual role, no Member of the Authority has reported that he/she or

members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2019/20.
Officers: No officer or member of their family or household, whether working wholly for the Authority or in an advisory role has indicated that they or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2019/20.

Other Public Bodies: A number of transactions with related parties are disclosed elsewhere in the accounts. Details of each constituent borough's levy and charges are shown in the Comprehensive Income and Expenditure Account. The Authority operates with the following services provided by Wandsworth Council:

	2018/19	**2019/20**
	£000	**£000**
Financial Services	54	**60**
Other Services (admin support etc)	37	**27**
Total	91	**87**

At 31st March 2019 and 31st March 2020 the following Authority balances related to Wandsworth Council:

	31 March 2019	**31 March 2020**
	£000	**£000**
Debtors and Accrued Income	1,012	**1,055**

These sums relate to invoices which are not payable until April 2019 and April 2020 respectively.

The Authority invests cash via Wandsworth Council with a balance of £4.2m held with Wandsworth as at 31st March 2020 (£15.2m as at 31st March 2019). Net interest payments on cash flow balances of £77,176 were received by the Authority from Wandsworth Council for the year 2019/20 whilst net interest payments for 2018/19 amounted to £78,544.

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.

	2018/19 £000	**2019/20 £000**
Opening Capital Financing Requirement	13,633	**13,633**
Capital investment		
Capital Expenditure	-	**-**
Sources of finance		
MRP	-	**(54)**
Direct revenue contributions	-	**(5,500)**
Closing Capital Financing Requirement	13,633	**8,079**
Explanation of movements in year		
Reduction in underlying need to borrow (unsupported by government financial assistance)	-	**5,500**
Revenue provision for future repayment of loans		**54**
Decrease in Capital Financing Requirement	-	**5,554**

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 2019 £000	31 March 2020 £000
Not later than one year	159	159
Later than one year and not later than five years	634	634
Later than five years	1,065	906
Total	1,858	1,699

Authority as Lessee

Operating Leases

The Authority leases and leases back the Energy from Waste facility at Belvedere at a peppercorn rent. As discussed in note 3, the Authority considers that in substance this arrangement is not a lease and so is not accounted for as such.

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 2019 to 31st March 2020.

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 2020.

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 2019 £000	**Year to 31 March 2020 £000**
Comprehensive Income and Expenditure Statement		
Service cost	114	**231**
Financing and Investment Income and Expenditure		
Net Interest Expense	102	**87**
Total Post-employment Benefits charged to the Surplus of Deficit on the Provision of Services	216	**318**
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)	(497)	**368**
Actuarial gains and losses arising on changes in demographic assumptions	-	**258**
Actuarial gains and losses arising on changes in financial assumptions	531	**(969)**
Actuarial gains and losses arising on changes in demographic assumptions	(499)	**(44)**
Experience gain/(loss) on defined benefit obligation	-	**(313)**
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(465)	**(700)**

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	(216)	**(318)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	110	**108**

At the end of 2018/19, the Supreme Court ruled on 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. The figures here include the estimated impact of the McCloud judgement. Further guidance is anticipated in the summer of 2020 which will inform calculations of benefits and confirm this position.

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:

	2018/19 £000	**2019/20** **£000**
Present value of the defined benefit obligation	11,407	**10,285**
Fair value of scheme assets	(8,108)	**(7,458)**
Present value of unfunded obligation	18	**-**
Net liability arising from defined benefit obligation	3,317	**2,827**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	2018/19 £000	**2019/20** **£000**
Opening fair value of scheme assets	7,650	**8,108**
Interest income	192	188
Remeasurement gain/ (loss):		
The return on assets, excluding the amount included in the net interest expense	497	(368)
Other actuarial gains/ (losses)	-	(258)
Contributions from employer	110	108
Contributions from employees into the scheme	30	31
Benefits paid plus unfunded net of transfers in	(361)	(340)
Administration expenses	(10)	(11)
Closing fair value of scheme assets	8,108	**7,458**

Local Government Pension Scheme Assets Comprised:

	2018/19		**2019/20**	
	£000	%	£000	%
Equities	4,411	54	4,040	54
Target Return Portfolio	2,162	27	1,818	25
Infrastructure	489	6	523	7
Property	762	9	681	9
Cash	284	4	396	5
Total	8,108	100	**7,458**	**100**

32.7% of total assets do not have a quoted market price in an active market and therefore there is a higher degree of estimation uncertainty over their valuation at 31 March 2020.

Reconciliation of Present Value of the Scheme Liabilities

	2018/19 £000	**2019/20** **£000**
Opening balance 1 April	11,326	**11,425**
Current service cost	114	167
Interest cost	284	264
Contributions from scheme participants	30	31
Remeasurement (gains) and losses:		
- Actuarial gains/losses arising from changes in demographic assumptions	(499)	(44)
- Actuarial gains/losses arising from changes in financial assumptions	531	(969)
Experience loss/(gain) on defined benefit obligation	-	(313)
Past Service Cost	-	64
Liabilities assumed on entity combinations		
Benefits paid	(356)	(340)
Unfunded pension payments	(5)	-
Closing balance at 31 March	11,425	**10,285**

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 scheme has been assessed by Barnett Waddingham based upon the latest triennial valuation, as at 31 March 2016. The last such valuation took place as at 31 March 2019. However, the contribution rates approved in the prior valuation at 31 March 2016 were still in place for the year 2019/20

The significant assumptions used by the actuary have been:

	2018/19	**2019/20**
Longevity at 65 for current pensioners:		
-Men	19.8	**20.5**
-Women	22.9	**23.4**
Longevity at 65 for future pensioners:		
-Men	21.6	**21.9**
-Women	24.6	**24.9**
Rate of inflation	2.45	**1.95**
Rate of increase in salaries	3.95	**2.95**
Rate of increase in pensions	2.45	**1.95**
Rate for discounting scheme liabilities	2.35	**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	10,629	10,285	9,952
Projected Service Cost	135	131	127
Rate of increase in salaries (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	10,305	10,285	10,266
Projected Service Cost	131	131	131
Rate of increase in pensions (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	10,432	10,285	10,141
Projected Service Cost	134	131	128
Rate for discounting scheme liabilities (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	10,122	10,285	10,451
Projected Service Cost	128	131	134

29. CONTINGENT ASSETS

A power disruption at the Energy from Waste Facility at Belvedere in October 2018 caused the Turbine to be damaged and didn't become fully operational until 29th May 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 was sold during the winter months of 2018/19, when wholesale electricity prices are higher, the effect has been to depress the average price of electricity. The turbine failure period was covered by Cory's insurance but contractually there is uncertainty around whether the Authority is entitled to any of the proceeds. This dispute is still ongoing and is likely to be determined by negotiation or by use of the dispute resolution procedure under the WMSA.

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, its 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 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 2020, £5.188 million (£3.591 million as at 31 March 2019) is due to the Authority from its customers. Of this sum, constituent councils were liable to pay a net £3.568 million all of which was accrued income to the authority, and payable in April 2020. VAT due from the HMRC for February and March 2020 totalled £1.461 million whilst VAT due for February and March 2019 amounted to £1.529 million. These sums were received in April and May 2020 and 2019 respectively.

There was no provision for bad debts as at 31st March 2019 and 31st March 2020 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 2020, 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 2019 and 31st March 2020 is set out below and is within the Authority's Prudential Code limits for 2018/19 and 2019/20 as set out in its Treasury Management Strategy:

Renewal Period	Market Loans Outstanding as at 31 March 2019 £000	% of Total borrowing	**Market Loans Outstanding as at 31 March 2020 £000**	**% of Total borrowing**
Less than One Year	5,500	64.7	**-**	**-**
Between One and Two Years	-	-	**2,000**	**66.7**
Between Two and Five Years	2,000	23.5	**-**	**-**
Between Five and Ten Years	1,000	11.8	**1,000**	**33.3**
More than Ten Years	-	-	**-**	**-**
Total	8,500	100.0	**3,000**	**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 2018/19 and 2019/20 continue at a 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 2019/20 is reported in the key financial statements.

Deloitte.

W·R·W·A

Western Riverside Waste Authority

Report to the Members of the Authority on the audit for the year ended 31 March 2020

issued on 22 September 2020 for the meeting on 29 September 2020

Contents

Introduction

The key messages in this report

I have pleasure in presenting our report to the Members of Western Riverside Waste Authority (the Authority) for the 2019/20 audit. The scope of our audit was set out within our planning report issued to the members in 17 August 2020.

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Status of the audit	Our audit is at an advanced stage at the date of issue of this report with the following key matters still outstanding: • receipt and evaluation of reporting from the auditors of the Pension Fund (which may not be received until after the meeting of the Authority as is dependent upon the progress of that audit); • full review of final, updated financial statements; • completion of internal quality assurance procedures; • receipt of signed management representation letter; and • our review of events since 31 March 2020 through to signing. We will provide an oral update on these matters including an update regarding the status of the audit at the meeting. We have included a section in this report providing observations arising from the work we have so far carried out on the areas of significant risk and other areas of audit focus reported to you in our audit planning report.
Conclusions from our testing	• We have not identified any significant uncorrected audit adjustments or disclosure deficiencies. The version of the accounts presented to the members has been amended for our proposed changes . As our audit work is ongoing, further misstatements may be identified through the completion of our remaining work. We will provide an oral update regarding any such matters in the meeting. • We have considered the impact of the Covid-19 pandemic on our work – we include details on pages 6 to 7. We did not identify any new financial statement or value for money significant risks as a result of the impact of the pandemic • As detailed in our work on the valuations set out on page 10, management's expert, Wilks Head & Eve, have concluded there has been no material change in the Authority's property assets from the prior year. In common with other organisations reporting at 31 March 2020, the valuers consider that there is a material uncertainty over the valuation. This wording is reflected in the financial statements and we will draw attention to it via an Emphasis of Matter in our auditor's report. Note that this is not a qualification of our opinion. • Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

Introduction

The key messages in this report (continued)

Financial Sustainability and Value for Money	• In the CIES, the Authority reported an accounting surplus of £1.26m for the year (2018/19: £0.83m) which included a gain of £0.70m (2018/19: £0.46m) from the re-measurement of pension liability . At the provision of service line the Authority showed a net deficit of £0.56m (2018/19: net deficit £0.37m). At year end the Authority had usable reserves of £15.55m (31 March 2019: £18.62m) and unusable reserves of £47.17m (31 March 2019: £42.83m). • Cash and cash equivalents held by the Authority decreased to £6.86m from £17.46m as at 31 March 2019, partly influenced by the significant loan repayment during the year. • We did not identify any significant risk related to Value for Money and we do not anticipate reporting any matters within our audit report in respect of the Authority's arrangements for securing the economy, efficiency and effectiveness of the use of resources.
Narrative Report & Annual Governance Statement	• We have reviewed the Authority's Narrative Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work. • We have no significant matters to raise with you in respect of the Narrative Report which has been updated for our proposed adjustments to ensure appropriately detail in relation to Covid-19 has been included. We also have no significant matters in respect of the Annual Governance Statement. We have received an updated version back from the Authority that we are checking complies with all the relevant requirements. We will update you in the meeting if any changes arise from this.
Duties as public auditor	• We did not receive any formal queries or objections from local electors this year. • We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Whole of Government Accounts	• The Authority continues to be below the threshold for WGA reporting. • We are required to report our overall audit opinion and key issues from our audit to the National Audit Office following completion of the audit.

Our audit explained

We tailor our audit to your organisation

Identify changes in your business and environment

- The Authority is negotiating a potential redevelopment of the Cringle Dock Transfer Station which would provide a new transfer station and financial benefits for the constituent authorities. However, this does not impact upon the 2019/20 accounts.
- The adoption of IFRS16 has been deferred to 2021/22 when the Authority will adopt International Financial Reporting Standard 16 – Leases

Scoping

Covid-19 consequences have impacted our work. Details are included on pages 6 and 7. There have been no other changes to the scope of our work as set out in the audit plan which is carried out in accordance with the Code of Audit Practice and supporting auditor guidance notes issued by the NAO.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We have not identified any significant findings in the course of our work.

Identify changes in your business and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Determine materiality

When planning our audit we set our materiality for the Authority audit at £984k (2018/19: £1,000k) based on gross expenditure. Materiality has not changed since our planning report. We report to you in this paper all misstatements above £49k (2018/19: £50k).

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the Member's attention our observations on the significant audit risks from the work so far performed. The Authority's members must satisfy themselves that management's judgements are appropriate and will need to agree arrangements to consider any significant findings arising from audit work which is not yet complete.

Our audit report

Based on the current status of our audit work, we envisage issuing an unmodified audit report and unmodified value for money conclusion.

We expect to include an "emphasis of matter" paragraph in relation to material uncertainties around the property valuation. See details on page 10.

COVID-19 pandemic and its impact on our audit.

Requirements	CIPFA has issued guidance highlighting the importance of considering the impact of COVID-19 in preparation of the 2019/20 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of COVID-19 and related uncertainties, including their impact on resilience and going concern assessments. Entity-specific explanations of the current and expected effects of COVID-19 and the Authority's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation. As well as the effects upon reserves, financial performance and financial position, examples of areas highlighted by CIPFA include the impact on service provision, changes to the workforce and how they are deployed, impacts upon the supply chain, cash flow management, and plans for recovery. Risks highlighted include those relating to subsidiaries and investments, capital programmes, and resilience of the community including partner organisations and charities.
Actions	A thorough assessment of the current and potential future effects of the COVID-19 pandemic is required including: • A detailed analysis across the Authority's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position and reserves; • The economic scenario or scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios); • Any material uncertainties relating to the Authority's financial position, the financial sustainability of the Authority, and the potential requirement for a section 114 notice; and • The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible.

Impact on the Authority	Impact on annual report and financial statements	Impact on our audit
We have considered the key impacts on the business such as: • Interruptions to service provision. • Supply chain disruptions. • Unavailability of personnel. • Reductions in income. • The closure of facilities and premises.	We have considered the impact of the outbreak on the annual report and financial statements, discussed further on the next slide including: • Principal risk disclosures • Impact on property, plant and equipment • Impact on pension fund investment measurement and impairment • Financial sustainability assessment • Events after the reporting period and relevant disclosures • Narrative reporting • Impairment of non-current assets • Allowance for expected credit losses	We have considered the impact on the audit including: • Resource planning • Timetable of the audit • Impact on our risk assessment • Logistics including meetings with entity personnel.

	Potential Impact on annual report and financial statements	Audit response
Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors has issued a practice alert, as a result of which valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This has impacted the Authority and has required specific disclosure in the financial statements.	The Authority has considered its approach to the measurement of property, plant and equipment (PPE). Where property held at current value is based on market valuations the Authority considered with their valuers the impact that COVID-19 has had on current value. The Authority also considered whether there are any indications of impairment of assets requiring adjustment at 31 March 2020. The material uncertainty is disclosed in the Statement of Accounts and leads to an Emphasis of Matter in our audit opinion.
Impact on pension fund investment measurement	As a result of the COVID-19 pandemic pension fund investments have been subject to volatility.	We have written to the auditor of the Pension Fund for assurance from the results of their procedures on the Authority's assets. This includes questions on any estimation techniques and any changes to those techniques that may be needed to measure the financial instruments at 31 March 2020. Market volatility may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation. At the date of this report, we have not had the response from the Pension Fund auditor in order to conclude on this matter. We will provide an oral update on these matter at the meeting.
Expected credit losses	The Authority has considered the provision for credit losses for receivables, including for expected credit losses for assets accounted for under IFRS 9.	No issues in relation to this have arisen from our audit work. The majority of debtors at 31 March are in respect of non-exchange debtors, which are outside the scope of IFRS 9.
Narrative and other reporting issues	The following areas need to be considered by Authorities as having being impacted on by the COVID-19 pandemic. • Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability. • Reporting judgements and estimation uncertainty, the Authority will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities	We note that the narrative report adequately discloses matters related to Covid-19, including risks, potential impacts and other issues. The report is compliant with the guidance in this area. We have received a further updated version back from the Authority that we are checking complies with all the relevant requirements. We will update you in the meeting if any changes arise.

Significant risks

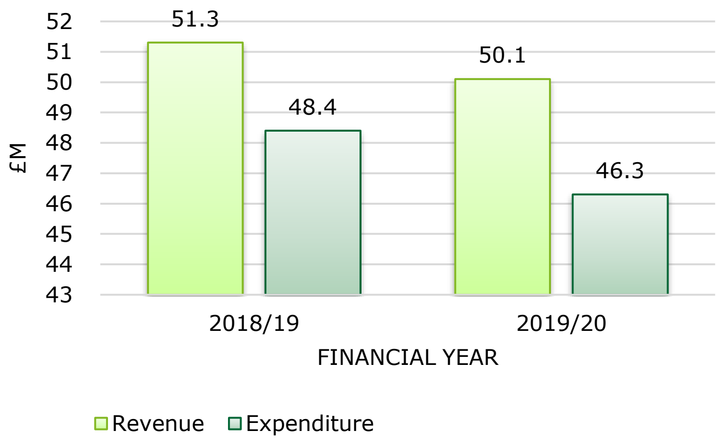
Revenue and expenditure recognition

Risk identified

Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. For the Authority, we consider this significant risk to be the validity, accuracy and completeness of the variable element of the revenue relating to the actual direct tonnage charged to the four constituents councils.

Given that revenue is driven by the volume of activity during the year, this risk is also linked to the recognition of expenditure. The Authority has a significant contract with Cory Limited for the provision of waste management services. The risk includes the accuracy and completeness of expenditure calculated by Cory and whether the Authority is accounting for expenditure appropriately and consistently in line with activity.

Given the pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating accruals.



Deloitte response

In considering the risk identified, we performed the following audit procedures that directly address this risk:

- We obtained an understanding of and test the design and implementation of the key controls in place in relation to recording completeness of expenditure and accruals;
- We reviewed the contract in place between the Authority and Cory Limited;
- We performed focused testing in relation to the completeness of revenue, expenditure and accruals;
- We reviewed the accuracy of the expenditure calculated by Cory;
- As part of this focused testing, we challenged the assumptions made in relation to year-end accruals;
- We also reviewed expenses recorded in the final month of the year against previous year's trends to identify if there are any inconsistencies;
- We will perform testing for unrecorded liabilities based on payments made and expenses recorded in the period after year end up to 30 days; and
- In addition, we reviewed the year on year movement in expenditure and accruals and investigated significant movements

Deloitte view

Our audit work performed suggest that the Authority has appropriately recorded revenue and expenditure for the period. No issues were noted.

Significant risks (continued)
Valuation of property assets

Risk identified

The Authority holds significant property assets within Property, Plant and Equipment ("PPE"). which are required to be recorded at fair value determined as the existing use value (EUV) at the balance sheet date. Depreciated replacement cost is also used as an estimate of fair value for assets with no market-based evidence.

The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

Key judgements and our challenge of them

The Authority held £58.9m of property assets at 31 March 2020.

The last revaluation performed for the the Authority's property assets was 31 March 2018.

The Authority's valuer Wilkes Head & Eve (WHE) had advised there had been no material change in asset value from the prior year end 31 December 2019 to the current year end 31 March 2020.

Deloitte response

- We tested the design and implementation of key controls in place around the authority's consideration of the property valuation.
- We obtained an understanding of approach adopted to consideration of the valuation, including assessing the valuer's qualifications, objectivity and independence and reviewing the methodology used.
- We used our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions in the valuation of the Authority's property assets including considering the assumptions that there is no material movements from the prior year.
- We considered the impact of uncertainties relating to Covid-19 and the UK's exit from the EU upon property valuations in evaluating the property valuations and related disclosures.

Deloitte view

While we note the increased estimation uncertainty in relation to the property valuation as a result of Covid-19 (detailed on page 11) we consider that the key judgements are reasonable.

We are satisfied that the Authority's assumptions and valuation methodology are appropriate and are not indicative of management override or manipulation to achieve a preferred outcome.

Significant risks (continued)

Valuation of property assets – Material Uncertainty due to Covid-19

Material Uncertainty due to Covid-19

The Authority's valuer has confirmed that there is a material valuation uncertainty due to the impact of Covid-19.

This is a common feature of valuation reports prepared to 31 March 2020.

Impact on Statement of Accounts

The Authority is required to disclose the existence of this material uncertainty in the Statement of Accounts. This can be seen in Note 4 to the accounts, an extract of which is included below:

"The outbreak of Covid19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid 19 on the economy. Therefore, values have been based on the situation prior to Covid 19, on the assumption that values will be restored when the real estate market becomes more fluid."

Impact on Audit Opinion

An "emphasis of matter" is required to be included in our audit opinion to draw attention to management's disclosure:

"*We draw attention to note 4, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Authority's property portfolio. The pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter*."

Significant risks

Management override of controls

Risk identified
In accordance with ISA 240 (UK) management override of controls is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Authority's results throughout the year was closely monitored; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted.

Accounting estimates

We have performed design and implementation testing of the controls over key accounting estimates and judgements.

The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest: valuation of the Authority's properties and the valuation of the pension liability, as discussed elsewhere in this report.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the areas more subject to estimation in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Deloitte view

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed.

Other matters

Defined benefits pension scheme

Background

The Authority participates in the Local Government Pension scheme, administered by London Pension fund Authority.

The net pension liability has decreased from £11.4m at 31 March 2019 to £10.28m at 31 March 2020 primarily as a result of movements in asset values and some changes in discount rate and inflation assumptions. This total includes the impact of the McCloud adjustments.

The Authority's pension liability continues to be affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015.

In the current year there was an additional legal case - the Goodwin judgement - that has an impact on the scheme. The judgement is in respect of a Teacher's Pension case where there was deemed to be discrimination in spousal transfer on death of the member (where a male widower was deemed to be discriminated against through receiving a different level of benefits than a female widow). No allowance has been made in the current year as the scheme actuary has concluded that the impact is immaterial.

Deloitte response

- We obtained a copy of the actuarial report produced by Barnett Waddingham, the scheme actuary, and agreed in the disclosures to notes in the accounts.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by the actuary, including benchmarking as shown the table opposite.
- We have requested assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.
- We will assess the reasonableness of the Authority's share of the total assets of the scheme with the Pension Fund financial statements for the year.
- We reviewed the disclosures within the accounts against the Code.

	Authority	Benchmark	Comments
Discount rate (% p.a.)	2.35%	2.15% - 2.60%	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	1.95%	1.70%	Reasonable, slightly prudent
Salary increase (% p.a.) (over CPI inflation)	2.95%	Authority specific	Reasonable
Pension increase in payment (% p.a.)	1.95%	1.70%	Reasonable
Pension increase in deferment (% p.a.)	1.95%	1.70%	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	21.90	21.80	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	23.80	23.20	Reasonable

Deloitte view

Our work is continuing in relation to pension assets and we are therefore not yet able to conclude in this area. We will provide an update to the members in the meeting.

Conclusion on arrangements to secure economy, efficiency and effectiveness from the Authority's use of resources

Background

Under the National Audit Office’s Code of Audit Practice, we are required to report whether, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body’s arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work. We note that the NAO guidance indicates a low likelihood that Covid-19 forms a risk area impacting the assessment of arrangements for 2019/20. Rather this will form part of the risk assessment and evaluation for 2020/21. The response to Covid-19 is described as an “emerging risk” in this guidance (rather than a significant risk) unless clear evidence comes to the auditor’s attention of a significant failure in arrangements as a result of Covid-19 during the 2019/20 financial year.

Our risk assessment

We set out the risk assessment procedures we had performed and our further planned procedures in our audit planning report including discussion with relevant officers and review of Authority documentation including internal audit reports. We did not identify any further significant risks from our remaining risk assessment procedures.

Deloitte view

Based on the current status of our audit work, we envisage issuing an unqualified “value for money conclusion”.

The expected form of our conclusion is as follows:
On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020 we are satisfied that, in all significant respects, Western Riverside Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Our audit report

Matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

Our opinion on the financial statements

We anticipate that our opinion on the financial statements will be unmodified.

Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Emphasis of matter and other matter paragraphs

We include details on the Emphasis of matter paragraph in relation to property valuations on page 10 of this report.

There are no other matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.

Our value for money conclusion

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

We anticipate that our conclusion on the Authority's arrangements will be unmodified.

Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

We anticipate that our conclusion in this area will be satisfactory.

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement. We are still in the process of reviewing the final draft of the statement of accounts.

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Authority): - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation - Future sustainability and risks to this posed by Covid-19.	We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance. We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We note that the Narrative Report has been updated for the implications of Covid-19, and consider that the updated report appropriately reflects the relevant considerations in the context of the Authority.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. No issues were noted from our review.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the members of the Authority and the Authority discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Authority.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Members of Western Riverside Waste Authority and Authority as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

for and on behalf of Deloitte LLP

22 September 2020

Appendices

Redmond Review of financial reporting and external audit

The review has recommended significant changes to the arrangements governing local audit.

Issue

On 10 July 2019, the Secretary of State for Housing, Communities & Local Government asked Sir Tony Redmond to conduct a Review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014, with the report issued on 8 September 2020.

The scope of the review covered: whether the audit and related regulatory framework for local authorities in England is operating in line with the policy intent set out in the Local Audit and Accountability Act 2014 (which replaced the Audit Commission arrangements); whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by Authorities; whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account; and to make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest.

The review's recommendations include:

- Proposing a single overarching body, the Office of Local Audit Regulation ("OLAR"), responsible for the co-ordination and regulation of local audit activity. This would bring together responsibilities currently held by Public Sector Audit Appointments, the National Audit Office, the Financial Reporting Council, and the Institute of Chartered Accountants in England and Wales. The OLAR would also publish reports summarising the results of audits across the sector. The OLAR would report to a new Liaison Committee comprising key stakeholders and chaired by MHCLG on the development of local audit.
- Authorities reviewing their governance arrangements, including: the auditor reporting annually to Full Authority; considering appointing at least one independent, suitably qualified, member to the Authority; and formalising the Chief Executive Officer, Monitoring Officer and Chief Financial Officer meeting with the Key Audit Partner at least annually.
- Extending the timetable for local authority audits, probably to 30 September from 31 July each year (in liaison with the Department of Health and Social Care and NHS Improvement to prevent clashes in timetable affecting audit capacity).
- Revising the fee structure for local audit, to appropriately reflect the cost of delivery of audit and the required resources for audit quality.
- The Ministry of Housing, Communities & Local Government should review its framework for assurance over financial sustainability of local government. The review suggests potential additional audit requirements around financial resilience that the OLAR may consider, including audit review of compliance with the CIPFA Financial Management Code (which MHCLG might give statutory status).
- Introducing a new standardised statement of service information and costs prepared by each authority, compared to budget. This is envisaged to be a clearer way to communicate with taxpayers and service users. This report would be subject to some form of audit sign-off. With budgetary performance separately reported, it is suggested CIPFA review the main accounts requirements, which may enable some disclosures to be removed (effectively moving the financial statements to IFRS reporting).

The implementation of most of the recommendations will require further consultation or primary legislation.

Next steps

- We will update the Authority as proposals move forward for implementation of the recommendations.
- The Authority may wish to consider those recommendations which can be actioned without a change in legislation or regulations.

Audit adjustments

Unadjusted misstatements

We have not identified any unadjusted misstatements during the course of our audit.

Disclosures

Disclosure misstatements

All Disclosure misstatements identified up to the date of this report has been corrected.

Fraud responsibilities and representations

Responsibilities explained

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Authority to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Authority.

We have also asked the Authority to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed:

In our planning we identified the recognition of revenue and expenditure linked to the accuracy and completeness of expenditure, the valuation of property assets and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No significant concerns have been identified from our work

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	The audit fee for 2019/20, in line with the scale fee provided PSAA, is £12k as broken down below. We are in discussions with the Authority on fee variations to reflect the cost of the audit which is not reflected in the scale fee. No other non-audit fees have been charged by Deloitte in the period.
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence. We are not aware of any relationships which are required to be disclosed.

	2019/20 £ (exc VAT) 2019/20	2018/19 £ (exc VAT) 2018/19
Scale audit fee	12,058	12,058
Additional costs in 2018/19, including in respect of Cory transaction and valuation errors	-	27,000
Proposed fee variation to reflect the cost of audit, including in respect of Covid-19 considerations	TBC	-
Total audit	**12,058**	**39,058**

Deloitte.

Appendix A

Western Riverside Waste Authority

Clerk: Martin Walker
General Manager: Mark Broxup
Treasurer: Chris Buss

Room 111, The Town Hall, Wandsworth High Street, London SW18 2PU

Deloitte LLP
3 Victoria Square
Victoria Street
St Albans
AL1 3TF

23 September 2020

Our Ref: BJS/MA/2020

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of the Western Riverside Waste Authority ("the Authority") for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Western Riverside Waste Authority as of 31 March 2020 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20 which give a true and fair view, as set out in the terms of the audit engagement letter.

2. We acknowledge our responsibilities for the design, implementation, and maintenance of internal control to prevent and detect fraud.

3. The methods, the data, and the significant assumptions used in making accounting estimates and their related disclosures, including those measured at fair value, and assessing the impact of Covid-19 on the Authority, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".

5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including principal conditions or events and our plans. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. The measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently.

8. The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures.

9. The disclosures related to accounting estimates under the entity's applicable financial reporting framework are complete and appropriate.

10. There have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.

11. The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets and assets pledged as collateral.

12. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have disclosed in Note 30 to the financial statements all guarantees that we have given to third parties.

13. We are not aware of any deficiencies in internal control.

14. All minutes of member and management meetings during and since the financial year have been made available to you.

15. With respect to the revaluation of properties in accordance with the Code:

    a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;

    b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;

    c) the disclosures are complete and appropriate, including in respect of the material valuation uncertainty advised by the Authority's valuer.

    d) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.

    e) the information supplied for the valuation of the Authority's property assets includes up to date rental and other relevant data to inform the valuation, and there are no circumstances we are aware of that would impact upon the valuation of assets (such as issues with condition) that have not been shared with the valuer;

16. We have reconsidered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.

17. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets or goodwill may not be recoverable.

18. We confirm that:

    a) all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;

    b) all settlements and curtailments have been identified and properly accounted for;

    c) all events which relate to the determination of pension liabilities have been brought to the actuary’s attention;

    d) the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors’ best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;

    e) the actuary’s calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and

    f) the amounts included in the financial statements derived from the work of the actuary are appropriate.

19. We have considered the impact on the Authority’s pension liability of the McCloud and Goodwin legal cases and do not consider the impact of any adjustment for the Authority’s 9 active members to be significant to the financial statements.

20. We confirm that all of the disclosures within the Narrative Report and Annual Governance Statement, and in the remuneration disclosures within the financial statements, have been prepared in accordance with the relevant legislation and guidance.

Information provided

21. We have provided you with:

    - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

    - additional information that you have requested from us for the purpose of the audit; and;

    - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

With respect to the Authority's contractual arrangements with Cory, we have provided all relevant documentation, and, based upon our consideration of the contracts and the requirements of the CIPFA Code and International Financial Reporting Standards, have not identified any other features of the arrangements which may require consideration in determining the accounting for these arrangements or might impact upon the conclusions on the matters disclosed in the financial statements and/or discussed in the course of the audit. The Authority's agreements with Cory do not include any separately identifiable pricing of

- the Force Majeure provisions;
- Payments giving rise to an identifiable receivable during the Residual Value period.

22. We have considered the substance of the Authority's lease and lease back of the Energy from Waste site from Cory, and consider that in substance this is a security mechanism to ensure payment of amounts potentially due from Cory, rather than a genuine lease arrangement.

23. We have considered the terms and substance of the Authority's leases of Authority sites to Cory, and confirm that we consider these arrangements represent operating leases, as the Authority retains substantially all the risks and rewards incidental to ownership of the assets. The economic value of the lease to Cory is not separately identifiable within the WMSA and lease agreement, and so it is not possible to show separately lease income and gross cost paid to Cory.

24. We have considered the minimum level of provision required under IAS 37 in respect of the Force Majeure provision and have not recognised a provision as the possibility of cash outflows is currently considered remote.

25. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

26. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

27. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

28. We are not aware of any fraud or suspected fraud that affects the entity or group and involves:

    (i) management;

    (ii) employees who have significant roles in internal control; or

    (iii) others where the fraud could have a material effect on the financial statements.

29. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

30. We have disclosed to you all known instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

31. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

32. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. On the basis of legal advice we have set them out in the attachment with our estimates of their potential effect. No other claims in connection with litigation have been or are expected to be received.

33. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

34. We have considered the valuation of the Authority's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation in the current year.

35. We have considered the potential impact of the power disruption at the Energy from Waste plant, and the potential range of outcomes of legal discussion. Based on legal advice received and status of negotiations, , we do not consider any potential liability to be material in the context of the financial statements, nor there to be sufficient certainty to recognise a receivable, and we have disclosed relevant facts in the contingent asset note.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Chris Buss
Treasurer
Signed on behalf of Western Riverside Waste Authority

Appendix 1

Schedule of Uncorrected Misstatements

No adjustments or disclosures to display

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