



Auditor's Annual Report for Western Riverside Waste Authority

Year-ended 31 March 2024

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24 February 2025

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This report is addressed to [Name] (the Authority). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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01

Executive Summary

Western Riverside Waste Authority

Executive Summary



Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Western Riverside Waste Authority (the ‘Authority’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Authority alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Authority and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting (‘the Code’).



Narrative report - We assess whether the narrative report is consistent with our knowledge of the Authority.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Authority’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	<p>We issued an unqualified opinion on the Authority accounts on 24 February 2025. This means that we believe the accounts give a true and fair view of the financial performance and position of the Authority.</p> <p>We have provided further details of the key risks we identified and our response on page 8.</p>
Narrative report	<p>We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Authority.</p>
Value for money	<p>We are required to give an opinion as to whether the Authority has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.</p> <p>Our opinion is that the Authority does have appropriate arrangements in place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 10.</p>
Other powers	<p>See overleaf.</p>

Executive Summary



There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Authority is taking. We may also apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Authority. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Authority does not need to take any action, however should the Authority provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

Advisory notice

We may issue an advisory notice if we believe that the Authority has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Authority. Where we raise observations we report these to management and the Members meeting. The Authority is not required to take any action to these, however it is good practice to do so and we have included any responses that the Authority has given us.

02

Audit of the financial statements

Western Riverside Waste Authority

Audit of the financial statements



KPMG provides an independent opinion on whether the Authority's financial statements:

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

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We have issued an unqualified opinion on the Authority financial statements on 24 February 2025.

The full audit report is included in the Authority's Annual Report and Accounts for 2023/24 which can be obtained from the Authority's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of land and buildings</p> <p>Risk that the value for the land and building assets is materially over or under-estimated.</p>	<p>We have engaged KPMG real estate valuation specialists to assess the valuation methodology and assumptions of the Authority's Smugglers Way site. The audit team have assessed the methodology and assumptions adopted in valuing the Authority's other land and building assets.</p> <p>The audit team have carried out procedures to evaluate the relevance and reliability of data underpinning this valuation.</p>	<p>We identified a misstatement relating to the recognition of the asset valuation between the land, buildings and fixed plant categories. There was no impact on the total Plant, Property and Equipment balance recognised on the Authority's balance sheet. The identified misstatement has been corrected by management.</p> <p>We identified a control deficiency in relation to the review of the specialist valuation report by management.</p> <p>We considered the estimates underpinning the valuation to be balanced based on the procedures performed.</p>
<p>Management override of controls</p> <p>Risk that the process around posting ledger transactions is utilised to manipulate accounting results.</p>	<p>We test specific Journal entries that meet our defined High-Risk Criteria (HRC).</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a control deficiency relating to evidencing management's detail review and challenge of journal entries.</p>



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Value for Money

Western Riverside Waste Authority

Value for Money



Introduction

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Authority for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Authority ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	12-13	14-15	16
Identified risks of significant weakness?	x No	x No	x No
Actual significant weakness identified?	x No	x No	x No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔

Value for Money

National context

We use issues affecting Waste Authorities across London to set the scene for our work. We assess if the issues below apply to this Waste Authority.

Financial performance

Greater London has four waste disposal authorities, responsible for waste collection and disposal. The Authorities are all funded by a levy on the local authorities they service, and their operational costs are expected to be “fully-funded” by these levies. This means that the member Boroughs agree to a funding of the required activity of the Authority through the agreed levy rates. Therefore, unlike other parts of the Local Government sector (for example Councils) there is a reduced risk facing such Authorities regarding exposure to losses and unplanned utilisation of reserves. However the Waste Authorities need to be mindful of the financial pressures experienced by their member Borough Councils, and the expectation these Councils will do more, with less. When determining the annual levy, the Waste Authorities need to demonstrate the financial and operational benefits to the Boroughs they serve.

Environmental issues

The key environmental issues facing Waste Authorities are upcoming changes to legislation. Authorities that process non-recyclable waste through waste to energy facilities (e.g. burning waste) are particularly exposed to these changes, for while they avoid issues in regard to landfill impact, the emissions from these facilities (and the energy generated) are comparable to coal power. As such the following legislative changes would be considered to have a key impact:

- Emissions Trading Scheme (ETS)
- Extended Producer Responsibility (EPR)
- Deposit Return Scheme (DRS)

The key concern from the above legislation is around Gas emissions - specifically the chimney at the Belvedere waste burning plant. If emissions limits are breached then Cory (as the contract operator) would be at liability, and as such there is no direct impact on the Authority. There is still however an overall drive in the Authority and across the member Boroughs to increase rates of reuse and recycle to decrease waste, in line with the intent of the above legislation.

Financial Sustainability



How the Authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

- In November 2022 the Authority carried out financial forecasting for the 23/24 financial year. The forecast went to the November 2022 Authority meeting. A meeting was also held with the s151 officers of all four Boroughs (Hammersmith & Fulham, Kensington and Chelsea, Lambeth and Wandsworth) to consider the same information. In setting the budget, management considered key variables around the inflation indexes and estimates around the electricity price being the factors in the contract with Cory used to generate the rate per tonne. Subsequent to this initial review, an email consultation was undertaken in January 2023 with the Boroughs which was then taken to the February 2023 meeting followed by issuing of residents' letters by 15th February as per statute. The timeline for the budget process for 2023/24 was as follows:

- Forecast data forming the plan - 23 November 2022 meeting
- First budget - 9 February 2023
- Updated budget - 22 November 2023
- Revised budget - 8th February 2024
- Financial Outturn - 29th July 2024

S151 Officers and Authority Members at the meetings noted above provided appropriate scrutiny and challenge - challenge is also presented by the management team throughout.

- The Authority holds quarterly meetings through the year at which the financial position is reported on, with a detailed position of forecast vs. actual, and rebudgeting. This ensures that the ongoing finances of the Authority are regularly scrutinised by members to a sufficient and appropriate level.
- There has been no planned or actual usage of general reserves for the year ending 31 March 2024. The Authority planned too, and have, utilised balances within the stabilisation reserve to subsidise Borough charges. This was agreed by the Authority meeting; when setting the 2023/24 budget, rates and levy. The Authority agreed to utilise reserves to reduce the rates for both general waste and co-mingled recycle.
- The Authority achieved an outturn surplus position of £10,644k, compared to an in year forecasted surplus position of £7,239k. It is proposed to transfer the additional surplus from 2023/24 to useable reserves primarily the Capital Reserve and the Stabilisation Reserve. The most significant reason given for the difference is in relation to the energy share reconciliation – the process for this takes place after April each year and is therefore not built into the Budget – this drives £2,700k of the difference. The other main driven is additional interest on a higher than anticipated bank balances, accounting for £457k of the movement.

Financial Sustainability



How the Authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
 - How the Authority plans to bridge its funding gaps and identifies achievable savings;
 - How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
 - How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
 - How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.
- The Authority does not currently have a Capital Programme. However, as a result of legislative changes arising from the new service contract (from 2032) and the Environment Act (2021), there is the potential that the Authority will incur capital costs either in the purchase of new land and construction of new facilities or upgrading existing facilities. In the absence of any government funding, the costs of these would fall on the Levy and be borne by the constituent boroughs. To try to mitigate future costs the Authority has created a capital reserve which will be used to reduce future Levy costs. The February budget paper included the plan to use some of the expected 2023/24 surplus to top up this reserve to bring it to a value of £10m.
 - The overall reserves position of the Authority is £139,656k – and increase of £7,000k on the prior year balance of £132,656k. Key to this is an increase in the usable reserves balance of £10,645k from £26,503k to £37,148k. This is driven by the outturn surplus position noted above. Due to the nature of the Authority, the expenditure incurred is charged to constituent councils to meet its liabilities. It is able to vary the levy due from members to ensure solvency and this is reviewed annually. The Authority is, therefore, less exposed to the wider constraints on the public sector financial environment. As such, there is no significant funding gap.
 - The Authority has seen an increase of £10,286k in the cash balance, from £17,255k in prior year to £27,541k as at 31 March 2024. The Authority has also seen a marginal increase in short term investments, from a prior year balance of £5,929k to a current balance of £6,221k. Comparatively, the exposure to liabilities is low – with total borrowings consistent year-on-year at £1,000k, these loans are held with the PWLB and fall due in September 2025. The overall position is supported by the in-year activity, which has been improved by the favourable market rates on electricity.
 - In regard to savings and efficiencies, the Authority is locked into its current waste contract with Cory Riverside Energy until 2032. The rates within the contract (cost per tonne and the market rate for electricity) are actively monitored by management, The Authority aims to achieve efficiencies from within the Waste Management Services Agreement (WMSA) with Cory Riverside Energy in order to generate savings for Constituent Councils in the current financial climate.
 - Given the size and simplicity of Authority operations, there are limited opportunities for other savings outside this process. It is noted for the current year the Authority have seen an improved position against budget due to favourable rate movements. This has resulted in a better than budgeted asset and reserves position at the financial yearend.
 - The annual financial planning and forecasting processes have continued to operate effectively and the Authority has set out a balanced budget and levy for 2024/25. There is also a treasury management and capital strategy for 2024/25.

Governance



How the Authority ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
 - how the Authority approaches and carries out its annual budget setting process;
 - how the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
 - how the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
 - how the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.
- The key tool used by the Authority for risk management is the Risk Management Matrix. The matrix is scrutinised on an annual basis by the Authority meeting. The Authority plans to review and discuss the matrix in its Authority meetings twice a year from 2024/25 onward. Prior to presenting the matrix as the Authority meeting, it is reviewed by the management team with key management personnel allocated specific risks to manage through the year. The risk management matrix provides a record of the principal risks to achieving the Authority's objectives together with an analysis of their likelihood/impact and the key preventative, detective and corrective controls. Each risk is allocated to an owner to implement the mitigating actions.
 - The biggest risk to the Authority is the electricity price, which is included in all budget papers in significant detail, as electricity prices are very difficult to predict and can shift the overall financial position of the Authority due to the impact on price per tonne. This is appropriately and accurately reflected in the Risk Management Matrix and the meeting review.
 - Due to the size of the organisation, the Authority operates a relatively simple governance structure. There is a single member meeting ("the meeting") held on at least a quarterly basis (per the Constitution), with remit to hold additional meetings if required. Authority membership comprises eight elected Members, two from each of the constituent councils. We have noted that the Authority do not operate an Audit Committee. While the Authority is not currently required to operate an Audit Committee, the December 2024 local audit consultation has proposed mandating all local Authority entities to have an Audit Committee which consists of at least one independent member.
 - As a consequence of the Authority not having an Audit Committee we found that the results and findings of the Authority's internal auditors are not considered and scrutinised by the members. However we note that internal audit has not raised any significant issues in the current year. The 2023/24 Internal Audit Report provided an overall substantial assurance conclusion.
 - The Authority has an approved decision-making methodology for investment and divestment decisions, which includes approval by finance personnel and where necessary, decisions will be reviewed by the executive management team for comments before going to Members of the Authority for final approval. There are currently no major capital projects being undertaken by the Authority. There are capital plans under consideration by the Authority which are regularly presented to and challenged at the Authority meeting.
 - We have reviewed the standardised policies in place at the Authority and note that there is a comprehensive suite of policies in place including, but not limited to a code of conduct for employees, whistleblowing policy, members induction pack, anti-fraud and anti-corruption, gifts & hospitality and a disciplinary code of practice. Finally, there are the Rules of the Authority, which govern the constitutional practices. We have noted that all policies are dated 26 January 2021, with renewal to be undertaken in 2024/25.

Governance



How the Authority ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Authority approaches and carries out its annual budget setting process;
- how the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

- All policies are readily available on the Authority website, and made available to employees and members through training and induction and access through the
- There is an induction process for new Authority members.

Our procedures have identified two recommendations, which are noted as follows, and have also been raised in our ISA 260 reporting:

- To comply with best practice we recommend the Authority reviews its governance structure and considers establishing an Audit Committee which consists of at least one independent member.
- On an annual basis the internal audit plan and internal audit findings should be reported to and reviewed through the Authority's governance structure.

Improving economy, efficiency and effectiveness



How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- how the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

- There is an approved methodology for investment and divestment decisions, which includes approval by the treasurer and the members of the Authority, as appropriate.
- The Authority seeks to drive efficiencies and generate savings for constituent councils through the existing Waste Management Services Agreement (WMSA) as well as delivering benefits through the Energy from Waste facility.
- The Authority carry out performance management reviews which are reported on a quarterly basis to the members meeting under operational and other matters. This considers various elements of the WMSA on an ongoing basis, to ensure efficient delivery.
- The key factors for the Authority to consider and monitor in regards to efficiencies and savings are the price per tonne for waste processing and the market rates for electricity. These are the two factors, per the contract with Cory Riverside Energy, which drive the expenditure and income of the Authority and its Borough members. These indicators are routinely considered in detail in the reporting made to every Authority meeting. Management strive to keep members informed of any developments, so an appropriate response can be agreed with members.
- Due to the increase in electricity market rates in the year there has been significant improved financial performance, which is reflected in the reserves and cash position of the Authority as at the year end. As noted, while the Authority cannot have a tangible impact on rate changes, regular monitoring does allow for regular update of changes in the financial position, specifically through use of KPIs to assess the performance regarding the electricity rates and inflationary impacts.
- The Authority holds member meetings (at a minimum four a year). They also hold informal member meetings on a monthly basis. Any key changes to the Authority's financial and operational plan in required to be approved by the Authority members, as representatives of the key stakeholders (taxpayers).
- All major decisions have input from all key Borough stakeholders, including technical officers, advisors (for legal issues) and authority members. Also noted that the Authority do not directly charge consumers - this is done by the member Boroughs, but that the Borough members bring forward the interests of the taxpayers.
- The Authority is currently locked into the contract (the WMSA) with Cory through to 2032. While the expiry of the contract is 8 years away as at year end, management are conscious that this is pending, and have begun the planning process around contract tenders; the contract will have to be fully tendered, but management are aware that there is a limited market of potential providers, and as such have begun processes to identify providers who would be open to entering the tendering process, and how they would align with Authority plans. The Authority has appointed consultants to engage on an Outline Business Case to establish market data and produce a long list for consideration.

Improving economy, efficiency and effectiveness



How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- how the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

- The Authority is leading on the development of a Joint Municipal Waste Management Strategy (JMWMS) with the member boroughs, covering the period 2025 to 2040. Technical advisors were appointed in March 2023 to support the delivery of the JMWMS which will assess anticipated waste volume and composition to be collected and processed across the timeframe, from a baseline year of 2022/23. The draft strategy was approved in July 2024, with recommendation that public feedback be incorporated into the strategy, this consultation, undertaken over a 6 week period, was reported back in the December 2024 meeting – the Boroughs have been recommended to consider the revised draft with a view to finalising at the earliest opportunity in 2025.



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Document Classification: KPMG Public