Western Riverside Waste Authority

Statement of Accounts

For the year ended 31 March 2015

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EXPLANATORY FOREWORD TO THE ACCOUNTS 2014/15

Introduction

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's accounts for the year ended 31st March 2015 are set out in the statements which follow this foreword. The purpose of the Statement of Accounts is to summarise the financial position of the Authority. The foreword gives a general outline of the main items reported within the accounts and gives a summary of the Authority's overall financial performance for the year.

The accounts have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities in England, supported by International Financial Reporting Standards (IFRS). This means that the accounts are prepared on the same basis as the rest of the public sector in the United Kingdom.

The statements and notes which make up the accounts are listed below in the order in which they appear in the accounts, with an explanation as to their purpose:

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. The operational income and expenditure of the Authority is wholly affected by the tonnage of waste managed during the year. Total waste managed by the Authority increased marginally by 144 tonnes or 0.04% with General waste tonnage increasing by just under 2,000 tonnes, or 0.6%. Recycling represented around 21% of total waste managed, the same percentage as in 2013/14.

The General Fund Balance at the end of March 2015 stood at £7.093 million, an increase of £1.976 million over the year. The balance was £3.736 million more than anticipated when the budget for 2015/16 was set in February 2015 due to unexpected rebates received from the main contractor as a result of an 'Energy uplift refund' (Triad payments) backdated over 3 years. The 2013/14 accounts have been restated to reflect this backdated payment. It is proposed that a proportion of this surplus will be redistributed back to the Boroughs during 2015/16 with an amount retained to cover the Authority's £2.5 million contingencies and other contingencies approved at the Budget Setting meeting in February 2015, when setting the budget and levy for 2015/16, and subsequently at the June 2015 meeting of the Authority.

Balance Sheet

This summarises the Authority's financial position at 31st March in each year. The top half shows the assets and liabilities of the Authority, its net worth. The bottom half explains how this net worth is split between usable and unusable reserves. The Authority's fixed assets were valued at 31st March 2015 at £55.0 million.

Debtors and other accruals, including HM Revenue and Customs, increased as rebates were due from the main contractor relating to the Triad payments for 2014/15 which had not been received by the end of the year. Creditors increased as the rateable value at the new site at the Materials Recycling Facility (MRF) had not yet been finalised and Business Rates are therefore outstanding for four years.

The provision for identified or potential liabilities remaining at the end of 2013/14 continues to reflect the provision for disputed outstanding £0.2 million payment to the main contractor, Cory, for contaminated waste charges at the end of 2014/15. The Budget Setting meeting in February 2015 agreed to maintain the Contingency at £2.5 million for 2015/16, providing against the risk of volatile prices for the electricity generated at the EfW facility. There has been no requirement to recommend any write-off of outstanding debts and no events following the preparation of the Balance Sheet that could affect any of its balances.

Cash Flow Statement

This summarises the flows of cash that have taken place into and out of the Authority's bank accounts over the financial year. The flows are separated into operating, investing and financing activities. The Authority's cash and cash equivalents increased by £0.275 million in 2014/15 (increased by £5.543 million in 2013/14).

Notes to the Accounts

The notes provide further details to ensure a true and fair view is presented of the Council's financial position. They present information about the basis of preparation of the financial statements and the specific accounting policies used. They present information required by the Code that is not presented elsewhere in the financial statements and provide information that is relevant to the understanding of the financial statements.

Pensions

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

Following the Triennial Valuation of the LPFA fund as at 31st March 2013, the Authority's deemed share of the LPFA Pension Fund assets as at 31st March 2015 is £6.307 million, an increase of £411,000 over the year. The Fund's actuary estimated that the present value of scheme liabilities has increased over the same period by £1.505 million, from £8.911 million to £10.416 million. The net pension liability therefore increased by £1.094 million from £3.015 million to £4.109 million.

The scale of the net liability, compared with total annual employment costs of around £0.3 million, underlines the risk of increased pension contributions that could ultimately be required. The Triennial Valuation undertaken as at 31st March 2013 set the minimum

employer contribution rate as a percentage of payroll for the year from 1st April 2014 to 31st March 2017at 12.0%. Additional minimum employer contributions as a monetary amount due for the three year period was set at £0.204 million for 2014/15, £0.213 million for 2015/16 and £0.223 million for 2016/17.

Borrowing Facilities

The Authority finances debt through the Public Works Loan Board (PWLB) with loans totalling £14 million outstanding at 31st March 2015, with no new loans advanced during the financial year. Average balances of £7.958 million were invested via Wandsworth Council earning the investment rate achieved by the Council at an average of 0.54% whilst the cashflow is managed within a Special Interest Bearing Account (SIBA) with the current retail banker (RBS/ Nat West) earning 0.25%. The Authority's total cash balance was £11.234 million at 31st March 2015. The cash balances are shown as cash or cash equivalents in the balance sheet.

Impact of the Current Economic Climate and Long Term Prognosis

The total level of waste managed by the Authority has increased slightly, a reflection of the marginal upturn in current economic conditions. It is anticipated that the level of waste managed could grow at around 2% above that received in 2014/15 for the upcoming few years. The Authority manages its affairs with the main contractor, Cory, through the Waste Management Services Agreement (WMSA) to minimise costs and maximise income from recycled materials. Pressure on budgets of Constituent Councils has increased considerably with reduced central government grant from 2011/12 onwards following the Government's Comprehensive Spending Review (CSR) and is likely to continue over future years. Over the life of the WMSA (i.e. until 2032) and beyond, the Authority and therefore its constituent councils should benefit from the EfW facility at Belvedere from:-

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

Conclusion

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

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Responsibility of the Authority

The Authority is required to:

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

The Responsibility of the Treasurer

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Treasurer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate

I certify that the Statement of Accounts presents a true and fair view of the Western Riverside Waste Authority's income and expenditure for the year ending 31 March 2015 and the authority's financial position as at 31 March 2015.

C Buss
Treasurer

23rd September 2015

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce charges to Constituent Authorities) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for determining the AWDC charges and the residual Levy. The net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £000	Pension Liability Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2013 Restated	**4,005**	**1,800**	**5,805**	**32,016**	**37,821**
Movement in Reserves during 2013/14					
(Deficit)/ Surplus on provision of services	1,434	-	**1,434**	-	**1,434**
Other Comprehensive Income and Expenditure	-	-	-	3,077	**3,077**
Total Comprehensive Income and Expenditure	**1,434**	-	**1,434**	**3,077**	**4,511**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(322)	-	(322)	322	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,112**	-	**1,112**	**3,399**	**4,511**
Transfers to/from Earmarked Reserves	-	-	-	-	-
Increase/(Decrease) in Year	**1,112**	-	**1,112**	**3,399**	**4,511**
Balance at 31 March 2014 carried forward	**5,117**	**1,800**	**6,917**	**35,415**	**42,332**
Movement in Reserves during 2014/15					
Surplus /(Deficit) on provision of services	1,495	-	**1,495**	-	**1,495**
Other Comprehensive Income and Expenditure	-	-	-	(1,137)	**(1,137)**
Total Comprehensive Income and Expenditure	**1,495**	-	**1,495**	**(1,137)**	**358**
Adjustments between accounting basis and funding basis under regulations (Note 6)	482	-	482	(482)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,977**	-	**1,977**	**(1,619)**	**358**
Transfers to/from Earmarked Reserves	-	-	-	-	-
Increase/(Decrease) in Year	**1,977**	-	**1,977**	**(1,619)**	**358**
Balance at 31 March 2015 carried forward	**7,093**	**1,800**	**8,894**	**33,796**	**42,691**

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.

	2013/14 Restated		**2014/15**	
	£000	£000	**£000**	**£000**
Operating expenditure				
Employees	272		**261**	
Premises	1,535		**1,598**	
General waste disposal	43,130		**46,317**	
Other supplies and payments	619		**767**	
Depreciation and Impairment (Note 9)	1,530		**1,357**	
Total		47,086		**50,300**
Operating Income				
Hammersmith and Fulham	(8,518)		**(9,298)**	
Kensington and Chelsea	(8,794)		**(9,409)**	
Lambeth	(13,562)		**(14,330)**	
Wandsworth	(11,124)		**(12,124)**	
Total		(41,998)		**(45,161)**
Net Cost of Services		5,088		**5,139**
Other Items				
Financing and investment income and expenditure (Note 8)		781		**690**
Other income		(319)		**(269)**
Deficit on Provision of Services		5,550		**5,560**
Levy on Constituent Authorities				
Hammersmith and Fulham	(1,312)		**(1,330)**	
Kensington and Chelsea	(1,754)		**(1,744)**	
Lambeth	(1,700)		**(1,754)**	
Wandsworth	(2,218)		**(2,227)**	
		(6,984)		**(7,055)**
(Surplus)/ Deficit on Provision of Services		(1,434)		**(1,495)**
Surplus on revaluation of Property, Plant and Equipment assets (Note 9)		(2,492)		**-**
Remeasurements of the net defined benefit liability (Note 25)		(585)		**1,137**
Other Comprehensive Income and Expenditure		(3,077)		**1,137**
Total Comprehensive Income and Expenditure		(4,511)		**(358)**

The 2013/14 accounts have been restated to reflect the backdated rebates received from the main contractor as a result of an 'Energy uplift refund' (Triad payments).

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 2014 Restated £000	**31 March 2015 £000**
Property, Plant and Equipment	9	56,400	**55,043**
Long Term Assets		56,400	**55,043**
Short Term Debtors	11	6,855	**8,477**
Cash and Cash Equivalents	12	10,959	**11,234**
Prepayments	10	10	**10**
Current Assets		17,824	**19,721**
Cash and Cash Equivalents	12	-	**-**
Receipts in Advance		1,330	**2,964**
Short Term Borrowing	10	-	**-**
Short Term Creditors	13	9,847	**10,800**
Provisions	14	200	**200**
Current Liabilities		11,377	**13,964**
Long Term Borrowing	10	17,500	**14,000**
Pensions	25	3,015	**4,109**
Long Term Liabilities		20,515	**18,109**
Net Assets		42,332	**42,691**
Usable Reserves	15	6,917	**8,893**
Unusable Reserves	16	35,415	**33,797**
Total Reserves		42,332	**42,691**

The notes on pages 11 to 43 form part of the financial statements.

C Buss
Treasurer

23rd September 2015

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.

	2013/14 Restated £000	**2014/15 £000**
Net deficit/ (surplus) on the provision of services	(1,434)	**(1,495)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(5,067)	**(2,280)**
Net cash flows from Operating Activities	(6,501)	**(3,775)**
Investing Activities (Note 18)	958	**-**
Financing Activities (Note 19)	-	**3,500**
Net decrease/(increase) in cash and cash equivalents	(5,543)	**(275)**
Represented by		
Cash and cash equivalents at the beginning of the reporting year (Note 12)	(5,416)	**(10,959)**
Cash and cash equivalent at the end of the reporting year (Note 12)	(10,959)	**(11,234)**
Increase in cash and cash equivalents	(5,543)	**(275)**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on cash balances and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. 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.

iv. 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.

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

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

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

Material errors discovered in prior year figures are corrected retrospectively by amending opening balances and comparative amounts for the prior year.

vi. Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to charge constituent Boroughs to fund depreciation, revaluation and impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to either 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.

vii. 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 is 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. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of the LPFA pension schemes. 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 3.2% in 2014/15 compared to 4.4% in 2013/14 (based on the indicative rate of return on the Merrill Lynch AA rated over 17 year corporate bond index).

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

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

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

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

viii. Events After the Balance Sheet Date

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

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

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

ix. 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 into two types:

1. Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
2. Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

The Authority's cash balances are invested via Wandsworth Council earning the rate achieved on their Money Market Fund investments in accordance with the Treasury Management Policy. Overnight balances for cash flow purposes are invested with the current retail banker (RBS/ Nat West) in a Special Interest Bearing Account (SIBA). The Authority pays monthly invoices to the main contractor by the end of the subsequent month and receives incomes due from Constituent Boroughs promptly, according to an agreed schedule. Penalty interest rates are applied to late payments received from Constituent Boroughs.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the service (for receivables specific to the service) or a Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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.

x. Leases

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

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

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

The Authority as Lessee

Operating Leases

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

The Authority as Lessor

Operating Leases

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

xi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, apart from Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

This category is defined in SerCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services. However, this is not required in 2014/15.

xii. Property, Plant and Equipment

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

Recognition

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

potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land),assets that are not yet available for use (i.e. assets under construction) and assets which have been reclassified from assets under construction within the year.

Depreciation is calculated on buildings, vehicles, plant, furniture and equipment on a straight-line basis over the useful life of the property as estimated by the valuer. (Remaining useful economic lives are as follows: Buildings – range between 7 and 47 years, fixed plant and equipment – between 7 and 27 years, vehicles and moveable plant – 3 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. Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Landfill allowances are not applicable for the Authority now that no waste is sent to landfill.

xiv. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xv. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

The Authority created a Pension Liability Reserve in 2012/13 of £1.8 million. In order to recover the deficit on their pension fund, the London Pension Fund Authority (LPFA) notified the Authority of the deficits to be recovered in respect of previous and current employees. To guard against a major increase in the Levy, the Reserve was created to provide against future increases in charges from the LPFA. It remains at £1.8 million in 2014/15.

xvi. 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.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- The Authority's contractual agreements under the WMSA involve large financial sums up to 2032, with options to extend. The Authority considers that the controls within the WMSA provide sufficient certainty and safeguards to enable accounting policy to be implemented without incurring any impairment to the Authority's assets or future revenue streams.
- 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.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2015 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 £50,000 for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £165,000. However, the assumptions interact in complex ways. A +1 year adjustment to the mortality age rating assumption would result in a decrease in the pension liability of £347,000.
Arrears	The Authority recovers the significant majority of its costs from the Constituent Authorities under statute. Late payment by the Constituent Authorities will incur additional cash flow charges or result in a reduction in interest earned on cash flow movements.	If collection rates were to deteriorate, a higher penalty rate would have to be imposed on Constituent Councils to ensure cash flow losses are not incurred.

4. MATERIAL ITEMS OF INCOME AND EXPENSE

There have not been any material items within the Comprehensive Income and Expenditure Statement which require separate disclosure here.

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer on 30th June 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial

year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

2014/15	**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	**(1,357)**	**1,357**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Statutory provision for the financing of capital investment	**832**	**(832)**
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 25)	**(208)**	**208**
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 25)	**251**	**(251)**
Total Adjustments	**(482)**	**482**

2013/14	**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	**(1,530)**	**1,530**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Statutory provision for the financing of capital investment	**895**	**(895)**
Capital expenditure charged against the General Fund	**958**	**(958)**
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 25)	**(244)**	**244**
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 25)	**243**	**(243)**
Total Adjustments	**322**	**(322)**

7. 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 2014/15.

The Authority created a Pension Liability Reserve in 2012/13 of £1.8 million. In order to recover the deficit on their pension fund, the London Pension Fund Authority (LPFA) notified the Authority of the deficits to be recovered in respect of previous and current employees. To guard against a major increase in the Levy, the Reserve will provide against future increases in charges from the LPFA.

	Balance 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance 31 March 2014 £000	**Transfers Out 2014/15** £000	**Transfers In 2014/15** £000	**Balance 31 March 2015** £000
General Fund:							
General Fund Balance	2,704	-	217	**2,921**	-	**4,173**	**7,093**
Pension Liability Reserve	1,800	-	-	**1,800**	-	-	**1,800**
Total	4,504	-	217	**4,721**	-	**4,173**	**8,893**

8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £000	**2014/15 £000**
Interest payable and similar charges	700	**617**
Net interest on the net defined benefit liability (asset)	155	**136**
Interest receivable and similar income	(74)	**(63)**
Total	781	**690**

9. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2014/15

A valuation was carried out by the Authority's Valuer, Paul Lidgley BSc (Hons), MRICS, Director, Valuation of Lambert Smith Hampton, on land, buildings and fixed plant and equipment as at 31st March 2014. The results of the valuation are shown below. Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

	Land and Buildings	Fixed Plant and Equipment	Vehicles and Moveable Plant	**Total**
	£000	£000	£000	**£000**
Cost or valuation at 1 April 2014	42,790	13,550	223	**56,563**
Additions	-	-	-	-
Reclassifications	-	-	-	-
Revaluation increases/ (decreases) recognised in Revaluation Reserve	-	-	-	-
Revaluation increases to Surplus/ Deficit on Provision of Services	-	-	-	-
At 31 March 2015	**42,790**	**13,550**	**223**	**56,563**
Accumulated Depreciation and Impairment at 1 April 2014	-	-	(163)	**(163)**
Depreciation charge	(694)	(643)	(20)	**(1,357)**
Depreciation written out to the Revaluation Reserve	-	-	-	-
At 31 March 2015	**(694)**	**(643)**	**(183)**	**(1,520)**
Net Book Value				
at 31 March 2015	**42,096**	**12,907**	**40**	**55,043**
at 31 March 2014	**42,790**	**13,550**	**60**	**56,400**

Fixed Plant and Equipment

No capital expenditure was incurred during 2014/15.

2013/14

	Land and Buildings	Fixed Plant and Equipment	Vehicles and Moveable Plant	**Total**
	£000	£000	£000	**£000**
Cost or valuation at 1 April 2013	42,843	11,557	223	**54,623**
Additions	9	949	-	**958**
Reclassifications	-	-	-	**-**
Revaluation increases/ (decreases) recognised in Revaluation Reserve	(62)	1,044	-	**982**
Revaluation increases to Surplus/ Deficit on Provision of Services	-	-	-	**-**
At 31 March 2014	**42,790**	**13,550**	**223**	**56,563**
Accumulated Depreciation and Impairment at 1 April 2013	-	-	(143)	**(143)**
Depreciation charge	(938)	(572)	(20)	**(1,530)**
Depreciation written out to the Revaluation Reserve	938	572	-	**1,510**
At 31 March 2014	**-**	**-**	**(163)**	**(163)**
Net Book Value				
at 31 March 2014	**42,790**	**13,550**	**60**	**56,400**
at 31 March 2013	**42,843**	**11,557**	**80**	**54,480**

10. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000	**31 March 2015 £000**
Debtors and Prepayments				
Loans and receivables	-	-	6,855	**8,477**
Prepayments	-	-	10	**10**
Total Debtors and Prepayments	-	-	6,865	**8,487**
Borrowings				
PWLB loans	17,500	**14,000**	-	-
Total borrowings	**17,500**	**14,000**	-	-
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	11,177	**13,764**
Total Creditors	-	-	11,177	**13,764**

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 2015 of 2.61% 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:

	31 March 2014		**31 March 2015**	
	Carrying amount £000	Fair value £000	**Carrying amount £000**	**Fair value £000**
Public Works Loans Board	17,500	19,120	**14,000**	**15,875**

The fair value of outstanding long term debts as at 31st March 2015 was higher than the book value due to the changes in market factors since the original borrowing was made.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The exceptions to this treatment are short term debtors and creditors are carried at cost as this is a fair approximation of their value.

11. SHORT TERM DEBTORS

Short term debtors and accrued income at 31st March 2014 and 31st March 2015 can be analysed as follows:

ITEM	31 March 2014 £000	**31 March 2015 £000**
Constituent Councils	3,884	**4,447**
VAT Reimbursements due	775	**676**
Other sums due	2,196	**3,354**
Total	**6,855**	**8,477**

12. CASH AND CASH EQUIVALENTS

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

	31 March 2014 £000	**31 March 2015 £000**
Short term credit in cash flow held by RBS/ Nat West	10,870	**7,561**
Short term credit in cash Flow held by Wandsworth Council	89	**3,673**
Total	**10,959**	**11,234**

13. SHORT TERM CREDITORS

Creditor payments 31st March 2014 and 31st March 2015 can be analysed as follows:-

ITEM	31 March 2014 £000	**31 March 2015 £000**
Main contractor	8,419	**8,848**
Other creditors	1,428	**1,952**
Total	**9,847**	**10,800**

14. PROVISIONS

	31 March 2014 Total £000	**Provisions Made** £000	**Provisions Used** £000	**31 March 2015 Total £000**
General Provisions	200	-	-	**200**
Total Provisions	**200**	**-**	**-**	**200**

This includes a provision for the maximum payment to the main contractor for contaminated waste processed over the period January 2012 to March 2013. Part payment has been agreed and therefore set up as a liability whilst £200,000 remains in dispute.

15. USABLE RESERVES

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

16. UNUSABLE RESERVES

	31 March 2014 £000	**31 March 2015 £000**
Revaluation Reserve	**18,552**	**18,552**
Pensions Reserve	**(3,015)**	**(4,109)**
Capital Adjustment Account	**19,878**	**19,354**
Accumulated Absences Account	**-**	**-**
Total Unusable Reserves	**35,415**	**33,797**

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.

	2013/14 £000	**2014/15 £000**
Balance at 1 April	(3,601)	**(3,015)**
Remeasurements of the net defined benefit liability/ (asset)	585	**(1,137)**
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	(244)	**(208)**
Employer's pensions contributions and direct payments to pensioners payable in the year	241	**251**
Balance at 31 March	(3,015)	**(4,109)**

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.

	2013/14 £000	**2014/15 £000**
Balance at 1 April	19,555	**19,878**
Provision for debt redemption	895	**832**
Depreciation provision	(1,530)	**(1,356)**
Revaluation losses on Property, Plant and Equipment	-	**-**
Capital expenditure charged against the General Fund	958	**-**
Balance at 31 March	19,878	**19,354**

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 2015 is deemed immaterial in the accounts.

17. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2013/14 £000	**2014/15 £000**
Interest received	(74)	**(63)**
Interest paid	700	**617**

18. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2013/14 £000	**2014/15 £000**
Purchase of property, plant and equipment	958	**-**
Other payments for investing activities	-	**-**
Other receipts from investing activities	-	**-**
Net cash flows from investing activities	958	**-**

19. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2013/14 £000	**2014/15 £000**
Cash receipts of short- and long-term borrowing	-	-
Repayments of short- and long-term borrowing	-	3,500
Net cash flows from financing activities	-	3,500

20. OFFICERS' REMUNERATION

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

Title	Year	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Pension Contribution £	**Total £**
General Manager	2013/14	110,900	9,820	2,271	14,559	137,550
	2014/15	**113,754**	**10,125**	**2,555**	**15,101**	**141,535**
Deputy General Manager	2013/14	61,637	5,465	2,375	8,249	77,726
	2014/15	**63,937**	**5,690**	**2,654**	**8,648**	**80,929**

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

21. 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 external auditors:

	2013/14 £000	**2014/15 £000**
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor for the year	21	**21**

22. RELATED PARTIES

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

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

disposal of waste and to pay levies, as detailed in the Comprehensive Income and Expenditure Statement.

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

	2013/14	**2014/15**
	£	**£**
Financial Services	62,000	**52,000**
Other Services (admin support etc)	32,000	**44,000**
Total	94,000	**96,000**

At 31st March 2014 and 31st March 2015 the following Authority balances related to Wandsworth Council:

	31 March 2014	**31 March 2015**
	£	**£**
Debtors and Accrued Income	834,293	**1,006,645**

These sums relate to invoices which are not payable until April 2014 and April 2015 respectively.

Net interest payments on cash flow balances of £1,185 were received by the Authority from Wandsworth Council for the year 2013/14 whilst net interest payments for 2014/15 amounted to £1,185.

23. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. 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.

	2013/14 £000	**2014/15 £000**
Opening Capital Financing Requirement	18,798	**17,903**
Capital investment		
Capital Expenditure	958	-
Sources of finance		
MRP	(895)	**(832)**
Direct revenue contributions	(958)	-
Closing Capital Financing Requirement	17,903	**17,071**
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	(895)	**(832)**
Decrease in Capital Financing Requirement	(895)	**(832)**

24. LEASES

Authority as Lessee

Operating Leases

The Authority leases the Energy from Waste facility at Belvedere at a peppercorn rent. The Authority relinquished a lease from Wandsworth Borough Council for the use of Feather's Wharf at the end of October 2013. Therefore no lease payments have been made for the year 1st April 2014 to 31st March 2015. The lease payments due under the lease in 2013/14 were as follows:

	31 March 2013 £
Not later than one year	71,170
Later than one year and not later than five years	-
Later than five years	-

The expenditure charged to the Service line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2013/14 £
Minimum lease payments	**71,170**
Contingent rents	-
Sublease payments receivable	**(46,860)**

25. DEFINED BENEFIT PENSION SCHEMES

1. PENSION FUND. Item numbers 6 to 9 relate to disclosures relating to the Comprehensive Income and Expenditure Statement for the pension fund benefits provided by the Authority. The Authority is required to make disclosures in the accounts relating to the Pension Fund and these are shown in the tables below relating to the Comprehensive Income and Expenditure Statement and relevant tables are also included in notes to the Balance Sheet.

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). The LGPS is a defined benefit statutory scheme, administered in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007, the LGPS (Administration) Regulations 2008 and the LGPS (Transitional Provisions) Regulations 2008. Employee costs shown in the accounts include the contributions paid to the scheme in respect of the employees concerned in accordance with Regulations governing the Scheme. An independent firm of actuaries, Barnett Waddingham, was instructed to undertake IAS 19 calculations (under the revised standard) on behalf of the Authority as at 31st March 2015.

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 2014 £000	**Year to 31 March 2015 £000**
Comprehensive Income and Expenditure Statement		
Service cost	89	**72**
Financing and Investment Income and Expenditure		
Net Interest Expense	155	**136**
Total Post-employment Benefits charged to the Surplus of Deficit on the Provision of Services	244	**208**
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)	34	(137)
Actuarial gains and losses arising on changes in demographic assumptions	(45)	-
Actuarial gains and losses arising on changes in financial assumptions	(12)	1,240
Actuarial gains and losses arising on changes in demographic assumptions	(98)	-
Experience gain/(loss) on defined benefit obligation	(464)	34
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(585)	**1,137**
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	(244)	**(208)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	243	**251**

4. 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:

	2013/14 £000	**2014/15 £000**
Present value of the defined benefit obligation	8,911	**10,386**
Fair value of scheme assets	5,896	**6,307**
Present value of unfunded obligation	-	30
Net liability arising from defined benefit obligation	3,015	**4,109**

Reconciliation of the Movements in the Fair Value of Scheme Assets

ITEM	2013/14 £000	**2014/15 £000**
Opening fair value of scheme assets	5,711	**5,896**
Interest income	239	260
Remeasurement gain/ (loss):		
The return on assets, excluding the amount included in the net interest expense	(34)	137
Other actuarial gains/ (losses)	45	-
Contributions from employer	243	251
Contributions from employees into the scheme	23	32
Benefits paid	(322)	(260)
Administration expenses	(9)	(9)
Closing fair value of scheme assets	5,896	**6,307**

Reconciliation of Present Value of the Scheme Liabilities

ITEM	2013/14 £000	**2014/15 £000**
Opening balance 1 April	9,312	**8,911**
Current service cost	89	72
Interest cost	385	387
Contributions from scheme participants	23	32
Remeasurement (gains) and losses:		
- Actuarial gains/losses arising from changes in demographic assumptions	(98)	-
- Actuarial gains/losses arising from changes in financial assumptions	(12)	1,240
Experience loss/(gain) on defined benefit obligation	(466)	34
Past Service Cost	-	-
Liabilities assumed on entity combinations		
Benefits paid	(322)	(255)
Unfunded pension payments	-	(5)
Closing balance at 31 March	8,911	**10,416**

5. Estimated asset allocation:

Assets are valued at market value and consist of the following categories, by proportion of the total assets held, at 31st March:

Employer Asset Share – Bid Value	2013/14		**2014/15**	
	%	£000	**%**	**£000**
Equities	53	3,125	**43**	**2,737**
LDI/ Cashflow matching	6	354	**8**	**473**
Target Return Portfolio	30	1,769	**29**	**1,823**
Alternative Assets	-	-	**-**	**-**
Infrastructure	4	236	**5**	**312**
Commodities	1	59	**1**	**59**
Property	3	176	**3**	**179**
Cash	3	177	**11**	**724**
Total	100	5,896	**100**	**6,307**

6. Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

	2013/14	**2014/15**
Longevity at 65 for current pensioners:		
-Men	21.3	**21.4**
-Women	24.4	**24.5**
Longevity at 65 for future pensioners:		
-Men	23.7	**23.8**
-Women	26.7	**26.8**
Rate of inflation	2.7	**2.3**
Rate of increase in salaries	4.5	**4.1**
Rate of increase in pensions	2.7	**2.3**
Rate for discounting scheme liabilities	4.4	**3.2**

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	10,069	10,416	10,764
Projected Service Cost	89	91	95
Rate of increase in salaries (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	10,438	10,416	10,395
Projected Service Cost	92	92	92
Rate of increase in pensions (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	10,565	10,416	10,270
Projected Service Cost	94	92	95
Rate for discounting scheme liabilities (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	10,251	10,416	10,585
Projected Service Cost	90	92	94

26. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority may not have the funds available to meet its commitments to make payment.
- Refinancing risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services. The procedures for risk management in relation to key financial instruments are set out through the legal framework detailed within the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance. Overall, the Authority is required to manage risk in the following ways:

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

In order to comply with the requirement that the Authority is required to set a balanced budget (Local Government Finance Act 1992) the above is required to be reported at the same time as the levy setting meeting. The annual treasury management strategy outlines the detailed approach to managing risk in relation to financial instrument exposure. Actual performance is compared to the strategy and reported annually to Members.

In accordance with Standing Orders, the Treasurer is responsible for all of the Authority's banking, borrowing and investment activities. Under the Authority's existing arrangements, the London Borough of Wandsworth administers part of the treasury management function on behalf of WRWA, with the remainder 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 2015, £5.116 million (£4.659 million as at 31 March 2014) is due to the Authority from its customers. Of this sum, constituent councils were liable to pay £4.447 million all of which was accrued income to the authority, with £666,000 payable in March 2015 and the remainder in April 2015. VAT due from the HMRC for February and March 2014 totalled £0.8 million whilst VAT due for February and March 2015 amounted to £0.7 million. These sums were received in April and May 2014 and 2015 respectively.

There was no provision for bad debts as at 31st March 2014 and 31st March 2015 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 2015, 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 2014 and 31st March 2015 is set out below and is within the Authority's Prudential Code limits for 2013/14 and 2014/15 as set out in its Treasury Management Strategy:

Renewal Period	Market Loans Outstanding as at 31 March 2014 £000	% of Total borrowing	**Market Loans Outstanding as at 31 March 2015 £000**	**% of Total borrowing**
Less than One Year	3,500	20.0	-	-
Between One and Two Years	-	-	**3,500**	**25.0**
Between Two and Five Years	5,500	31.4	**7,500**	**53.6**
Between Five and Ten Years	7,500	42.9	**2,000**	**14.3**
More than Ten Years	1,000	5.7	**1,000**	**7.1**
Total	17,500	100.0	**14,000**	**100.0**

Market Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings. Interest rates during 2013/14 and 2014/15 continue at a historic low level due to the impact of the "credit crunch" on the national and world economy. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would cause the fair value of the liabilities to fall because our borrowings are at fixed rates.

Since the Authority's borrowings are not carried at fair value, nominal gains and losses on fixed rate borrowings will not impact on the Comprehensive Income and Expenditure Statement.

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 of the portfolio 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 2014/15 is reported in the key financial statements.

WESTERN RIVERSIDE WASTE AUTHORITY

ANNUAL GOVERNANCE STATEMENT 2014/15

1. SCOPE OF RESPONSIBILITY

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging its responsibilities, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Authority has reviewed governance arrangements against the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* (including the subsequent Addendum).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they materialise, and to manage them efficiently, effectively and economically.

The governance arrangements that have been in place at the Authority for the year ended 31st March 2015 and up to the date of approval of the statement of accounts comprise:

- **Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users.** The Authority's strategic approach was established within the framework of the Riverside Waste Partnership (Joint Municipal Waste Management Strategy) with its four constituent councils, the London Boroughs of Hammersmith and Fulham, Lambeth and Wandsworth and the Royal Borough of Kensington and Chelsea. This Strategy was supplemented in 2013 with the adoption of a joint waste policy document. These documents, together with the Authority's Annual

Report are the key documents that contain the vision, purpose and intended outcomes for citizens and service users.

- **Reviewing the Authority's vision and its implications for the Authority's governance arrangements.** As set out in the joint waste policy document, the Authority's vision is to continue to promote the use of waste management techniques higher up the waste hierarchy as they represent best value both environmentally and economically. Performance is reviewed annually within an Annual Report. The joint strategy/waste policy document is reviewed regularly (currently a three year cycle).

- **Measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources.** The Authority has an effective performance management culture and system with regular review of key performance indicators at officer and Member level. In-year monitoring reports and year-end reviews are presented to the Authority to monitor progress and action plans for seeking continuous improvement are in place and progress reviewed.

- **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.** The Authority's Constitution and Standing Orders set out how the Authority operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The membership of the Authority comprises eight elected Members, with each of the four constituent councils appointing two Members, providing a high the level of scrutiny for the Authority.

- **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff.** Members from the constituent authorities comply with their own authority codes. The officer Codes of Conduct are robust and set out clear and distinctive rules in relation to the giving and receiving of gifts and hospitality and are made available to officers.

- **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.** As part of the 2008 complete review of governance arrangements the Authority undertook a comprehensive review of delegations and proper officer functions. The Authority has a Risk Management Strategy that is embedded within the management processes and a specific risk assessment is undertaken as part of the annual review of the Authority's internal control procedures.

- **Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities.*** Due to the nature and size of the Authority these functions are effectively undertaken at the Authority level.

- **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.** Authority officers provide appropriate advice at the points of consideration and report to Members on progress and the outcome of decisions taken. Monitoring of compliance is undertaken by the Clerk to the Authority (as the Authority's monitoring officer), supported by the General Manager and the Treasurer (as the s.151 officer), with legal advice available via the Authority's legal advisers. Members are informed of relevant legal advice as it is received. All reports that have actual or potential financial implications include a Treasurer's comment.

- **Counter-fraud, anti-corruption, whistle-blowing and receiving and investigating complaints from the public.** The relevant Policies and Procedures, which will be reviewed in 2015, when combined with proper procedures and audits, are effective in terms of reports of possible frauds or financial regularities. The Authority's complaints system is effective with numbers of complaints and reasons for complaints monitored by officers.

- **Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.** Formal protocols are not required within the Authority, given its size and the simplicity of its decision making processes, although Members are informed of their role in an induction pack. Officer training needs are judged to be adequately identified and catered for as required with individual training plans.

- **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.** The Authority works in partnership with its constituent councils and maintains an effective internet site to provide feedback for all stakeholders. All meetings of the Authority are open to the press and public, except when exempt information is being considered, and minutes of the meetings are published on the Authority's internet site.

3. REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements including the system of internal control. The review of effectiveness is informed by the work of the senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Audit's annual report and also by comments made by the external auditors and other review agencies.

Governance framework. The Authority's governance framework is embodied within a number of specific policies, codes of practice and procedures that are subject to regular review. The review of the Authority's existing governance arrangements against the updated CIPFA and SOLACE guidance highlighted the issue that many of the specific requirements of the guidance did not apply to the Authority as they relate to the statutory framework for local authorities and that given the compact size and single service nature of a joint waste disposal authority there is no need to adopt a specific Code of Governance as the current arrangements are generally fit for purpose.

Financial management. The Authority's financial management arrangements are based on a framework of a procurement code of practice and a scheme of delegations to officers that encompasses the accountability, segregation of duties, management and supervision, and administrative procedures. In particular the system includes:

- Comprehensive budgeting systems
- An annual budget approved by the Authority, formally revised in the year of account as part of the annual budget process
- A medium term financial planning process
- Mid-year and outturn reported to the Authority
- Budget review meetings with constituent Council's Finance officers
- Risk Management Strategy that is embedded within the management processes

Review Mechanisms. There is an annual review of the procedures and controls in place which if any amendments are required can be addressed at: The Management Team meetings, via the Standing Order No. 38 authorisation process or at an Authority meeting.

Internal Audit. The annual review of the procedures and controls in place at the Authority concluded that there is basically a sound system of control in operation. Robust review mechanisms are in place that enable Members to take reasonable assurance that the Authority's governance arrangements, including internal control, are effective, operated vigorously and contribute to the achievement of the Authority's overarching objectives whilst nevertheless both identifying areas for improvement and monitoring the implementation of agreed corrective actions.

The Authority's Monitoring Officer. There are no issues in this statement report that need to be specifically commented upon.

The senior officers are of a view that the governance arrangements, including the risk management arrangements of the Authority, are generally satisfactory and meet the relevant requirements of the CIPFA and SOLACE guidance on "Delivering Good Governance".

4. CONCLUSION

Governance arrangements, including internal control, across the Authority are generally sound. The Authority's review mechanisms are an effective framework for maintaining satisfactory governance arrangements including identifying any issues and for monitoring and securing their implementation.

5. CERTIFICATE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and action plans to address any weaknesses identified and ensure continuous improvement of the system are in place. We are satisfied that these plans satisfactorily address the need for improvements that have been identified during the year and propose over the coming year to take reasonable steps to further enhance our governance arrangements. We are satisfied that these steps will address the need for

improvements and we will monitor their implementation and operation as part of our next annual review.

Signed: ....

Clerk Chairman

On behalf of Western Riverside Waste Authority

23rd September 2015

Independent auditors' report to the Members of the Western Riverside Waste Authority (the "Authority")

Report on the financial statements

Our opinion

In our opinion, Western Riverside Waste Authority's financial statements (the "financial statements"):

- give a true and fair view of the state of the Authority's affairs as at 31 March 2015 and of the Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

What we have audited

The financial statements comprise:

- the Balance Sheet as at 31 March 2015;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

In applying the financial reporting framework, the Responsible Financial Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Responsible Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 6 the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in

accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Responsible Financial Officer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In applying the financial reporting framework, the Responsible Financial Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion, the information given in the explanatory foreword for the financial year for which the pension fund accounts are prepared is consistent with the pension fund accounts.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 13 October 2014, 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 ending 31 March 2015.

What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 13 October 2014. We have considered the results of the following:

- our review of the Annual Governance Statement;

- the work of the Commission and other relevant regulatory bodies or inspectorates, to the extent that the results of this work impact on our responsibilities at the Local Authority; and
- our locally determined risk-based work or any work mandated by the Commission.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our responsibilities and those of the Authority

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the financial statements of Western Riverside Waste Authority in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Ciaran McLaughlin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2015

(a) The maintenance and integrity of the Western Riverside Waste Authority website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts may differ from legislation in other jurisdictions.