



WEST LONDON WASTE AUTHORITY

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

Note

The Accounts and Audit Regulations 2003 require the Authority's Statement of Accounts to be published by no later than 31 October 2005. Accordingly, to make certain that this requirement is complied with, this Statement has been published on 26 October 2005 - but without the inclusion (see Section 4) of the opinion of the Auditor, which is awaited. However, the audit for 2004-2005 has been completed and it is expected that the Auditor's opinion will be provided to the Authority by 31 October 2005. When the Auditor's opinion has been received, this Statement of Accounts will be republished with the Auditor's opinion being set out in Section 4.



The Statement of Accounts for the year ended 31 March 2005 was considered and approved by the Authority on 29 June 2005, subject to audit. The Accounts were reconsidered and approved by the Authority on 5 October 2005.

A handwritten signature in black ink, appearing to read "Valerie Lamey".

Councillor Valerie Lamey
Chair of the Authority

5 October 2005

CONTENTS

| | |
|---|----|
| Section 1 Explanatory Foreword | 4 |
| Section 2 Statement of Responsibility | 15 |
| Section 3 Statement on the System of Internal Control | 16 |
| Section 4 Audit Opinion on the Statement of Accounts | 19 |
| Section 5 Revenue Account | 21 |
| Section 6 Balance Sheet | 25 |
| Section 7 Cash Flow Statement | 34 |
| Section 8 Statement of Movement in Reserves | 36 |
| Section 9 Statement of Accounting Policies | 37 |
| Section 10 Further Information | 40 |

SECTION 1

EXPLANATORY FOREWORD

1. Introduction

The West London Waste Authority (WLWA) was established on 1 January 1986 to undertake the waste disposal functions set out in the Waste Regulation and Disposal (Authorities) Order 1985 made under the Local Government Act 1985 Section 10. The Authority is composed of one Councillor from each of the six constituent boroughs: the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames. The Authority normally meets five times each year. Additionally, there are regular liaison meetings of officers of the Authority with officers of the constituent boroughs.

The WLWA's administrative area covers a population of 1.4m and an area of 38,000 hectares across the six London boroughs. The main administrative offices of the WLWA are situated at Mogden, Isleworth, and there are three waste transfer stations. The Authority employs 80 full time staff headed by the General Manager. The work of the Authority requires close co-operation with the constituent boroughs in the matters of waste recycling and disposal policy and operational arrangements.

In addition to its full time General Manager, the Authority has three other part time chief officers - the Clerk, Treasurer and Chief Technical Advisor. The Clerk and Treasurer also are full time officers in two of the constituent boroughs, an arrangement that enables the Authority to receive support in specialised areas from those boroughs' staff as follows:

- The Clerk to the Authority (London Borough of Hounslow) - legal, personnel, property and valuation advice, committee administration;
- The Treasurer (London Borough of Harrow) - advice and support on all accountancy matters (financial advice, budgets, final accounts etc); creditor payments; internal audit; exchequer services; payroll.

2. Authority Services

The Authority has statutory responsibilities to provide:

- Facilities for the receipt and recycling or disposal of the waste which is collected by the six constituent boroughs.
- The transport and disposal of the waste which the constituent boroughs receive at their civic amenity sites.
- The storage and disposal of the abandoned vehicles which are removed by the constituent boroughs.

Overall in 2004-2005 the Authority and its constituent boroughs dealt with a total of 847,000 tonnes of waste and abandoned vehicles. Of this total some 140,000 tonnes was recycled or composted, and the remainder was sent for disposal, nearly all to

landfill. The following paragraphs give more detail about the three main service areas:

(a) Receipt and disposal of the waste collected by the six constituent boroughs.

In 2004-2005 the boroughs collected a total of about 626,000 tonnes of waste. The majority of this was waste from households. The remainder was a combination of waste from commercial premises and waste arising from the cleaning of streets and open spaces. The boroughs recycled some 84,000 tonnes out of this total of 626,000 tonnes. The remaining 542,000 tonnes was delivered by the boroughs for composting or disposal to sites which the Authority is responsible for arranging.

76% (412,000 tonnes) of it was delivered to the two rail transfer stations which the Authority operates at Transport Avenue, Brentford, and Victoria Road, South Ruislip. At these two sites the waste is compacted into ISO containers and loaded on to the railway and then taken by the Authority's rail transport contractor, EWS Ltd, for final disposal to landfill sites operated by Waste Recycling Group PLC. Transport Avenue's waste was disposed of at Sutton Courtenay, Oxfordshire, and Victoria Road's waste was disposed of at Calvert, Buckinghamshire. Transport Avenue also sends borough collected garden waste by rail for composting at Sutton Courtenay.

8% (43,000 tonnes) was distributed between the Authority's Twyford transfer station and the boroughs' civic amenity sites; the Authority has contracts for these sites with private sector waste management companies to transport the waste away. Most goes by road directly to landfill; some goes by road into the Authority's two rail transfer stations and thence by railway to landfill.

14% (76,000 tonnes) was delivered to private sector operated transfer stations at which the Authority had made arrangements. And just over 1% (7,000 tonnes) for the first time was delivered to West London Composting Ltd's newly opened facility at Harefield.

In addition to the waste delivered by the constituent boroughs, the Authority's three transfer stations also received a total of 23,000 tonnes of commercial waste, which was delivered for disposal by the private sector.

(b) Transport and disposal of waste received by constituent boroughs at their civic amenity sites.

In the Authority's area, the constituent boroughs are responsible for arranging the provision of civic amenity sites for residents to deposit their waste. Some of these civic amenity sites also take in trade waste and borough-collected waste. The Authority is responsible for arranging the transport and disposal of the waste received at these sites except for the waste the boroughs recycle.

There are ten civic amenity sites. The boroughs operate seven of these, and the Authority arranges transport and disposal through contracts with the private

sector. Two are operated by the Authority on behalf of boroughs, and one is provided and operated by a contractor on behalf of a borough.

Civic amenity site waste sent for disposal totalled about 203,000 tonnes. Of this, householders deposited 130,000 tonnes; 42,000 tonnes was trade waste, and 31,000 tonnes was borough-collected waste.

Significant developments in 2004-2005 included an increase to 26,000 tonnes in the amount of green garden waste that was separated from the disposal waste stream and sent for composting. Additionally, 46,000 old refrigerators and freezers were sent for specialist treatment and recycling.

(c) Storage and disposal of the abandoned vehicles removed by the constituent boroughs.

The constituent boroughs have a duty to remove vehicles that appear to have been abandoned and then deliver them to the Authority for disposal or storage. The Authority also arranges the disposal of end of life vehicles that are surrendered by their owners. The Authority undertook this work through a contractor. The great majority (about 96%) were vehicles in poor condition that were delivered for immediate crushing and recycling and disposal. The remaining 4% were vehicles in better condition that were stored until the boroughs had completed statutorily prescribed ownership enquiries. These enquiries resulted in a few cases in the owner paying a fee and reclaiming the vehicle, but the great majority were not reclaimed and were disposed of.

During recent years, a downturn in the scrap metal market resulted in a twenty-fold increase in the numbers of vehicles being abandoned to be picked up by the boroughs and delivered to the Authority's contractor. In 2002-2003 over 19,000 vehicles were dealt with. However, a recovery in scrap prices since then has caused numbers to fall again, and the total in 2004-2005 was less than 8,000 vehicles.

This service was subject to a Best Value review 2000-2001 the results of which were reported to the Authority in March and July 2001. Currently the EU End of Life Vehicles Directive is being brought into force in the UK. This Directive requires higher environmental and recycling standards in disposing of vehicles, which are adding significantly to local authorities' costs. However, the Directive also requires vehicle importers and manufacturers to take over the responsibility and costs of dealing with all old vehicles by no later than 1 January 2007, and information is awaited from Government on the arrangements for this. There is uncertainty about the future role that local authorities are to play.

3. Authority Objectives

Efficiency and economy

The Authority has aimed to provide its three main services in the most efficient and economical manner possible, making the best use of its own assets and of other available facilities in the public and private sector. The great majority of the Authority's work has long been carried out on its behalf by the private sector through

contracts widely advertised and won by competitive tendering.

Giving a speedy, reliable and flexible service

In parallel with efficiency and economy, a prime concern has been to recognise the environmental importance to the public of the boroughs' refuse collection services. Accordingly, a key objective for the Authority has also been to ensure that the boroughs are offered a swift turn round for their collection vehicles at the disposal point. This includes providing a reliable disposal service which has adequate flexibility and capacity to cope with periods of peak inputs following bank holidays and with problems which inevitably arise from time to time from plant failures, difficulties on the railway and suchlike.

Safeguarding the environment

The Authority has also been concerned to ensure that, both at its own sites and through its contractors, all its own functions are carried out in an environmentally sound way. Under the site licensing and 'Duty of Care' provisions of the Environmental Protection Act 1990, all the Authority's waste responsibilities – receipt, transfer, transport and disposal - are tightly regulated to minimise harm to the environment and are subject to inspection and enforcement by the Environment Agency. The fact that most of the Authority's waste is transported by rail has a particular environmental benefit in reducing heavy lorry movements on the roads and thereby reducing air pollution and road congestion.

Future direction, sustainability and the National Waste Strategy

In recent years the Authority and its constituent boroughs, in consultation with each other, have begun to focus on the need to re-orient waste collection and disposal in accordance with greater environmental sustainability and the Government's national waste strategy. This involves having regard to the principles of the Government's waste hierarchy.

Making waste management arrangements with regard to the waste hierarchy also involves consideration of the *Best Practicable Environmental Option* (BPEO) and of the proximity *principle*. BPEO is defined as "the outcome of a systematic and consultative decision making procedure that emphasises the protection and conservation of the environment across land, air and water. The BPEO procedure establishes, for a given set of objectives, the option that provides the most benefits or the least damage to the environment as a whole, at acceptable cost, in the long term as well as the short term". (Currently Government is proposing to replace BPEO with Strategic Environmental Assessments, though SEAs have a similar purpose.) The proximity principle suggests that waste should generally be disposed of as near to its place of production as possible.

In 1997 the Authority's objectives for its integrated waste strategy for the long term were widely publicised throughout its area and made the subject of extensive consultation with the general public, environmental and community groups, the constituent boroughs, and other statutory bodies and stakeholders. The objectives then published were:

To promote and establish environmentally sustainable, cost effective and flexible long-term waste management services which:

- Favour the co-ordinated development and cost effective use of the most appropriate methods of waste treatment, transfer and disposal in order to:
 - Facilitate waste reduction and re-use initiatives within the wider community and region;
 - Maximise the recycling and composting of materials from the household and other waste streams;
 - Encourage the treatment of waste as close as possible to the point of arising thereby minimising the need to transport waste, especially by road;
 - Reduce future reliance upon the landfilling of untreated waste while recognising that landfill will continue to play a significant role;
 - Enhance the opportunities to recover energy and other resources (Note: Energy may be recovered in a variety of ways including pyrolysis, anaerobic digestion of organic waste, and use of gas from landfills);
 - Consider the principles of 'Best Practicable Environmental Option' and 'Best Available Technology Not Entailing Excessive Cost' in the management of both the local and wider environmental impacts of contracted waste management services.

- Promote the future establishment and use of cost effective local waste management services which are based upon flexible solutions for the recovery of resources from the municipal waste stream; and

- Minimise the cost of future waste management services while complying with the requirements of the Environmental Protection Act and other relevant legislation.

Not long after the conclusion of that consultation, circumstances caused the Authority to reconsider the position. There was a change of Government and the incoming Government announced its intentions both to review the national waste strategy and to establish a Mayor for London with the responsibility for planning Greater London's waste management arrangements. Additionally, there was major uncertainty about the likely impact of the (then) draft European Landfill Directive that sought to restrict the amount of biodegradable municipal waste that could be disposed of by landfill.

4. Most recent position and current priorities

The uncertainties of recent years are now resolving themselves. The Mayor's municipal waste strategy for Greater London was published in September 2003. The Landfill Directive has been enacted in the EC, and is now in stages being brought into force in the UK. Of paramount importance to the Authority, the Waste and Emissions Trading Act 2003 provides the UK legal framework for rationing the amount of biodegradable municipal waste (BMW) that may be sent to landfill. Each waste disposal authority will be permitted to landfill a progressively reducing amount of BMW. If the allocated allowances are exceeded, an authority must either buy additional allowances or pay penalties to the Government at a rate of £150 per tonne. The use of landfill has

additionally been made economically less attractive by the Government's decision to increase the Landfill Tax to £18 per tonne in 2005 and to increase it annually from now on by at least £3 until it reaches £35 per tonne.

With the unveiling of the Government's decisions on landfill allowances and Landfill Tax, the Authority now has much the key information it needs to consider how to shape its waste management services for the longer term. Undoubtedly the most significant activity will be the work the Authority and the constituent boroughs have engaged upon to produce a joint municipal waste strategy for the area in consultation with other stakeholders and the residents of the Authority's area and having regard to the Mayor's waste strategy for London overall. The strategy will set the framework for twenty or more years ahead and is the essential precursor to considering the necessary investment in infrastructure for separating, recycling and treating waste. To address these circumstances, specialist consultants were commissioned to advise the Authority and its constituent boroughs on the way forward to producing a joint municipal waste strategy that will shape the waste management arrangements in the area for many years ahead. Work on this joint municipal waste strategy is expected to be concluded in 2005-2006.

Landfill allowances and increasing Landfill Tax reinforce the Authority's objective of diverting waste from landfill by increased recycling and composting. The Government's national targets for recycling and composting have been turned into performance standards to be pursued at local level. A continuing important focus of the Authority with the constituent boroughs will be on this most pressing issue of how to increase recycling and composting levels to meet these local performance standards set by Government.

In recent years, the Authority and the constituent boroughs have been successful in bidding for substantial grants from the Government-financed London Recycling Fund. These grants have assisted with improvements to increase recycling at civic amenity sites. And especially they have enabled boroughs to develop the collection of green garden waste and other biodegradable waste for composting to keep it separate from the waste that is sent for disposal at landfill, which will help to achieve the diversion of biodegradable waste from landfill that is required by the EU Landfill Directive. A new facility for the receipt and shredding of green waste was opened at WLWA's waste transfer station at Transport Avenue, Brentford, where the shredded green waste is packed into containers and despatched on the railway for composting in Oxfordshire.

The Authority's recycling credits payments to the boroughs will continue to encourage their recycling efforts and new initiatives. The Authority itself will increase the treatment of civic amenity waste which achieves a 50% diversion from landfill, and will continue to develop recycling at the civic amenity sites it runs on behalf of the boroughs.

Other significant issues to be addressed will include the implementation in the UK of the EU Waste Electrical and Electronic Equipment (WEEE) Directive and the EU End of Life Vehicles (ELV) Directive, and Government proposals to change the funding arrangements for the statutory joint waste authorities. The WEEE Directive obligates retailers, importers and manufacturers of electrical and electronic goods to arrange for the separate collection and recycling of these products and is due to come into effect in the UK at the end of 2005. The role waste authorities will have is not yet known. The ELV Directive requires exacting standards of depollution and recycling of old vehicles, which the Authority has already begun to undertake through its contractor. However, information is awaited from Government about the arrangements to be put in place as

from January 2007 when manufacturers become obligated to take back all old vehicles free of charge for recycling. On funding arrangements, the Authority has long wished for a more tonnage based "producer pays" system of funding by the constituent boroughs rather than the present council tax base. Proposals for such a change are expected from government for consultation this year.

5. Financial Statements

The Authority approved its 2004-2005 net budget of £34.538m in January 2004. This net budget was funded by a levy of £33.738m and use of £0.800m of balances. A sum of £0.250m was also provided in balances for implementation costs of the waste strategy. The Authority's net expenditure was £31.811m. This was £2.727m (7.9%) less than the original net approved budget.

There was no capital expenditure or use of capital receipts during the year. The Authority also contracted additional operating lease arrangements during 2004-2005 for ISO containers at an annual revenue cost of £0.090m.

The financial statements on the following pages set out the financial results of the Authority for the year ended 31 March 2005 and were approved by the Authority on 29 June 2005, subject to audit. The statements have been prepared in accordance with the provisions of Section 23 of the Local Government Finance Act 1982, Sections 41 and 42 of the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2003.

The statements cover the Revenue Account that sets out the running costs of the activities of the Authority, the Balance Sheet and a cash flow statement summarising the movement of funds. Notes to the Balance Sheet also set out details relating to disclosure requirements of Financial Reporting Standard 17 (FRS17).

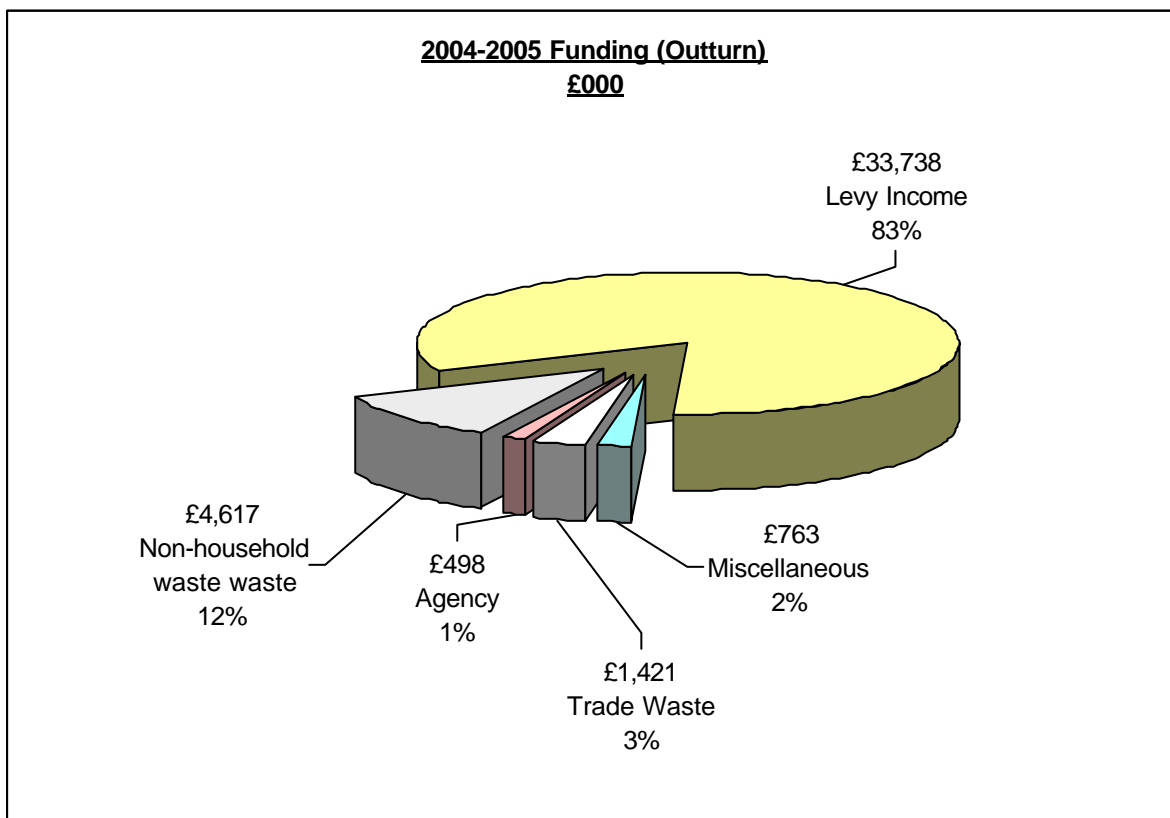
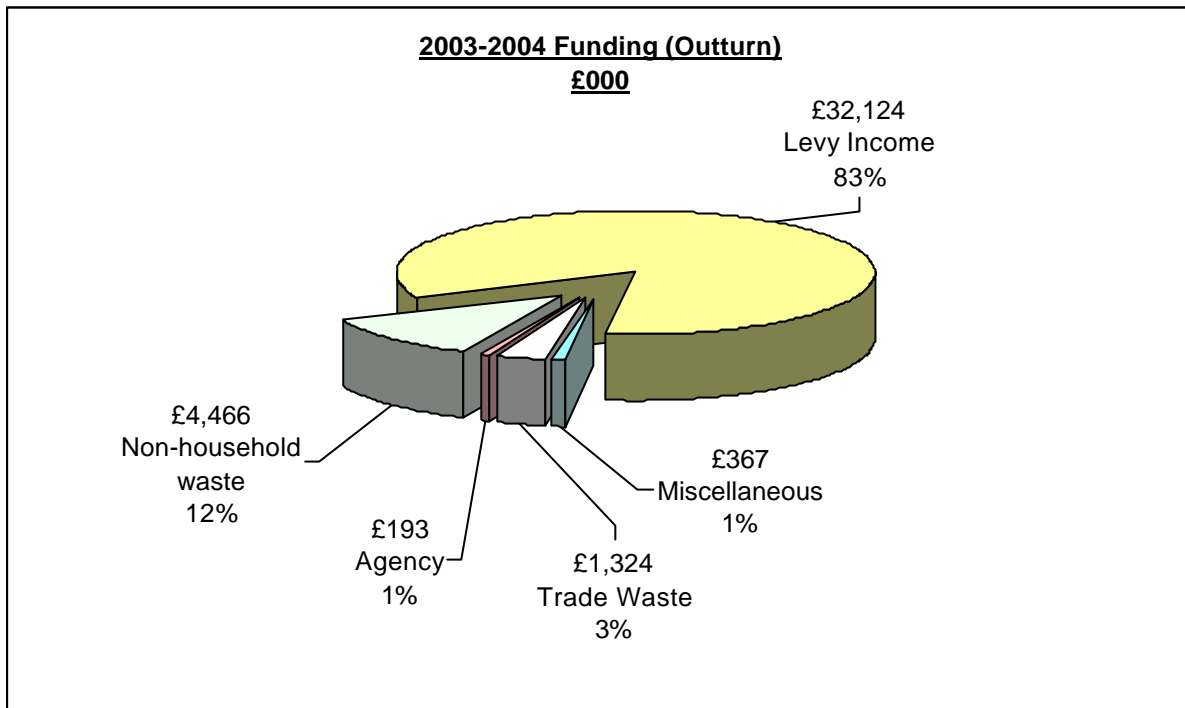
The following table summarises the 2004-2005 revenue outturn position of the Authority.

| Expenditure area: significant variations | Original Budget 2004-2005 | Outturn | Variance to Original Budget |
|---|---------------------------|---------------|-----------------------------|
| (1) | (2) £000 | (3) £000 | (4) £000 |
| EMPLOYEE COSTS | | | |
| 1. <u>Employee Costs</u> Additional agency staffing costs to maintain service & additional staff for new Twyford CA site as previously reported. Earmarked reserve of £397k in respect of LPFA pension payments. | 2,936 | 3,344 | 408 |
| PREMISES | | | |
| 2. <u>Premises</u> Additional works at Twyford previously reported. | 1,950 | 2,092 | 142 |
| PLANT AND EQUIPMENT | | | |
| 3. <u>Plant & Equipment</u> Minor savings previously reported. | 449 | 427 | -22 |
| SUPPLIES & SERVICES | | | |
| 4. <u>Supplies & Services</u> Expenditure on OWL project offset by income from Landfill Tax Credit Scheme shown at 15. below. | 296 | 442 | 146 |
| WASTE DISPOSAL AND RECYCLING COSTS | | | |
| 5. <u>Transport & Tipping Costs</u> Savings in disposal costs of fridges & greater separation of inerts from mixed waste, coupled with reduced civic amenity disposal tonnages (partly because of improving recycling arrangements). | 18,139 | 16,786 | -1,353 |
| 6. <u>Landfill Tax</u> Reduced civic amenity tonnages to landfill plus savings of higher rate tax through increased separation of inerts. (Note: this lower use of landfill is a good sign for the start of LATS in 2005-06). | 10,880 | 10,225 | -655 |
| 7. <u>Section 52(9) income</u> Increased borough disposal and recycling credit tonnages, offset by bad debt provision of £335k in respect of Richmond payments. | -4,254 | -4,617 | -363 |

| Expenditure area: significant variations | Original Budget 2004- 2005 | Outturn | Variance to Original Budget |
|--|----------------------------------|---------------|--------------------------------------|
| (1) | (2) £000 | (3) £000 | (4) £000 |
| 8. <u>Trade Waste Income</u> Increased private sector use of WLWA sites | -1,303 | -1,421 | -118 |
| OTHER INCOME AND EXPENDITURE | | | |
| 9. <u>Agency – General Costs</u> Waste strategy: consultants & agreed payments to boroughs (originally provided for in contingency in balances); accrued audit fees. | 241 | 470 | 229 |
| 10. <u>Abandoned Vehicles</u> Continued decline in numbers of vehicles for reimbursement of boroughs & lower depollution costs. | 1,100 | 305 | -795 |
| 11. <u>Capital Financing</u> Debt restructuring and reduced leasing costs. | 1,012 | 945 | -67 |
| 12. <u>Recycling Credits</u> Higher payments to boroughs because of increased recycling, which produces offsetting savings in transport & disposal costs at 5. Above. | 3,409 | 3,870 | 461 |
| 13. <u>Support Boroughs</u> Minor variation | 158 | 165 | 7 |
| 14. <u>Agency Income</u> Payment by LB Brent for new CA site at Twyford | -199 | -498 | -299 |
| 15. <u>Other Income</u> Landfill Tax Credit Scheme income to fund the OWL project expenditure at 4. above. | -66 | -240 | -174 |
| 16. <u>Interest on Cash Flow</u> Effects of changes to interest rates and reduced expenditure | -210 | -484 | -274 |
| TOTAL | 34,538 | 31,811 | -2,727 |

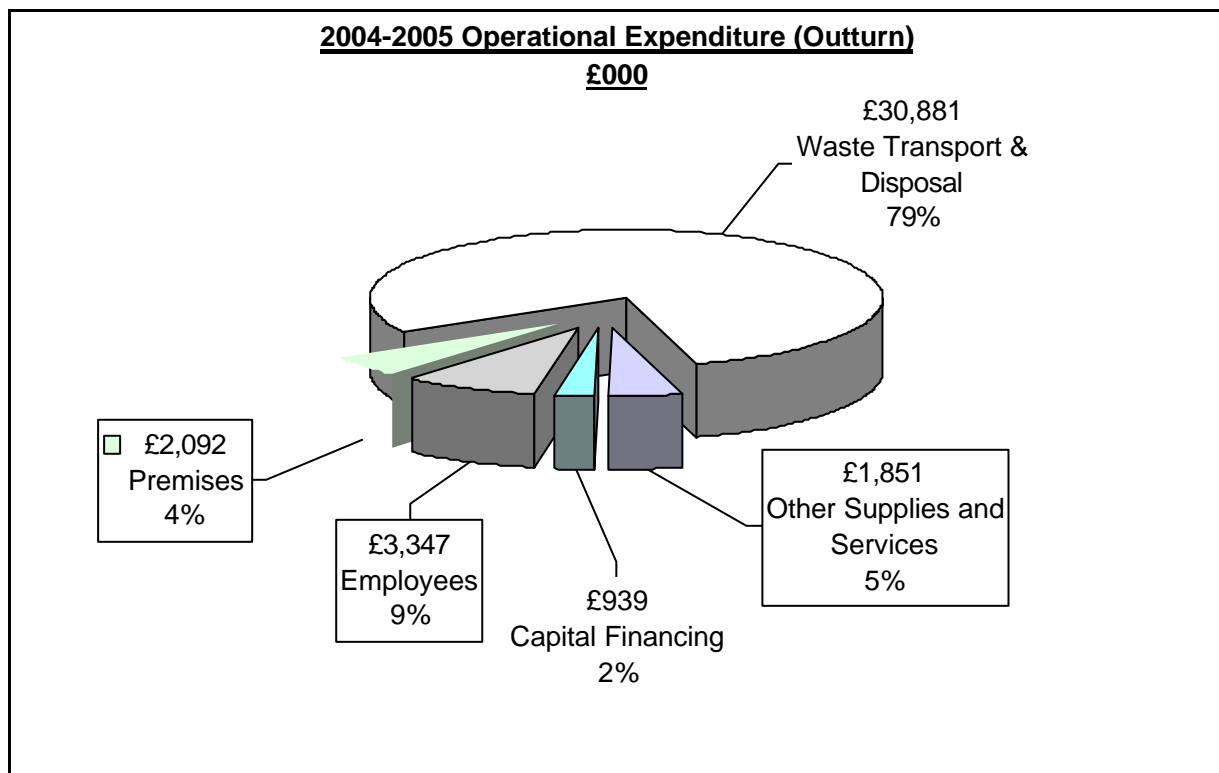
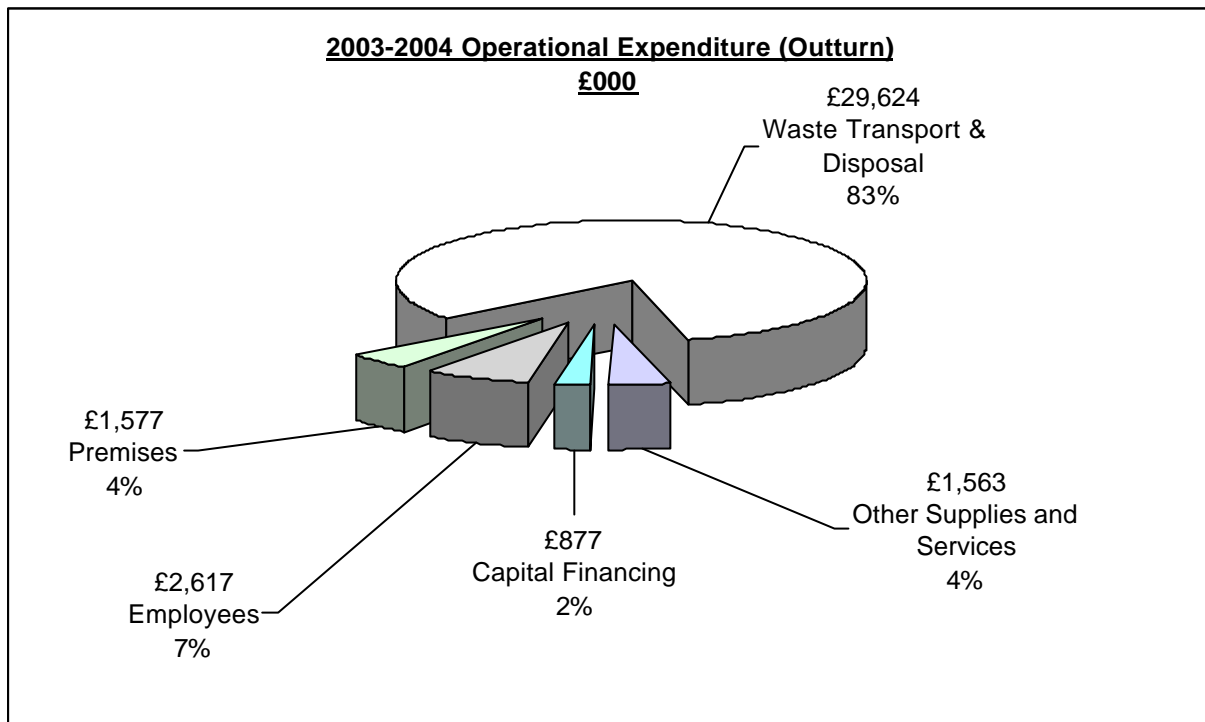
6. Funding

The WLWA is primarily financed by an annual levy on the constituent boroughs assessed on their Council Tax base. For 2004-2005 this was £33,738m (2003-2004 = £32.124m) although other income totalling £7.299m (2003-2004 = £6.350m) was generated from sources such as charges for non-household waste.



7. Operational Expenditure

Authority expenditure is primarily related to long-term waste disposal contracts with the private sector. Expenditure on operations in 2004-2005 totalled £39.110m (2003-2004 = £36.258m).



SECTION 2

STATEMENT OF RESPONSIBILITY

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.

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities:

The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in terms of the C.I.P.F.A. / LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2004).

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

I certify that the accounts set out in this Statement present fairly the financial position of the West London Waste Authority as at 31 March 2005 and its income and expenditure for the year.



Barry Evans CPFA
Treasurer

5 October 2005

SECTION 3

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

The WLWA 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 improvement 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 ensures that there is a sound system of internal control which facilitates the effective exercise of its functions, including arrangements for the management of risk.

The WLWA is a single purpose authority that was established on 1 January 1986 to undertake the waste disposal functions set out in the Waste Regulation and Disposal (Authorities) Order 1985 made under the Local Government Act 1985 Section 10. It is an Authority that:

- Facilitates the receipt and recycling or disposal of the waste collected by the six constituent boroughs;
- Transports and disposes of the waste which the constituent boroughs receive at their civic amenity sites;
- Stores and disposes of abandoned vehicles that are removed by the constituent boroughs.

2. THE SYSTEM OF INTERNAL CONTROL

Internal control systems are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems are 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 being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The main elements of a system of internal control have been in place during 2004-2005 and up to the date of approval of the annual report and accounts. The Authority has also approved a Risk Assessment Register which will be further developed and reported on an annual basis.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the internal control environment are summarised as follows:

Establishing and monitoring the Authority's objectives

The objectives of the Authority are set out in the annual Best Value Performance Plan published in June of each year. The Board also receives regular financial and service related reports during the year on those objectives.

Policy and decision-making

The Authority is managed by a Board of six Members, one from each of the constituent Boroughs. Standing Orders and Financial Regulations of the Authority govern the Board. A directly employed General Manager together with Advisers from constituent boroughs also supports the Board. The Advisers are the Clerk to the Authority (who acts as the Monitoring Officer) from Hounslow, the Treasurer (the Section 151 officer) from Harrow, and the Chief Technical Adviser, lately from Richmond upon Thames.

Compliance

The WLWA has a duty to ensure that it acts in accordance with the Law and various regulations, including European Commission Directives, in the performance of its functions. It has developed policies and procedures for its staff to ensure that, as far as possible, all staff understand their responsibilities both to the Authority and the public.

Economic, effective and efficient use of resources

The Authority strives to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.

Financial Management

The Treasurer has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Authority's financial affairs and for undertaking the responsibilities outlined in the Accounts and Audit Regulations. The systems of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulation, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

The General Manager of the Authority is responsible for ensuring that an effective system of internal control is maintained and operated for Authority resources. The General Manager is also responsible for establishing, reviewing and maintaining effective internal controls which include promotion of:

- compliance with Authority policy and regulations;
- probity and regularity, including accuracy in recording transactions and
- high standards of conduct and accountability.

The Internal Audit service (provided by the London Borough of Harrow) independently appraises the adequacy of these systems and reports on strengths and weaknesses.

In addition the General Manager and Advisers will undertake development and maintenance of the internal control systems which include:

- The setting of annual budgets for approval by the Board, including a three-year revenue budget forecast;
- Budget monitoring;

- Periodic and annual financial and services related reports to the Authority setting out financial performance against the approved budget;
- Liaison maintained with the constituent boroughs on technical and financial matters via joint forums.

Performance Management

The Authority publishes Best Value Performance Indicators in the annual Best Value Performance Plan.

4. REVIEW OF EFFECTIVENESS

The WLWA has responsibility for reviewing the effectiveness of the system of internal control. The effectiveness of the system of internal control was informed by:

- work of managers within the Authority;
- regular reports to the Authority;
- work of Internal Audit and
- external annual Audit Letter.

A risk-based approach is used in the development of the internal audit work for the Authority and the internal audit cover was provided to defined standards. Audit reports were provided to senior officers at the conclusion of audit reviews and did not indicate any fundamental weaknesses in control systems in the areas examined. There were no system control issues that required to be reported in 2004-2005 to the Authority Members. Summary reports will be made to the Authority in future at the conclusion of internal audit reviews.

5. CONCLUSION

The Authority has considered the effectiveness of the system of internal control by the WLWA and plans to address any weaknesses that may be identified in future and to ensure continuous improvement of the systems is in place. The Authority has considered its risk management arrangements and these will assist the formalisation of the assurance framework covering the Authority's current risks and of the Managers review of controls effectiveness. The Authority will review these arrangements on periodic basis.

Councillor Valerie Lamey
Chair of the Authority

Terry Welsh
Clerk to the Authority

SECTION 4

AUDIT OPINION ON THE STATEMENT OF ACCOUNTS

Independent Auditor's report to the West London Waste Authority

To follow

Note

The Accounts and Audit Regulations 2003 require the Authority's Statement of Accounts to be published by no later than 31 October 2005. Accordingly, to make certain that this requirement is complied with, this Statement has been published on 26 October 2005 - but without the inclusion of the opinion of the Auditor, which is awaited. However, the audit for 2004-2005 has been completed and it is expected that the Auditor's opinion will be provided to the Authority by 31 October 2005. When the Auditor's opinion has been received, this Statement of Accounts will be republished with the Auditor's opinion being set out in this Section.

SECTION 5

REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

| | Notes | 2004-2005 | | 2003-2004 | |
|---|-------|-----------|---------|-----------|---------|
| | | £000 | £000 | £000 | £000 |
| Gross Expenditure | | | | | |
| Employees | (i) | 2,960 | | 2,617 | |
| Premises | | 2,092 | | 1,577 | |
| Waste Transport and Disposal | | 30,881 | | 29,624 | |
| Other Supplies and Payments | | 1,815 | | 1,429 | |
| Capital Financing / Leasing | | 1,755 | | 1,635 | |
| | | | 39,503 | | 36,882 |
| Gross Income | | | | | |
| Trade Waste | | -1,421 | | -1,324 | |
| Agency | | -498 | | -193 | |
| Miscellaneous Income | | -240 | | -8 | |
| Other Local Authorities' Waste | | -4,617 | | -4,466 | |
| | | | -6,776 | | -5,991 |
| NET COST OF SERVICES | | | | | |
| | | | 32,727 | | 30,891 |
| Asset Management Account | | | | | |
| Capital Appropriation Account | (ii) | -188 | | -136 | |
| Interest income | (ii) | -628 | | -622 | |
| Pension interest cost and expected return on Pension Assets | (iv) | -484 | | -273 | |
| | | 36 | | 134 | |
| | | | -1,264 | | -897 |
| NET OPERATING EXPENDITURE | | | | | |
| | | | 31,463 | | 29,994 |
| Transfers from (-) / to Earmarked Reserves | | | | | |
| Contribution from the Pension Reserve | (iii) | 387 | | 0 | |
| | (iv) | -39 | | -86 | |
| | | | 348 | | -86 |
| AMOUNT TO BE MET FROM LEVY | | | | | |
| | | | 31,811 | | 29,908 |
| Levies on Constituent Councils | | | | | |
| Brent | | -5,682 | | -5,365 | |
| Ealing | | -6,886 | | -6,586 | |
| Harrow | | -5,131 | | -4,904 | |
| Hillingdon | | -5,790 | | -5,588 | |
| Hounslow | | -5,035 | | -4,737 | |
| Richmond upon Thames | | -5,214 | | -4,944 | |
| | | | -33,738 | | -32,125 |
| Surplus(-) / Deficit for the year | | | | | |
| | | | -1,927 | | -2,217 |
| Balances brought forward | | | | | |
| | | | -4,044 | | -1,827 |
| Balances carried forward | | | | | |
| | | | -5,971 | | -4,044 |

Notes to the Revenue Account

Being a single purpose authority (i.e. to undertake the waste disposal functions set out in the Waste Regulation and Disposal (Authorities) Order 1985 made under the Local Government Act 1985 Section 10) the Revenue Account is not set out using the Service Expenditure Analysis but details the major areas of expenditure for the Authority.

Note (i) Employees

The number of employees whose remuneration during 2004-2005, excluding pension contributions, was £50,000 or more was:

| Remuneration Band | Number of Employees | Number of Employees |
|-------------------|---------------------|---------------------|
| | 2004-2005 | 2003-2004 |
| £50,000 to 59,999 | 2 | 1 |
| £60,000 to 79,999 | 1 | 1 |

Note (ii) Asset Management and Capital Appropriation Accounts

| | 2004-2005 | | 2003-2004 | |
|--|---------------|-------------|---------------|-------------|
| | £000 | £000 | £000 | £000 |
| (a) Asset Management Account | | | | |
| <u>Income</u> | | | | |
| Capital Charges | <u>-1,285</u> | -1,285 | <u>-1,226</u> | -1,226 |
| <u>Expenditure</u> | | | | |
| Provision for depreciation | 801 | | 773 | |
| External interest charges | <u>296</u> | | <u>317</u> | |
| | | 1,097 | | 1,090 |
| Balance to Revenue Account | | -188 | | -136 |
| (b) Capital Appropriation Account | | | | |
| Minimum Revenue Provision (MRP) | 145 | | 151 | |
| Deferred Charges | 28 | | 0 | |
| Depreciation | <u>-801</u> | | <u>-773</u> | |
| Balance to Revenue Account | | -628 | | -622 |

Note (iii) Earmarked Reserves

An earmarked reserve of £0.387m has been made in respect of additional monetary payments to the London Pensions Fund Authority (LPFA).

Note (iv) Financial Reporting Standard 17, Retirement Benefits (FRS17)

The accounts conform to the disclosure requirements of Financial Reporting Standard 17 (FRS17), as adapted for public authorities by CIPFA. For the financial year ended 31 March 2005 this requires inclusion of relevant amounts as well as disclosure of FRS17 figures in the accounts. Further details are set out in the notes to the Balance Sheet.

All permanent staff may participate in the London Pensions Fund Authority (LPFA) Pension Fund, a defined benefit statutory scheme, administered in accordance with the Local Government Scheme Regulations 1997. The accounts reflect the current service costs (£0.310m in 2004-2005 and £0.243m in 2003-2004) as advised by the Funds Actuary. The Fund's Actuary, based on triennial actuarial valuations, determines the contribution rate (employer's rate of 15.4% until March 2006). In addition, the Authority is responsible for pension payments relating to added years benefits awarded, together with the related increases (£0.012m in 2004-2005 and £0.011m in 2003-2004). There were no approvals to new pension augmentation payments in the year and therefore no capital values of estimated payments for employees were required. The Funds Actuary estimates that the Net Pension Asset as at 31 March is a liability of £3.467m (£2.560m in 2003-2004) as set out in the FRS17 notes to the Balance Sheet.

(v) Other Notes:

Publicity

The Authority is required, under Section 5 of the Local Government Act 1986, to keep a separate account of net expenditure on publicity. The expenditure on publicity is summarised below:

| | 2004-2005 | 2003-2004 |
|--------------------------------------|----------------|----------------|
| | £000 | £000 |
| Staff recruitment advertising | 0 | 0 |
| Promotion and publicity | 2 | 2 |
| | <hr/> 2 | <hr/> 2 |

Leasing

The Authority uses plant and equipment financed under the terms of operating leases. The amount charged to revenue in respect of operating leases was £0.498m in 2004-2005 (£0.409m in 2003-2004). There were undischarged obligations in respect of these leases of £2,795m at 31 March 2005 (£2.394m at 31 March 2004). The Authority is committed to making payments of £0.498m in 2005-2006 under these leases comprising the following elements:

| | £000 |
|------------------------|------------------|
| <u>Leases expiring</u> | |
| 2006-2007 | 16 |
| 2007-2008 | 139 |
| 2009-2010 | 87 |
| 2010-2011 | 95 |
| 2011-2012 | 71 |
| 2013-2014 | 90 |
| Total | <hr/> 498 |

Members Allowances

Members do not receive any allowances from the Authority.

External Audit Fees

The Revenue Account includes external audit fees for services carried out under the Audit Commission's "Code of Audit Practice" in accordance with section 5 of the Audit Commission Act 1998. The Audit Commission appointed Deloitte & Touche LLP as the Authority's external auditors in respect of the audit of the accounts. The external auditor did not have to perform any work in respect of statutory inspections under section 10 of the Local Government Act. The following table sets out the audit fees reflected in the accounts.

| | 2004-2005 | 2003-2004 |
|-------------------------|------------------|-----------|
| | £000 | £000 |
| Annual audit: 2002-2003 | 0 | 23 |
| Annual audit: 2003-2004 | 25 | 0 |
| Annual audit: 2004-2005 | 25 | 0 |
| Grants audit | 2 | 0 |

Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of Financial Reporting Standard 8 (FRS8) and its applicability to the public sector utilising current advice and guidance. Any disclosure under FRS8 is designed to set out relationships with other parties that might materially affect the Authority.

The Authority is composed of one Councillor from the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and is financed by an annual levy on the constituent boroughs. Details of the borough levies are set out in the Revenue Account. The Authority received payments from the constituent boroughs in respect of section 52(9) charges for the disposal of non-household waste. Payments were made to the constituent boroughs in respect of recycling credits.

The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they, or their related parties, have been engaged in during 2004-2005. The Clerk and Treasurer are employed by the boroughs of Hounslow and Harrow respectively. The Authority pays for the services they give. The Authority also receives support services from Hounslow, Harrow and Richmond-upon-Thames. The costs of these services (set out below) are reflected in the revenue accounts.

| Support Services | 2004-2005 | 2003-2004 |
|------------------|------------------|-----------|
| | £000 | £000 |
| Hounslow | 33 | 43 |
| Harrow | 114 | 111 |
| Richmond | 12 | 13 |

SECTION 6

BALANCE SHEET AS AT 31 MARCH 2005

| | Notes | 2004-2005 | | 2003-2004 | |
|--|--------|-----------|----------------|-----------|---------------|
| | | £000 | £000 | £000 | £000 |
| <u>Tangible fixed assets</u> | | | | | |
| Operational Assets | | | | | |
| Land & buildings | | 10,305 | | 10,953 | |
| Fixed plant and vehicles | | 796 | | 949 | |
| | (i) | | 11,101 | | 11,902 |
| <u>Current assets</u> | | | | | |
| Stock | (ii) | 293 | | 256 | |
| Debtors (net of bad debts provision) | (iii) | 11,068 | | 8,449 | |
| Payments in Advance | | 0 | | 0 | |
| Cash | | 4 | | 4 | |
| | | | 11,365 | | 8,709 |
| <u>Current liabilities</u> | | | | | |
| Creditors | (iv) | | -4,304 | | -3,962 |
| Total assets less current liabilities | | | 18,162 | | 16,649 |
| Long Term Borrowing | (v) | | -3,939 | | -4,084 |
| Government Grants - deferred | | | -168 | | -196 |
| Pension Liability | (xi) | | -3,467 | | -2,560 |
| | | | -7,574 | | -6,840 |
| Total assets less liabilities | | | 10,588 | | 9,809 |
| <u>Represented by:</u> | | | | | |
| Fixed Asset Restatement Account | (vi) | | -13,014 | | -13,014 |
| Capital Financing Account | (vii) | | 5,562 | | 4,934 |
| Usable Capital Receipts Reserve | (viii) | | -245 | | -245 |
| Earmarked Reserves | (ix) | | -387 | | 0 |
| Pension Reserve | (xi) | | 3,467 | | 2,560 |
| General Fund balance | | | -5,971 | | -4,044 |
| Total Equity | | | -10,588 | | -9,809 |



Barry Evans CPFA
Treasurer

5 October 2005

Note (i) Fixed Assets

(a) Movements in fixed assets during the year were as follows:
(See also Statement of Accounting Policies - Section 9)

| | 2004-2005 | | | | 2003-2004 |
|---|----------------------------------|-----------------------------------|-----------------------------|---------------|-------------|
| | Land & Buildings (Freehold) £000 | Land & Buildings (Leasehold) £000 | Fixed Plant & Vehicles £000 | Total £000 | £000 |
| Gross book value as at 31 March 2004 | 3,232 | 7,721 | 949 | 11,902 | 12,479 |
| Value as at 1 April 2004 | 3,232 | 7,721 | 949 | 11,902 | 12,479 |
| <u>Revaluations and restatements</u> | | | | | |
| Additions | 0 | 0 | 0 | 0 | 196 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Value as at 31 March 2005 | 3,232 | 7,721 | 949 | 11,902 | 12,675 |
| Depreciation for Year | -45 | -603 | -153 | -801 | -773 |
| Net Book Value as at 31 March 2005 | 3,187 | 7,118 | 796 | 11,101 | 11,902 |

(b) Capital financing during the year.

| | 2004-2005 | 2003-2004 |
|---|-----------|-----------|
| | £000 | £000 |
| Expenditure: | | |
| Deferred Charges | 0 | 0 |
| Operational Works | 0 | 0 |
| Non Operational Works (Fixed Assets) | 0 | 196 |
| | 0 | 196 |
| Financed by: | | |
| Capital Receipts | 0 | 0 |
| Capital Creditors | 0 | 0 |
| Government Grants Deferred | 0 | -196 |
| Revenue Funding | 0 | 0 |
| | 0 | -196 |

Note (ii) Stock

| | 2004-2005 | 2003-2004 |
|---|------------|------------|
| | £000 | £000 |
| Stock is held at two locations as follows: | | |
| Transport Avenue | 99 | 93 |
| Victoria Road | 194 | 163 |
| Balance as at 31 March 2005 | 293 | 256 |

Note (iii) Debtors

| | 2004-2005 | 2003-2004 |
|------------------------------|---------------|--------------|
| | £000 | £000 |
| Trade Waste | 177 | 197 |
| Agency | 50 | 53 |
| London Borough of Harrow | 9,086 | 7,073 |
| Other Local Authorities | 2,342 | 1,368 |
| | 11,655 | 8,691 |
| Less provision for bad debts | -587 | -242 |
| | 11,068 | 8,449 |

The provision for bad debts has increased from the prior year primarily due to an outstanding, disputed, sum from another local authority.

Note (iv) Creditors as at 31 March

| | 2004-2005 | 2003-2004 |
|-----------------------|---------------|---------------|
| | £000 | £000 |
| Transport and Tipping | -1,525 | -1,501 |
| Landfill Tax | -796 | -590 |
| Other | -1,983 | -1,871 |
| | -4,304 | -3,962 |

Note (v) Long Term Borrowing

The Authority's capital expenditure is financed by an arrangement with the London Borough of Harrow. The sum outstanding as at 31 March 2005 totals £3.939m (£4.084m in 2003-2004). The interest rate charged was 7.24%.

| | 2004-2005 | 2003-2004 |
|--------------------------------------|-----------|-----------|
| | £000 | £000 |
| Source of Loan: | | |
| London Borough of Harrow | 3,939 | 4,084 |
| Analysis of loan by maturity: | | |
| 1 to 2 years | 17 | 18 |
| 2 to 5 years | 194 | 201 |
| 5 to 10 years | 1,209 | 1,253 |
| 10 years + | 2,519 | 2,612 |
| | 3,939 | 4,084 |

Note (vi) Fixed Asset Restatement Account

| | 2004-2005 | 2003-2004 |
|--|-----------|-----------|
| | £000 | £000 |
| Balance as at 1 April | -13,014 | -13,014 |
| Surplus on revaluation and restatement of fixed assets | 0 | 0 |
| Capital expenditure (not adding value to property) | 0 | 0 |
| Balance as at 31 March | -13,014 | -13,014 |

Note (vii) Capital Financing Account

| | 2004-2005 | 2003-2004 |
|--|-----------|-----------|
| | £000 | £000 |
| Balance Brought Forward | 4,934 | 4,311 |
| Financing Capital Expenditure | 0 | 0 |
| Deferred Charges Written Out | -28 | 0 |
| Capital receipts set aside | 0 | 0 |
| Minimum Revenue Provision (M.R.P.) (less provision for depreciation) | 656 | 623 |
| | 5,562 | 4,934 |

Note (viii) Usable Capital Receipts Reserve

| | 2004-2005 | 2003-2004 |
|------------------------------------|------------------|------------------|
| | £000 | £000 |
| Balance as at 1 April 2004 | -245 | -245 |
| Capital Receipts | 0 | 0 |
| Transfer to PCL | 0 | 0 |
| Capital Receipts Applied | | 0 |
| Balance as at 31 March 2005 | -245 | -245 |

The Authority did not receive any capital receipts during 2004-2005 from the disposal of assets.

Note (ix) Earmarked Reserves

An earmarked reserve of £0.387m has been made in respect of additional monetary payments to the London Pensions Fund Authority (LPFA).

Note (x) Contingent Liabilities

There are no outstanding contingent liabilities.

Note (xi) Financial Reporting Standard 17, Retirement Benefits (FRS17)

The accounts conform to the accounting and disclosure requirements of Financial Reporting Standard 17 (FRS17), as adapted for local authorities by CIPFA. The Authority's actuary, Hymans Robertson, were instructed to undertake the FRS17 calculations on behalf of the Authority as at 31 March 2005.

Further details are set out below.

Employees may participate in a defined benefit statutory scheme, administered by the London Pensions Fund Authority Pension Fund on behalf of the Authority, in accordance with the Local Government Scheme Regulations 1997. Although pension benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be made at the time that employees earn their future entitlement. The Fund was last valued at 31 March 2004, the next valuation is at 31 March 2007.

The 2004-2005 pensions costs have been charged to the Revenue Account on the basis of the charge payable for the year (based on Actuarial valuations).

The objectives of FRS17 are to ensure that:

- Financial statements reflect at fair value the assets and liabilities arising from an employer's retirement obligations and any related funding;
- The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance cost and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise, and
- The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related benefits and the related gains, losses, assets and liabilities

The table below summarises the membership data by the actuary for the last formal valuation from which the FRS17 results are rolled forward, together with the latest available membership data.

| | 28 Feb 2005 | 31 March 2004 |
|---------------------|------------------------|--------------------------|
| Employees | 74 | 74 |
| Deferred Pensioners | 22 | 20 |
| Pensioners | 55 | 55 |

Notes to the Balance Sheet cont.

An actuarial valuation showing the potential pensions liability for the year ended 31 March 2005 in accordance with FRS17 is set out below.

| Assets valued at "fair value" (whole LPFA Fund) | Long Term Return 31 March 2005 % p.a. | Assets at 31 March 2005 £000 | Long Term Return 31 March 2004 % p.a. | Assets at 31 March 2004 £000 | Long Term Return 31 March 2003 % p.a. | Assets at 31 March 2003 £000 |
|---|---|---------------------------------|---|---------------------------------|---|---------------------------------|
| Equities | 7.7% | 5,286 | 7.7% | 4,896 | 8.0% | 3,943 |
| Bonds | 4.8% | 724 | 5.1% | 747 | 4.8% | 677 |
| Property | 5.7% | 477 | 6.5% | 224 | 6.0% | 0 |
| Cash | 4.8% | 225 | 4.0% | 94 | 4.0% | 147 |
| Total | 7.1% | 6,712 | 7.3% | 5,961 | 7.4% | 4,767 |
| Net Pension Liability as at | | 31 March 2005 £000 | | 31 March 2004 £000 | | 31 March 2003 £000 |
| Estimated Employer Assets (A) | | 6,712 | | 5,961 | | 4,767 |
| Present Value of Scheme Liabilities | | 9,974 | | 8,335 | | 7,835 |
| Present Value of Unfunded Liabilities | | 205 | | 186 | | 185 |
| Total Value of Liabilities (B) | | 10,179 | | 8,521 | | 8,020 |
| Net Pension Liability (A) - (B) | | -3,467 | | -2,560 | | -3,253 |

For accounting periods prior to 2004-2005 CIPFA guidance advised a real discount rate of 3.5% per annum, as shown in the table above. The Revenue Account figures prepared by the actuary, above, for the year to 31 March 2005 are calculated on a discount rate derived from corporate bond yields as at 31 March 2004 (which is 5.5% p.a.) as required by CIPFA.

Notes to the Balance Sheet cont.

Liabilities have been assessed on an actuarial basis using the “ projected unit method”, an estimate of pensions that will be payable in future years dependent on actuarial and financial assumptions. The main assumptions used by the actuary in these calculations are as follows.

| Assumptions as at | 31 March 2005 % per annum | 31 March 2004 % per annum | 31 March 2003 % per annum |
|-------------------|------------------------------------|---------------------------------|---------------------------------|
| Price increases | 2.9% | 2.9% | 2.5% |
| Salary increases | 4.4% | 4.4% | 4.0% |
| Pension increases | 2.9% | 2.9% | 2.5% |
| Discount rate | 5.4% | 6.5% | 6.1% |

The following table sets out an analysis of the amount recognised in the Statement of Reserves.

| | 31 March 2005 £000 | 31 March 2004 £000 |
|---|--------------------------|--------------------------|
| Actual return less expected return on Pension Scheme assets | 187 | 771 |
| Experience gains and losses arising on the Scheme liabilities | 476 | -4 |
| Changes in financial assumptions underlying the Present Value of the Scheme Liabilities | -1,543 | 0 |
| Actuarial Gain / (Loss) recognised in Reserves | -880 | 767 |

The movement in the surplus / deficit for the year to 31 March 2005 is as follows:

| | Year to 31 March 2005 | Year to 31 March 2004 |
|---|-----------------------------|-----------------------------|
| | £000 | £000 |
| Surplus / - deficit at beginning of year | -2,560 | -3,253 |
| Current Service Cost | -310 | -243 |
| Employer contributions | 307 | 291 |
| Contributions in respect of Unfunded Benefits | 12 | 12 |
| Past service costs | 0 | 0 |
| Impact of settlements and curtailments | 0 | 0 |
| Net return on assets | -36 | -134 |
| Actuarial gains / (-) losses | -880 | 767 |
| Deficit (-) at end of year | -3,467 | -2,560 |

The actuarial gains and losses can be analysed into the following categories.

| | Year to 31 March 2005 | Year to 31 March 2004 |
|---|-----------------------------|-----------------------------|
| | £000 | £000 |
| Difference between the expected and actual return on assets | 187 | 771 |
| Value of assets | 6,712 | 5,961 |
| Percentage of assets | 2.8% | 12.9% |
| Experience gains / -losses on liabilities | 476 | -4 |
| Present value of liabilities | 10,179 | 8,521 |
| Percentage of the total present value of liabilities | 4.7% | 0% |
| Actuarial gains / -losses recognised in STRGL | -880 | 767 |
| Total present value of liabilities | 10,179 | 8,521 |
| Percentage of the total present value of liabilities | -8.6% | 9.0% |

SECTION 7 CASH FLOW STATEMENT

| | Notes | 2004-2005 £000 | 2003-2004 £000 |
|--|-------|-------------------|-------------------|
| Revenue Activities | | | |
| <u>Cash outflows</u> | | | |
| Cash paid to and on behalf of Employees | | 2,960 | 2,617 |
| Other operating costs | | 34,634 | 32,605 |
| <u>Cash inflows</u> | | | |
| Cash received for goods and services | | -3,813 | -3,294 |
| Levy income | | -33,738 | -32,124 |
| Revenue Activities – net cash flow | (i) | <u>43</u> | <u>-196</u> |
| Servicing of Finance | | | |
| <u>Cash outflows</u> | | | |
| Interest paid | | 296 | 318 |
| <u>Cash inflows</u> | | | |
| Interest received | | -484 | -273 |
| Capital Activities | | | |
| <u>Cash outflows</u> | | | |
| Purchase of assets | | 0 | 196 |
| Deferred Charges | | 0 | 0 |
| <u>Cash inflows</u> | | | |
| Sale of fixed assets | | 0 | 0 |
| Capital Grant received | | 0 | -196 |
| Net cash Inflow / Outflow before financing | | <u>-145</u> | <u>-151</u> |
| Financing | | | |
| <u>Cash outflows</u> | | | |
| Repayments of amounts borrowed | | 145 | 151 |
| <u>Cash inflows</u> | | | |
| New loans raised | | 0 | 0 |
| Increase / decrease in cash and cash equivalents | (ii) | <u>0</u> | <u>0</u> |

Notes to the Cash Flow Statement

| | Notes | 2004-2005 | 2003-2004 |
|---|-----------|-----------|-----------|
| | | £000 | £000 |
| <u>Note (i) Reconciliation to Net Cash Flow</u> | | | |
| Surplus (-) / Deficit per the Revenue Account | | -1,927 | -2,217 |
| <u>Non Cash Transactions</u> | | | |
| Capital Financing | | -441 | -468 |
| Earmarked Reserve | | -387 | 0 |
| Interest Received | | 484 | 273 |
| <u>Items On An Accrual Basis</u> | | | |
| Movement in Stock | | 37 | 29 |
| Movement in Debtors | | 2,964 | 2,696 |
| Movement in Creditors | | -342 | -286 |
| Movement in Provisions | | -345 | -224 |
| Net Cashflow from Revenue Activities | | 43 | -196 |
| <u>Note (ii) Movements in Cash and Cash Equivalent</u> | | | |
| | 2003-2004 | 2004-2005 | Movement |
| | £000 | £000 | 2003-2004 |
| | | | £000 |
| Cash | 4 | 4 | 0 |
| Net Cash Inflow / Outflow | 4 | 4 | 0 |

SECTION 8 STATEMENT OF MOVEMENT IN RESERVES

| | Capital Reserves | | | Revenue Reserves | | | Total |
|--|---|-----------------------------------|---------------------------------|----------------------|-------------------------|---------------------------|----------------|
| | Fixed Asset Reinstatement Account £000 | Capital Financing Account £000 | Usable Capital Receipts £000 | General Fund £000 | Pension Reserve £000 | Specific Reserves £000 | £000 |
| Balances as at 1 April 2004 | -13,014 | 4,934 | -245 | -4,044 | 2,560 | 0 | -9,809 |
| Net surplus (-) / deficit for the year | 0 | 628 | 0 | -1,927 | 0 | 0 | -1,299 |
| Actuarial gains / losses relating to pensions | 0 | 0 | 0 | 0 | 880 | 0 | 880 |
| Other net movements | 0 | 0 | 0 | 0 | 27 | -387 | -360 |
| Balance as at 31 March 2005 | -13,014 | 5,562 | -245 | -5,971 | 3,467 | -387 | -10,588 |

SECTION 9

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain that is recognised by Statute as representing proper accounting practices.

2. Capital Charges

The capital charges made to the revenue account equate to the sum of depreciation plus a notional interest charge based on the revalued amount at which the fixed asset is included in the Balance Sheet at 1 April 2000. The notional rates of interest used are 3.5% for those fixed assets included in the Balance Sheet at current value and 4.8% for infrastructure assets. The CIPFA/LASAAC Joint Committee prescribes the rates of interest used annually.

3. Debtors and Creditors

The accounts are prepared on an income and expenditure basis. Outstanding debtors and creditors are brought into the accounts at the year-end. Estimated amounts are used where exact amounts due to or by the Authority at 31 March are unknown at the time of closing the accounts.

4. Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) and calculated using the straight-line method over the estimated useful life of the asset.

5. Financing Asset Acquisitions

The Authority has entered into operating leases since 1998-1999 for the acquisition of transfer station equipment. Additional operating leases were actioned in 2004-2005. The annual costs are charged to revenue. Where fixed assets are financed by capital grants, the amount of grant is deferred and transferred to the Revenue Account in line with the relevant depreciable life of the asset.

6. Fixed Assets

The current asset values used in the accounts are based on a certificate issued by consultant surveyors, Dunlop Heywood (now Dunlop Heywood Lorenz). The properties were inspected and a report prepared on the valuation by Mr. Paul Lidgley BSc (Hons) ARICS, a director of Dunlop Heywood and Company Limited. The Authority assets were last valued as at 31 March 2000 on the basis of Depreciated Replacement Cost, since the properties are specialised and particular to the Authority's operating activities, and on the basis of Open Market Value, where appropriate, in accordance with the Practice Statements and Guidance Notes set out in the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. The SORP Code of Practice requires valuations at intervals of not more than five years. The Authority is not aware of any material change in value and therefore the valuations have not been updated since March 2000.

7. Investments

The WLWA balances are invested with the London Borough of Harrow.

8. Minimum Statutory Provision

Under Part IV of the Local Government and Housing Act 1989 the Authority is required to set aside a minimum statutory provision (MSP) as part of the means to finance capital expenditure. The MSP was £0.145m based on 4% of the capital financing requirement.

9. Other Accounts

These include:

- The fixed asset restatement account, which represents principally the balance of surpluses or deficits arising on the periodic revaluation of fixed assets;
- The capital financing account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions; and
- Earmarked Reserves: a reserve of £0.387m has been made in the 2004-2005 accounts in respect of additional monetary payments due to the London Pensions Fund Authority Pension Fund (LPFA).

10. Pensions

- (i) All permanent staff may participate in the London Pensions Fund Authority (LPFA) Pension Fund, a defined benefit statutory scheme, administered in accordance with the Local Government Scheme Regulations 1997.

A defined benefit statutory scheme is a pension, or other retirement benefit scheme, other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. For a defined benefit scheme changes in actuarial deficits or surpluses arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- the actuarial assumptions have changed.

The liabilities of a defined benefit scheme reflect the outgoings due after the valuation date. The employer is committed to provide for service benefits up to the valuation date.

- (ii) The Accounting Code of Practice requires the Authority to apply accounting principles and to make disclosures under Financial Reporting Standard 17, Retirement Benefits (FRS17) in respect of retirement benefits. The notes to the Revenue Account and Balance Sheet provide details of how the Authority has met these requirements.

11. Provisions

As part of the WLWA prudent accounting policies, Bad Debts Provisions are included within the accounts where there is uncertainty regarding bad and doubtful debts.

12. Service Boroughs Costs

Administrative costs charged to the Authority by constituent boroughs are based on the time spent in respect of services rendered (e.g. financial, legal and technical).

13. Stocks

The Balance Sheet shows a closing balance as at 31 March 2005 in the sum of £0.293m (£0.256m in 2003-2004), held at two waste transfer stations. Stock is valued on an average cost basis.

SECTION 10 FURTHER INFORMATION

The Authority has a policy of providing full information about its affairs. Interested parties have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection by the public is advertised in the local press each year.

Further information on the activities and accounts of the WLWA may be obtained from:

Operational Activities

The General Manager,
West London Waste Authority,
Mogden Works,
Mogden Lane,
Isleworth,
Middlesex,
TW3 7LP

Accounts

The Treasurer,
West London Waste Authority,
c/o London Borough of Harrow,
Business Connections,
PO Box 21,
Civic Centre,
Harrow, Middlesex,
HA1 2UJ

WEB: www.westlondonwaste.gov.uk

