

***WEST LONDON WASTE AUTHORITY***

***STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED  
31 MARCH 2006***

**SUBJECT TO AUDIT**



This statement has 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.

This Statement of Accounts for the year ended 31 March 2006 was considered and approved by the Authority on 28 June 2006, subject to audit.

Councillor Mrs Eileen Kinnear  
Chairman of the Authority  
28 June 2006

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 2006 and its income and expenditure for the year.

Barry Evans (CPFA)  
Treasurer to the Authority  
28 June 2006

# WEST LONDON WASTE AUTHORITY

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# **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 Director. 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 Director, the Authority has three other part time chief officers - the Clerk, Treasurer and Chief Technical Adviser. 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 2005-2006 the Authority and its constituent boroughs dealt with a total of 807,000 tonnes of waste and abandoned vehicles. Of this total some 162,000 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 2005-2006 the boroughs collected a total of just under 629,000 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 93,000 tonnes out of this total of 629,000 tonnes. The remaining 536,000 tonnes was delivered by the boroughs for composting or disposal to sites which the Authority arranges.

74% (398,000 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% (45,000 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.

12% (65,000 tonnes) was delivered to private sector operated transfer stations at which the Authority had made arrangements. And just over 5% (28,000 tonnes) was delivered to West London Composting Ltd's facility at Harefield.

In addition to the waste delivered by the constituent boroughs, the Authority's three transfer stations also received a total of nearly 18,000 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 161,000 tonnes. Of this, householders deposited 96,000 tonnes; 35,000 tonnes was trade waste, and 30,000 tonnes was borough-collected waste.

Significant developments in 2005-2006 included an increase to 54,545 tonnes in the amount of waste that was separated from the disposal waste stream and sent for composting. Additionally, 41,890 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 92%) were vehicles in poor condition that were delivered for immediate crushing and recycling and disposal. The remaining 8% 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 2005-2006 was less than 6,000 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. The EU End of Life Vehicles Directive is currently being brought into force in the UK in stages. This Directive requires higher environmental and recycling standards in disposing of vehicles, which are adding to local authorities' costs. However, the Directive also requires vehicle importers and manufacturers to take over the responsibility and costs of disposing of all old vehicles as from 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.

As well as the environmental considerations underpinning the waste hierarchy, making waste management arrangements also involves consideration of the proximity principle that proposes that waste should generally be disposed of as near to its place of production as possible.

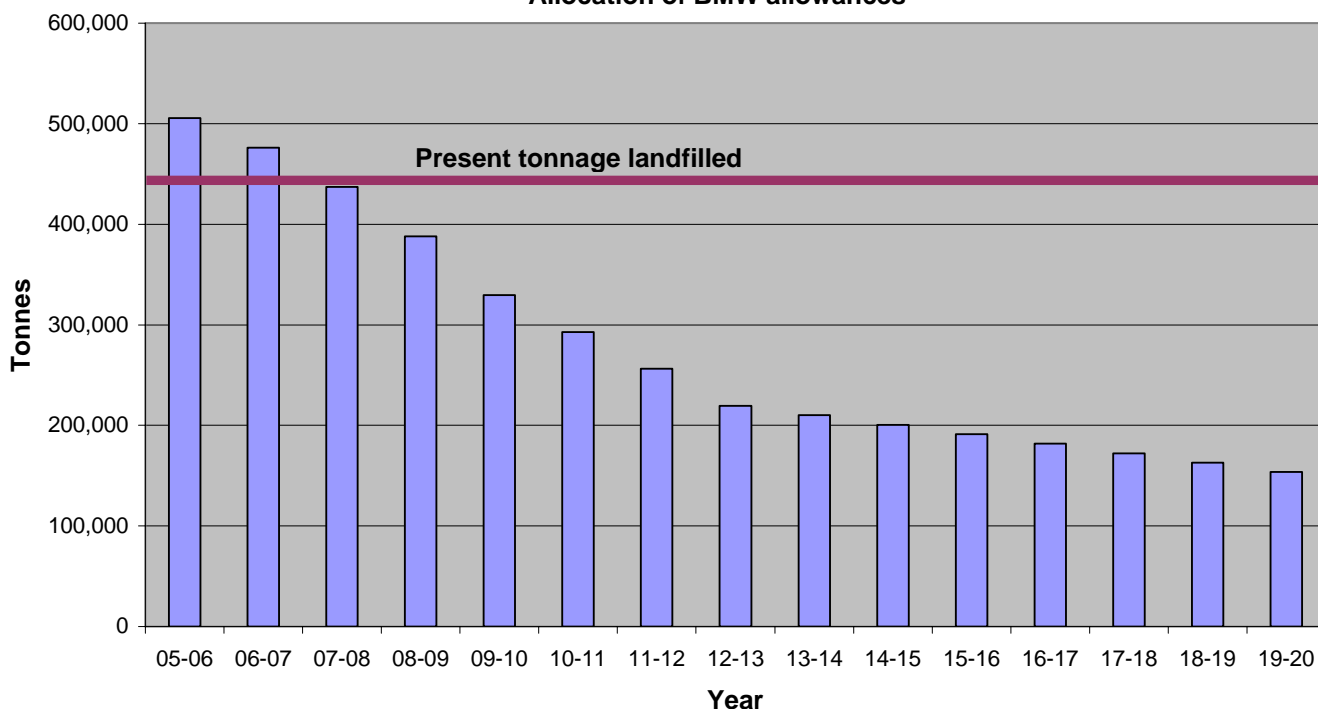
In the Greater London area, the national waste strategy is supplemented by the Mayor of London's municipal waste strategy that individual waste authorities must have regard to in carrying out their functions. Both the national and Mayor's waste strategies are currently in the process of being updated and revised, particularly to try to ensure compliance with the European Landfill Directive that requires a progressive reduction in the amount of biodegradable municipal waste (BMW) that may be disposed of to landfill.

### Landfill Allowances for biodegradable waste and future strategy

The Waste and Emissions Trading Act 2003 provides the UK legal framework for compliance with the Landfill Directive. The Act introduces a rationing system for the amount of BMW that may be sent to landfill. Starting in 2005-2006, each waste disposal authority is to be permitted to landfill a progressively reducing amount of BMW. If the allocated allowances are exceeded in any year, an authority must either buy additional allowances from other authorities that have surplus allowances or pay penalties to the Government at a rate of £150 per tonne of BMW. The use of landfill has additionally been made economically less attractive by the Government's decision to increase the Landfill Tax to £21 per tonne in 2006 and to increase it annually from now on by at least £3 until it reaches £35 per tonne.

Compared to the present level of use of landfill, the Authority's annually reducing allocation of allowances to landfill biodegradable waste is shown in the following chart.

Allocation of BMW allowances



Estimating the financial effects of landfill allowances is difficult until the market price of allowances is established. However, it is clear that substantial costs will arise if allowance allocations are exceeded and the chart shows the need for the reshaping of the Authority's waste management services for the longer term. To this end, undoubtedly the most significant recent activity for the Authority and the constituent boroughs has been the completion of the work carried out over the last 18 months to produce a joint municipal waste strategy for the area.

The strategy sets the framework for twenty or more years ahead and is the essential precursor to securing the necessary investment in infrastructure for separating, recycling and treating waste to reduce the amount going to landfill. The Authority has been subject to a Direction by the Mayor of London that has prevented procurement of waste services until the joint waste strategy was completed and it is hoped that the Direction will now be lifted.

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. To provide a direct incentive to boroughs to divert waste from landfill, in the current year the Authority has introduced the payment of financial rebates for biodegradable waste that is separated for composting.

Building on these developments, the key priority now will be to make progress with the implementation of the action plans in the joint municipal waste strategy particularly to achieve greater diversion of waste from landfill by working with the constituent boroughs to increase recycling and composting. For the residual waste, and subject to the removal of the Mayoral Direction, steps will be taken towards the arranging of the new treatment facilities that will be needed for the longer term.

#### WEEE and ELV Directives

Other significant issues to be addressed in the near future 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. The WEEE Directive obligates retailers, importers and manufacturers of electrical and electronic goods to arrange for the separate collection and recycling of these products. Implementation in the UK has been postponed on several occasions but (at the time of writing) is expected in the early part of 2007. The precise impact on waste authorities 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. Of greater significance for the Authority, however, is that as from January 2007 manufacturers become obligated to take back all old vehicles free of charge for recycling – though again the likely effect of this for local authorities is not yet known.

#### Possible replacement of the Authority by a single London Waste Authority

Lastly, in Autumn 2005 the Government consulted on possibilities for expanding the Mayor of London's responsibilities in a number of matters, including responsibilities for waste. Amongst other things, the consultation paper contained options for the possible establishment of a single London-wide waste disposal authority that would replace the Authority and the other three similar authorities in London and would take over the waste disposal responsibilities of the unitary boroughs. At the time of writing, the Government's decisions are awaited. However, if a London-wide authority were to be decided upon, it is assumed that the Government would seek to set it up as quickly as possible in order to maintain the present momentum towards greater sustainability in waste. Clearly, if this is proceeded with, the Authority will be greatly involved in assisting in the arrangements to prepare the way for its successor.

### **4. Financial Statements**

The Authority approved its 2005-2006 net budget of £35.734m in January 2005. This net budget was funded by a levy of £34.700m and use of £1.034m 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 £33.454m. This was £2.280m (6.4%) less than the original net approved budget and previous reports to the Authority had indicated an under spend against the budget. As a result end-of-year balances have improved as set out in the Revenue Account. The Authority had agreed, during the levy setting for 2006-2007, to apply balances of £2.354m to support the levy requirements.

There was no capital expenditure or use of capital receipts during the year.

The financial statements on the following pages set out the financial results of the Authority for the year ended 31 March 2006 and were approved by the Authority on 28 June 2006. 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 the Statement of Recommended Practice (the SORP).

The Waste and Emissions Trading Act 2003 aims to achieve the requirements of the EU Landfill Directive by progressively reducing the amount of biodegradable municipal waste that waste disposal authorities may send to landfill. The Act also provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which commenced on 1 April 2005. The Statement of Accounts reflects the accounting requirements of the LATS scheme following guidance issued by CIPFA. The Authority had sufficient landfill allowances for 2005-2006 and unused allowances have been "banked, under the scheme, for following years.

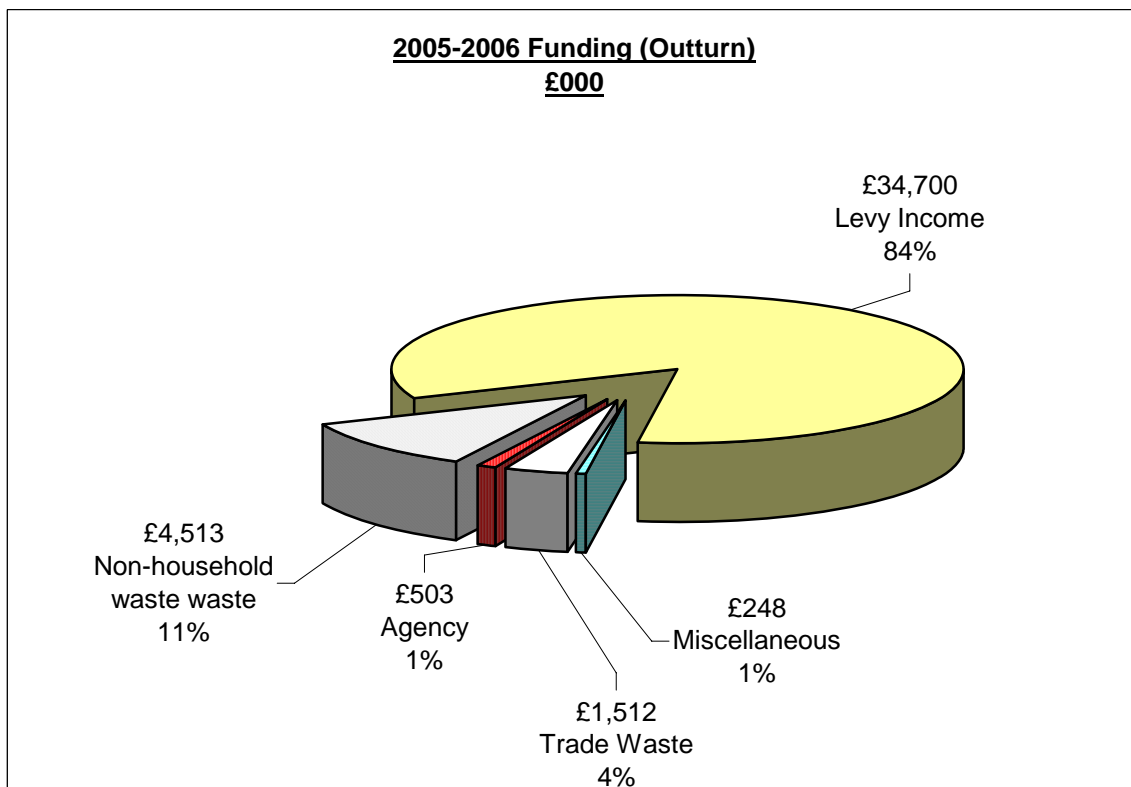
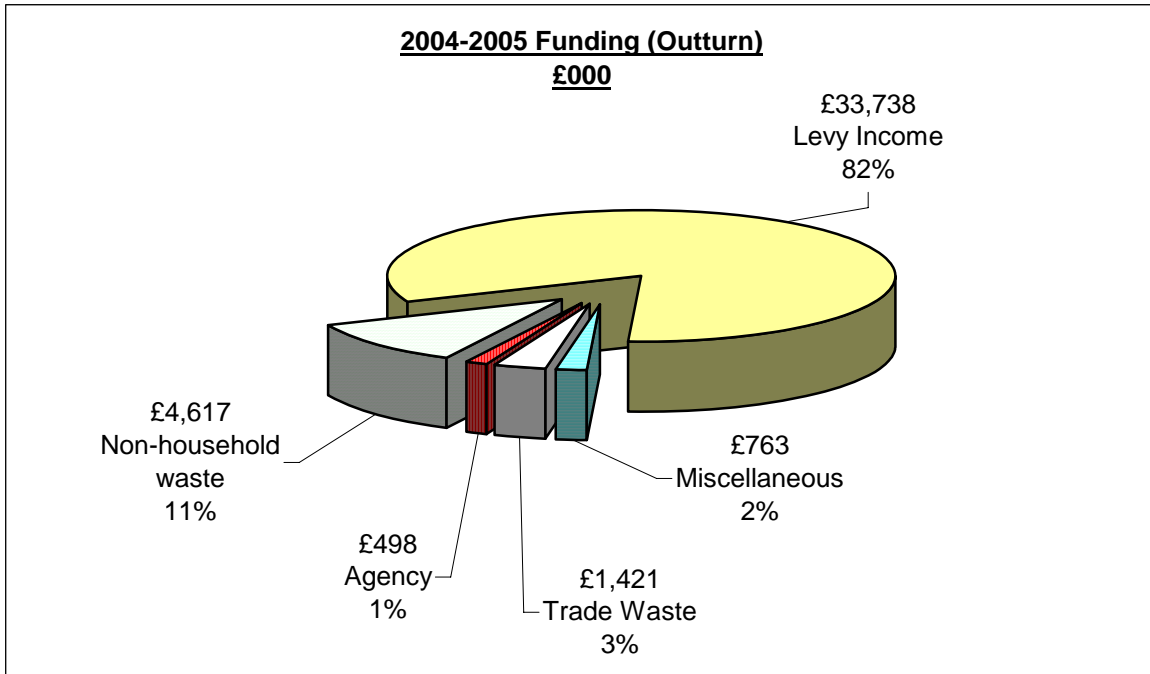
The following table summarises the 2005-2006 revenue outturn position of the Authority.

Expenditure area: significant variations	Original Budget	Outturn	Variance to Original Budget
(1)	(2) £000	(3) £000	(4) £000
<b>EMPLOYEE COSTS</b>			
<u>Employee Costs</u> Payment to the LPFA (£0.387m) met from earmarked reserves; Minor underspend (-£0.32m)	3,113	3,469	355
<b>PREMISES</b>			
<u>Premises</u> Provision for rent reviews at Transport Avenue and Victoria Road (£0.210m) partly offset by savings in maintenance.	2,151	2,346	195
<b>PLANT AND EQUIPMENT</b>			
<u>Plant &amp; Equipment</u> Increased fuel costs (£0.020m) & plant hire (£0.040m) partly offset by savings in maintenance.	533	484	(50)
<b>SUPPLIES &amp; SERVICES</b>			
<u>Supplies &amp; Services</u> Minor variations	302	278	(24)
<b>WASTE DISPOSAL AND RECYCLING COSTS</b>			
<u>Transport &amp; Tipping Costs</u> Lower fridge disposal unit costs (£0.123m); reduced waste tonnages.	18,123	16,542	(1,582)
<u>Landfill Tax</u> Reduced waste tonnages.	12,493	11,159	(1,334)
<u>Section 52(9) income</u> Reduced payments by boroughs because of lower tonnages	(4,977)	(4,513)	464
<u>Trade Waste Income</u> Commercial waste tonnages direct delivered by private businesses slightly higher than budgeted.	(1,424)	(1,512)	(87)

Expenditure area: significant variations	Original Budget	Outturn	Variance to Original Budget
(1)	(2) £000	(3) £000	(4) £000
<b>OTHER INCOME AND EXPENDITURE</b>			
<u>Agency – General Costs</u> Consultancy costs of joint waste strategy review, health and safety, rent negotiations and site valuations.	260	370	110
<u>Abandoned Vehicles</u> High scrap metal prices resulting in fewer vehicles and reduced payments to boroughs (-£0.330m) and lower depollution costs (-0.191m); some unbudgeted income (-£0.013m)	750	216	(534)
<u>Capital Financing</u> Reduced leasing and capital financing costs	922	893	(29)
<u>Recycling Credits</u> Higher payments to boroughs because of more recycling and approved increase in credit value per tonne.	4,012	4,591	580
<u>Support Boroughs</u> Reduced costs	161	126	(35)
<u>Agency Income</u> Payment by LB Brent for higher expenditure on the Twyford recycling centre.	(407)	(503)	(96)
<u>Other Income</u> Receipts of additional miscellaneous income	(19)	(57)	(38)
<u>Interest on Cash Flow</u> Effects of changes to interest rates and reduced expenditure	(260)	(435)	(175)
<b>TOTAL</b>	<b>35,734</b>	<b>33,454</b>	<b>(2,280)</b>

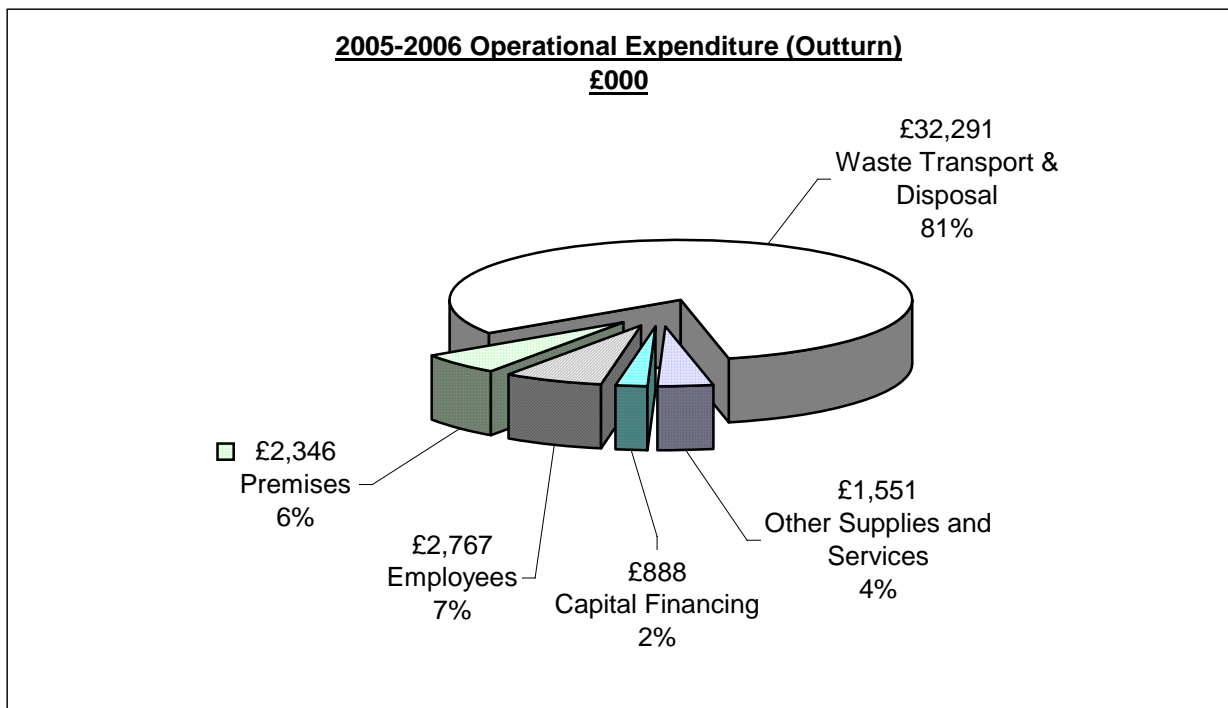
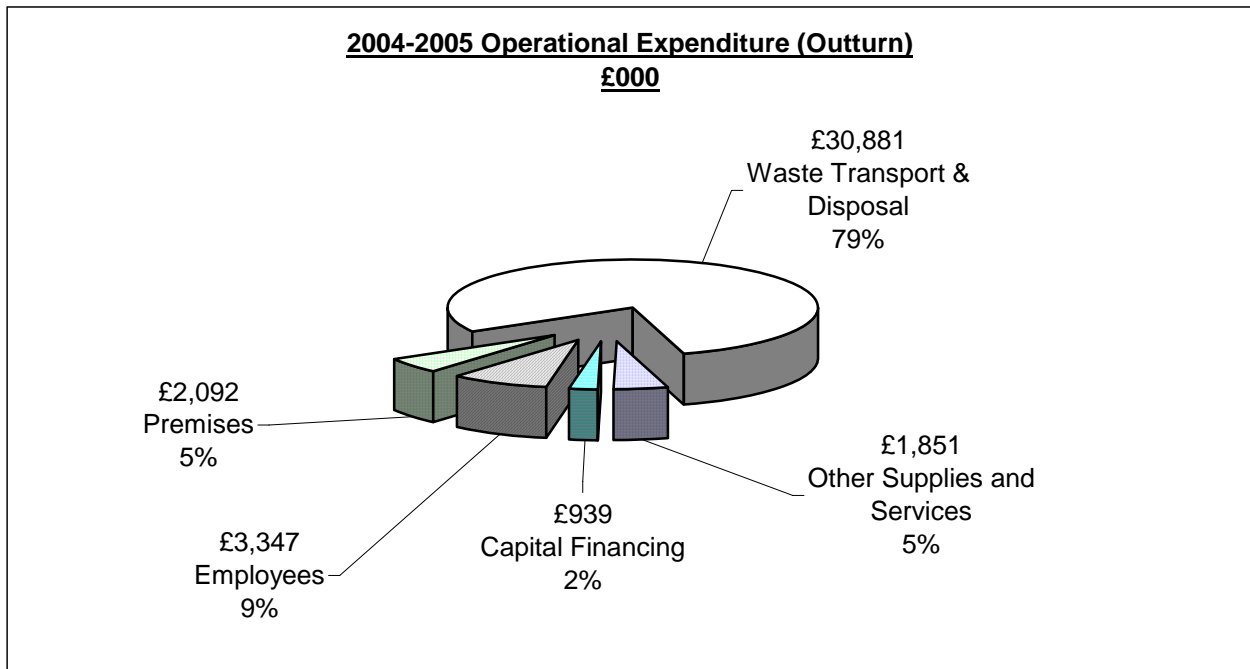
## 5. Funding

The WLWA is primarily financed by an annual levy on the constituent boroughs assessed on their Council Tax base. For 2005-2006 this was £34.700m (2004-2005 = £33,738m) although other income totalling £6.776m, excluding LATS (2004-2005 = £7.299m) was generated from sources such as charges for non-household waste.



## 6. Operational Expenditure

Authority expenditure is primarily related to long-term waste disposal contracts with the private sector. Expenditure on operations in 2005-2006 totalled £39.843m (2004-2005 = £39.110m).



## **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 CIPFA / 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 2006).

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.

## **SECTION 3**

# **STATEMENT 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:

- Facilities 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 2005-2006 and up to the date of approval of the annual report and accounts. The Authority has also 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 Director 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.

### 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 Director of the Authority is responsible for ensuring that an effective system of internal control is maintained and operated for Authority resources. The Director 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 Director 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;

- 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
- the external annual Audit Letter.

A risk-based approach is used in the development of the Internal Audit work over a five-year plan for the Authority, with Internal Audit cover provided to defined standards. Internal 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. Summaries of Internal Audit reports are made to the Authority. During 2005-2006 reviews were actioned by Internal Audit on Expenditure Controls and Performance Indicators. There were no system control issues that required to be reported in detail to the Authority. During 2006-2007 Internal Audit will review budget management and control, and Financial Regulations and Contract Standing Orders.

#### **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 a periodic basis.

Councillor Mrs. Eileen Kinnear  
Chairman of the Authority

Terry Welsh  
Clerk to the Authority

# **SECTION 4**

## **AUDIT OPINION ON THE STATEMENT OF ACCOUNTS**

### **Accounts Subject to Audit**

## Accounts Subject to Audit

## SECTION 5

### REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2005-2006		2004-2005	
		£000	£000	£000	£000
<b>Gross Expenditure</b>					
Employees	1	3,154		2,960	
Premises		2,346		2,092	
Waste Transport and Disposal		32,291		30,881	
Landfill Allowances usage	2	8,830		0	
Other Supplies and Payments		1,478		1,815	
Capital Financing / Leasing		1,772		1,755	
			49,871		39,503
<b>Gross Income</b>					
Trade Waste		(1,512)		(1,421)	
Agency		(503)		(498)	
Landfill Allowances grant	2	(10,208)		0	
Miscellaneous Income		(56)		(240)	
Other Local Authorities' Waste		(4,513)		(4,617)	
			(16,792)		(6,776)
<b>NET COST OF SERVICES</b>			<b>33,079</b>		<b>32,727</b>
Asset Management Account	3	(247)		(188)	
Capital Appropriation Account	3	(637)		(628)	
Interest income		(435)		(484)	
Pension interest cost and expected return on Pension Assets	4	73		36	
			(1,246)		(1,264)
<b>NET OPERATING EXPENDITURE</b>			<b>31,833</b>		<b>31,463</b>
Transfers from (-) / to Earmarked Reserves	5	(387)		387	
Contribution from the Pension Reserve	4	242		(39)	
			(145)		348
<b>AMOUNT TO BE MET FROM LEVY</b>			<b>31,688</b>		<b>31,811</b>
<b>Levies on Constituent Councils</b>					
Brent		(5,816)		(5,682)	
Ealing		(7,044)		(6,886)	
Harrow		(5,279)		(5,131)	
Hillingdon		(5,941)		(5,790)	
Hounslow		(5,228)		(5,035)	
Richmond upon Thames		(5,392)		(5,214)	
			(34,700)		(33,738)
<b>Surplus(-) / Deficit for the year</b>			<b>(3,012)</b>		<b>(1,927)</b>
<b>Balances brought forward</b>			<b>(5,971)</b>		<b>(4,044)</b>
<b>Balances carried forward</b>			<b>(8,983)</b>		<b>(5,971)</b>

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 (1) Employees**

The number of employees whose remuneration during 2005-2006, excluding pension contributions, was £50,000 or more was:

Remuneration Band	Number of Employees	Number of Employees
	2005-2006	2004-2005
£50,000 to 59,999	2	2
£60,000 to 79,999	1	1

**Note (2) Landfill Allowances Trading Scheme (LATS)**

The Waste and Emissions Trading Act 2003 aims to achieve the requirements of the EU Landfill Directive by progressively reducing the amount of biodegradable municipal waste that waste disposal authorities may send to landfill. The Act also provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which commenced on 1 April 2005. The Revenue Account reflects the accounting requirements of the LATS scheme following guidance issued by CIPFA (the LAAP Bulletin 64, issued in March 2006). The recognition as income of the allowances made by DEFRA are shown, together with the liability of landfill allowances used.

**Note (3) Asset Management and Capital Appropriation Accounts**

	2005-2006		2004-2005	
	£000	£000	£000	£000
<b>(a) Asset Management Account</b>				
<b>Income</b>				
Capital Charges	<u>(1,302)</u>		<u>(1,285)</u>	(1,285)
<b>Expenditure</b>				
Provision for depreciation	804		801	
External interest charges	<u>251</u>		<u>296</u>	
		1,055		1,097
Balance to Revenue Account		<u>(247)</u>		<u>(188)</u>
<b>(b) Capital Appropriation Account</b>				
Minimum Revenue Provision (MRP)	139		145	
Deferred Charges	28		28	
Depreciation	<u>(804)</u>		<u>(801)</u>	
Balance to Revenue Account		<u>(637)</u>		<u>(628)</u>

**Note (4) 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 2006 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 (£0.348m in 2005-2006 and £0.310m in 2004-2005) 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 2007). In addition, the Authority is responsible for pension payments relating to added years benefits awarded, together with the related increases (£0.014m in 2005-2006 and £0.012m in 2004-2005). 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 £3.353m (£3.467m in 2004-2005) as set out in the FRS17 notes to the Balance Sheet.

**Note (5) Earmarked Reserves**

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

**(6) 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:

	2005-2006	2004-2005
	£000	£000
Staff recruitment advertising	0	0
Promotion and publicity	0	2
	0	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 2005-2006 (£0.498m in 2004-2005). There were undischarged obligations in respect of these leases of £2.297m at 31 March 2006 (£2.795m at 31 March 2005). The Authority is committed to making payments of £0.498m in 2006-2007 under these leases comprising the following elements:

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

	<b>2005-2006</b>	2004-2005
	<b>£000</b>	£000
Annual audit: 2003-2004	<b>0</b>	25
Annual audit: 2004-2005	<b>0</b>	25
Annual audit: 2005-2006	<b>26</b>	0
Grants audit	<b>0</b>	2

### **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. This is the last year that such payments are required.

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 2005-2006. 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 and Harrow. The costs of these services (set out below) are reflected in the revenue accounts.

Support Services	<b>2005-2006</b>	2004-2005
	<b>£000</b>	£000
Hounslow	<b>32</b>	33
Harrow	<b>116</b>	114

## SECTION 6

### BALANCE SHEET AS AT 31 MARCH 2006

	Notes	2005-2006		2004-2005	
		£000	£000	£000	£000
<b><u>Tangible fixed assets</u></b>					
Operational Assets					
Land & buildings		13,928		10,305	
Fixed plant and vehicles		1,126		796	
	1		15,054		11,101
<b><u>Current assets</u></b>					
Stock	2	306		293	
Debtors (net of bad debts provision)	3	12,397		11,068	
Landfill Allowances usage	11	10,208		0	
Payments in Advance		0		0	
Cash		4		4	
			22,915		11,365
<b><u>Current liabilities</u></b>					
Creditors	4	(4,399)		(4,304)	
Landfill Allowances liability	11	(8,830)		0	
			(13,229)		(4,304)
<b>Total assets less current liabilities</b>			<b>24,740</b>		<b>18,162</b>
<b>Long Term Borrowing</b>	5	<b>(3,800)</b>		<b>(3,939)</b>	
<b>Government Grants - deferred</b>		<b>(140)</b>		<b>(168)</b>	
<b>Pension Liability</b>	10	<b>(3,353)</b>		<b>(3,467)</b>	
			<b>(7,293)</b>		<b>(7,574)</b>
<b>Total assets less liabilities</b>			<b>17,447</b>		<b>10,588</b>
<b><u>Represented by:</u></b>					
Fixed Asset Restatement Account	6		(17,771)		(13,014)
Capital Financing Account	7		6,199		5,562
Usable Capital Receipts Reserve	8		(245)		(245)
Earmarked Reserves	9		0		-387
Pension Reserve	10		3,353		3,467
Landfill Allowances	11		(1,379)		0
General Balances			(7,604)		(5,971)
<b>Total Equity</b>			<b>(17,447)</b>		<b>(10,588)</b>

**Note (1) Fixed Assets**(a) Movements in fixed assets during the year were as follows:

(See also Statement of Accounting Policies - Section 9)

	2005-2006				2004-2005
	Land & Buildings (Freehold) £000	Land & Buildings (Leasehold) £000	Fixed Plant & Vehicles £000	Total £000	£000
<b>Gross book value as at 31 March 2005</b>	3,187	7,118	796	<b>11,101</b>	11,902
<b>Value as at 1 April 2005</b>	3,187	7,118	796	<b>11,101</b>	11,902
<b><u>Revaluations and restatements</u></b>					
<b>Additions</b>	0	0	0	<b>0</b>	0
<b>Disposals</b>	0	0	0	<b>0</b>	0
<b>Revaluations</b>	1,044	3,233	480	<b>4,757</b>	0
<b>Value as at 31 March 2006</b>	4,231	10,351	1,276	<b>15,858</b>	11,902
<b>Depreciation for Year</b>	<b>-62</b>	<b>-591</b>	<b>-151</b>	<b>-804</b>	<b>(801)</b>
<b>Net Book Value as at 31 March 2006</b>	4,169	9,760	1,125	<b>15,054</b>	11,101

(b) Capital financing during the year.

	2005-2006	2004-2005
	£000	£000
<b>Expenditure:</b>		
<b>Deferred Charges</b>	0	0
<b>Operational Works</b>	0	0
<b>Non Operational Works (Fixed Assets)</b>	0	0
	<b>0</b>	<b>0</b>
<b>Financed by:</b>		
<b>Capital Receipts</b>	0	0
<b>Capital Creditors</b>	0	0
<b>Government Grants Deferred</b>	0	0
<b>Revenue Funding</b>	0	0
	<b>0</b>	<b>0</b>

**Note (2) Stock**

	2005-2006	2004-2005
	£000	£000
<b>Stock is held at two locations as follows:</b>		
Transport Avenue	105	99
Victoria Road	201	194
<b>Balance as at 31 March 2006</b>	<b>306</b>	<b>293</b>

**Note (3) Debtors**

	2005-2006	2004-2005
	£000	£000
Trade Waste	167	177
Agency	4	50
London Borough of Harrow	10,063	9,086
Other Local Authorities	2,971	2,342
	<b>13,205</b>	<b>11,655</b>
Less provision for bad debts	<b>(808)</b>	<b>(587)</b>
	<b>12,397</b>	<b>11,068</b>

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

**Note (4) Creditors as at 31 March**

	2005-2006	2004-2005
	£000	£000
Transport and Tipping	<b>(1,180)</b>	<b>(1,525)</b>
Landfill Tax	<b>(492)</b>	<b>(796)</b>
Other	<b>(2,727)</b>	<b>(1,983)</b>
	<b>(4,399)</b>	<b>(4,304)</b>

**Note (5) 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 2006 totals £3.800m (£3.939m in 2004-2005). The interest rate charged was 6.36%.

	2005-2006 £000	2004-2005 £000
<b>Source of Loan:</b>		
London Borough of Harrow	(3,800)	(3,939)
<b>Analysis of loan by maturity:</b>		
1 to 2 years	(17)	(17)
2 to 5 years	(187)	(194)
5 to 10 years	(1,166)	(1,209)
10 years +	(2,430)	(2,519)
	(3,800)	(3,939)

**Note (6) Fixed Asset Restatement Account**

	2005-2006 £000	2004-2005 £000
Balance as at 1 April	(13,014)	(13,014)
Surplus on revaluation and restatement of fixed assets	(4,757)	0
Capital expenditure (not adding value to property)	0	0
Balance as at 31 March	(17,771)	(13,014)

**Note (7) Capital Financing Account**

	2005-2006 £000	2004-2005 £000
Balance Brought Forward	5,562	4,934
Financing Capital Expenditure	0	0
Deferred Charges Written Out	(28)	(28)
Capital receipts set aside	0	0
Minimum Revenue Provision (M.R.P.) (less provision for depreciation)	665	656
	6,199	5,562

**Note (8) Usable Capital Receipts Reserve**

	2005-2006	2004-2005
	£000	£000
Balance as at 1 April 2005	(245)	(245)
Capital Receipts	0	0
Transfer to PCL	0	0
Capital Receipts Applied	0	0
<b>Balance as at 31 March 2006</b>	<b>(245)</b>	<b>(245)</b>

The Authority did not receive, or use, any capital receipts during 2005-2006.

**Note (9) Earmarked Reserves**

No additional earmarked reserves were made in 2005-2006.

**Note (10) 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, via the LPFA, to undertake the FRS17 calculations on behalf of the Authority as at 31 March 2006.

Further details are set out below.

Employees may participate in a defined benefit statutory scheme, administered by the London Pensions Fund Authority (LPFA) 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 2005-2006 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 2006	31 March 2004
Employees	78	74
Deferred Pensioners	22	20
Pensioners	58	55

An actuarial valuation showing the potential pensions liability for the year ended 31 March 2006 in accordance with FRS17 is set out below.

Assets valued at "fair value" (whole LPFA Fund) As at March	Long Term Return 2006 % p.a.	Assets 2006 £000	Long Term Return 2005 % p.a.	Assets 2005 £000	Long Term Return 2004 % p.a.	Assets 2004 £000
Equities	7.3%	5,424	7.7%	5,286	7.7%	4,896
Target return funds	6.0%	1,639	0.0%	0	0.0%	0
Alternative assets	6.5%	1,014	0.0%	0	0.0%	0
Bonds	0.0%	0	4.8%	724	5.1%	747
Property	0.0%	0	5.7%	477	6.5%	224
Cash	4.6%	529	4.8%	225	4.0%	94
<b>Total</b>	<b>6.8%</b>	<b>8,605</b>	<b>7.1%</b>	<b>6,712</b>	<b>7.3%</b>	<b>5,961</b>
Net Pension Liability as at		<b>31 March 2006</b>		<b>31 March 2005</b>		<b>31 March 2004</b>
		<b>£000</b>		<b>£000</b>		<b>£000</b>
Estimated Employer Assets (A)		<u>8,605</u>		<u>6,712</u>		<u>5,961</u>
Present Value of Scheme Liabilities		11,738		9,974		8,335
Present Value of Unfunded Liabilities		220		205		186
Total Value of Liabilities (B)		<u>11,958</u>		<u>10,179</u>		<u>8,521</u>
<b>Net Pension Liability (A) - (B)</b>		<b>(3,353)</b>		<b>(3,467)</b>		<b>(2,560)</b>

The LPFA Active Fund (in which the WLWA participates) amended its investment strategy over the last year. The expected returns on assets reflects the underlying benchmarks.

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	31 March	31 March
	2006	2005	2004
	% per annum	% per annum	% per annum
Price increases	3.1%	2.9%	2.9%
Salary increases	4.6%	4.4%	4.4%
Pension increases	3.1%	2.9%	2.9%
Discount rate	4.9%	5.4%	6.5%

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

	31 March	31 March
	2006	2005
	£000	£000
Actual return less expected return on Pension Scheme assets	1,085	187
Experience gains and losses arising on the Scheme liabilities	(4)	476
Changes in financial assumptions underlying the Present Value of the Scheme Liabilities	(1,221)	(1,543)
Actuarial Gain / (Loss) recognised in Reserves	(140)	(880)

The movement in the surplus / deficit for the year to 31 March 2006 is as follows:

	Year to 31 March 2006 £000	Year to 31 March 2005 £000
Surplus / - deficit at beginning of year	(3,467)	(2,560)
Current Service Cost	(348)	(310)
Employer contributions	663	307
Contributions in respect of Unfunded Benefits	12	12
Past service costs	0	0
Impact of settlements and curtailments	0	0
Net return on assets	(73)	(36)
Actuarial gains / (-) losses	(140)	(880)
Deficit (-) at end of year	(3,353)	(3,467)

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

	Year to 31 March 2006 £000	Year to 31 March 2005 £000
Difference between the expected and actual return on assets	1,085	187
Value of assets	8,605	6,712
Percentage of assets	12.6%	2.8%
Experience gains / -losses on liabilities	(4)	476
Present value of liabilities	11,958	10,179
Percentage of the total present value of liabilities	(0.0%)	4.7%
Actuarial gains / -losses recognised in STRGL	(140)	(880)
Total present value of liabilities	11,958	10,179
Percentage of the total present value of liabilities	(1.2%)	(8.6%)

#### **Note (11) Financial Reporting Standard 17, Retirement Benefits (FRS17)**

The Balance Sheet reflects the accounting requirements of the LATS scheme following guidance issued by CIPFA (the LAAP Bulletin 64, issued in March 2006).

#### **Note (12) Contingent Liabilities**

There are no outstanding contingent liabilities.

## SECTION 7 CASH FLOW STATEMENT

	Notes	2005-2006 £000	2004-2005 £000
<b>Revenue Activities</b>			
<u>Cash outflows</u>			
Cash paid to and on behalf of Employees		3,154	2,960
Other operating costs		36,625	34,634
<u>Cash inflows</u>			
Cash received for goods and services		(5,034)	(3,813)
Levy income		(34,700)	(33,738)
Revenue Activities – net cash flow	(i)	45	43
<b>Servicing of Finance</b>			
<u>Cash outflows</u>			
Interest paid		251	296
<u>Cash inflows</u>			
Interest received		(435)	(484)
<b>Capital Activities</b>			
<u>Cash outflows</u>			
Purchase of assets		0	0
Deferred Charges		0	0
<u>Cash inflows</u>			
Sale of fixed assets		0	0
Capital Grant received		0	0
Net cash Inflow / Outflow before financing		(139)	(145)
<b>Financing</b>			
<u>Cash outflows</u>			
Repayments of amounts borrowed		139	145
<u>Cash inflows</u>			
New loans raised			0
Increase / decrease in cash and cash equivalents	(ii)	0	0

## Notes to the Cash Flow Statement

	Notes	2005-2006	2004-2005
		£000	£000
<b><u>Note (i) Reconciliation to Net Cash Flow</u></b>			
Surplus (-) / Deficit per the Revenue Account		(3,012)	(1,927)
<b><u>Non Cash Transactions</u></b>			
Capital Financing		(390)	(441)
Earmarked Reserve		387	(387)
Interest Received		435	484
LATS (net)		1,378	0
<b><u>Items On An Accrual Basis</u></b>			
Movement in Stock		13	37
Movement in Debtors		1,550	2,964
Movement in Creditors		(95)	(342)
Movement in Provisions		(221)	(345)
<b>Net Cashflow from Revenue Activities</b>		45	43
<b><u>Note (ii) Movements in Cash and Cash Equivalent</u></b>			
	2004-2005	2005-2006	Movement
	£000	£000	2005-2006
			£000
Cash	4	4	0
<b>Net Cash Inflow / Outflow</b>			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	Landfill Allowances £000	Pension Reserve £000	Specific Reserves £000	£000
Balances as at 1 April 2005	(13,014)	5,562	(245)	(5,971)	0	3,467	(387)	(10,588)
Net surplus (-) / deficit for the year	0	637	0	(1,633)	0	0	0	(996)
Revaluation of Assets	(4,757)	0	0	0	0	0	0	(4,757)
Actuarial gains / losses relating to pensions	0	0	0	0	0	140	0	140
Other net movements	0	0	0	0	(1,379)	(254)	387	(1,246)
<b>Balance as at 31 March 2006</b>	<b>(17,771)</b>	<b>6,199</b>	<b>(245)</b>	<b>(7,604)</b>	<b>(1,379)</b>	<b>3,353</b>	<b>0</b>	<b>(17,447)</b>

## **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 2005. The notional rates of interest used are 3.5% for those fixed assets included in the Balance Sheet and 4.95% 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. No additional operating leases were actioned in 2005-2006. 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 asset values used in the accounts are based on a certificate issued by consultant surveyors, Dunlop Heywood. The properties were inspected and a report prepared on the valuation by Mr. Paul Lidgley BSc (Hons) MRICS, a director of Dunlop Heywoods. The Authority assets were valued at 31 March 2006 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.

## **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 £0.139m 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

## **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 the closing balances at 31 March. 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 Director,  
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 Development,  
PO Box 21,  
Civic Centre,  
Harrow, Middlesex,  
HA1 2UJ

**WEB: [www.westlondonwaste.gov.uk](http://www.westlondonwaste.gov.uk)**

