Second Despatch

WESTERN RIVERSIDE WASTE AUTHORITY (WRWA)

Date: 10 February 2025

For further information on this agenda, please contact the Deputy Clerk:
Wayne Chandai on Telephone: 0207 926 0029 or Email: wchandai@lambeth.gov.uk

Tuesday 11 February 2025 at 6.30 pm

Hugh Peart
Interim Clerk to the Authority

Email: Hugh@wrwa.gov.uk

MEMBERS

Hammersmith and Fulham Council	**Councillor Wesley Harcourt**
	Councillor Sharon Holder
Kensington and Chelsea Council	**Councillor Sam Mackover**
	Councillor Roberto Weeden-Sanz
Lambeth Council	**Councillor Rezina Chowdhury**
	Councillor Jackie Meldrum
Wandsworth Council	**Councillor Judi Gasser**
	Councillor Leonie Cooper

Glossary of Terms

Anaerobic Digestion (AD) – is a recovery process, carried out in the absence of oxygen, to generate biogas for combustion. It is most commonly used to treat liquid and semi-liquid slurries such as animal waste and human sewage but its potential for use with municipal waste treatment is being encouraged by Government.

AWDC – Apportionment of Waste Disposal Costs. Scheme agreed by the constituent councils for allocation of waste disposal costs, under the levy legislation, whereby the councils are charged on a monthly basis for the actual tonnages delivered under various categories of waste

Biodegradable Waste – waste that is capable of undergoing aerobic (oxygen dependent) or anaerobic (non-oxygen dependent) decomposition, such as food and garden waste, and paper and paperboard.

BIS – Department for Business, Innovation & Skills (the Government department responsible for some waste management issues, particularly those associated with industry compliance schemes).

BMW (Biodegradable Municipal Waste) – Waste which is both biodegradable and municipal. See definitions of Biodegradable Waste and Municipal Waste (as per the Waste and Emissions Trading Act 2003)

BPLC – Battersea Project Land Company – the Authority is in discussions with BPLC in relation to the redevelopment of the Authority's waste transfer station in Cringle Street, Battersea.

CA (Civic Amenity) Waste – This is the waste delivered by residents themselves to the Authority's Smugglers Way Household Waste and Recycling Centre.

CHP – Combined heat and power system. A system whereby waste heat from various combustion processes, such as EfW, is used to power other systems e.g. central heating systems in housing blocks.

CIPFA – Chartered Institute of Public Finance and Accountancy

Clinical waste – The majority of such waste received by the Authority for disposal emanates from domestic properties (patients who are treated at home). The nature of the waste is such that it carries a clear health risk and requires disposal by incineration.

Co-mingled recyclable material – mixed recyclable material that, in the Authority area, is usually collected from the kerbside in a single clear sack. The Authority currently limits these materials to glass bottles and jars, clean paper and card, food and drinks cans, aerosols, cartons and tetrapaks and plastic bottles, pots, tubs and trays.

Commercial waste (sometimes also referred to as Business or Trade waste) –
Waste from premises used wholly or mainly for the purposes of a trade or business or for the purpose of sport, recreation, education or entertainment but not including household, agricultural or industrial waste.

DCF – Designated Collection Facility. A facility which is designated as a collection point where householders can deposit their waste electrical and electronic equipment (WEEE) free of charge. The Authority's Smugglers Way Household Waste and Recycling Centre is a DCF.

Defra – Department of Environment, Food and Rural Affairs (the Government department responsible for most waste management issues).

Detritus Waste – is waste, generally from street sweeping or gulley emptying operations, that requires some de-watering prior to its further treatment or disposal.

Domestic waste – This is commonly used to denote household waste collected from domestic premises only.

EfW – Energy from Waste. EfW facilities produce clean, renewable energy through the combustion of municipal solid waste in specially designed power plants equipped with the most modern pollution control equipment to ensure clean emissions.

ELV (End of Life Vehicle) – this is the vehicle at the point when it is no longer to be used for transportation and needs to be recycled/disposed of. These vehicles can arise from voluntary surrenders or roadside abandonment. Under the European ELV Directive producers of vehicles are being made responsible for achieving certain recycling targets as well as environmental standards for the storage and treatment of ELVs.

Environment Agency (EA) – An agency established by statute to monitor and protect the environment. Its responsibilities include licensing of waste facilities.

EPA (Environmental Protection Act 1990) - One of the key acts governing waste collection and disposal with the aim of preventing the pollution from emissions to air, land or water from scheduled processes.

Hazardous Waste – Waste, such as batteries, paint and paint thinners, which puts human health or the environment at particular risk.

Household waste – This includes all the waste collected by constituent councils from purely domestic premises, but also a number of other categories that people would not think of as being household waste e.g. most schools, parks and also all fly-tipped waste.

Industrial Waste – Waste produced or arising from manufacturing or industrial activities or processes.

JMWMS (Joint Municipal Waste Management Strategies) – Waste Disposal Authorities (WDAs), in two-tier areas, are required to develop joint municipal waste strategies with the Waste Collection Authorities (WCAs) in their area. The Western Riverside Waste Authority is one such WDA.

JWDA (Joint Waste Disposal Authority) - see Waste Disposal Authority.

MRF (Materials Recycling Facility) – is a facility to sort mixed delivered recyclables into individual commodities with a view to securing maximum recycling and value. The Authority uses a "clean" MRF to sort co-mingled recyclable materials into individual material types. A "dirty" MRF sorts recyclable material from the general waste stream.

Municipal Waste – This term is *generally* meant to refer to *all* waste that is in the possession or under the control of waste disposal or waste collection authority. Sometimes also referred to as Municipal Solid Waste.

However, the WET Act 2003 introduced a new formal definition:

Waste from households, and other waste that because of its nature or composition is similar to waste from households.

National Indicators – national indicators were used by Government to measure the performance of local government (they have now been abolished). Only 3 indicators applied to the Western Riverside Waste Authority namely:

NI 191 - Residual household waste per household;
NI 192 - Household waste reused, recycled and composted; and,
NI 193 - Municipal waste landfilled.

PRN (Packaging Waste Recovery Note) – PRNs are the evidence that businesses need to prove they have met the requirements of the Packaging and Packaging Waste Regulations.

Recyclable materials – Recyclable materials are materials that are capable of being recycled. Dry recyclable materials include paper, plastic, glass and cans, aerosols and cartons which are either collected separately or deposited into on street banks by the public.

Recycle Western Riverside (RWR) – Recycle Western Riverside is an initiative focussed on the Authority's area., The initiative commenced in October 2002 and encompasses a waste awareness, education and communication campaign delivered by WRWA officers in partnership with constituent council officers.

Riverside Waste Partnership – the collective name for the Authority and its constituent councils. – Can't remember the last time we used this term.

Waste Collection Authority (WCA) – The local authority (in London, the London Borough) responsible for collecting waste from households and certain commercial premises.

Waste Disposal Authority (WDA) – The local authority responsible for disposing of waste collected by the WCA. In London this can be either a joint waste disposal authority (e.g. WRWA) or a unitary authority. London Boroughs, not a constituent member of a joint authority, are both unitary disposal authorities and collection authorities.

WasteDataFlow (WDF) – A web based programme on which waste data is submitted.

Waste hierarchy – This is the Government's strategic order of preference for waste management under which, for instance, energy recovery and recycling is consider better than landfill.

WEEE (Waste Electrical and Electronic Equipment Directive (2002/96/EC)) – The Directive aims to reduce the waste arising from electrical and electronic equipment; and improve the environmental performance of all those involved in the life cycle of electrical and electronic products.

WET Act – The Waste and Emissions Trading Act 2003

WMSA – Waste Management Services Agreement – The Authority's long-term contract with Cory Environmental Ltd.

WRAP (The Waste and Resources Action Programme) – was established in 2001 in response to the UK Government's Waste Strategy 2000 to promote sustainable waste management. WRAP is set up as a not-for-profit company limited by guarantee by DEFRA and the DTI. The Authority and constituent councils have received funding from WRAP for eligible projects.

AGENDA

PLEASE NOTE THAT THE ORDER OF THE AGENDA MAY BE CHANGED AT THE MEETING

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3.	**Authority's Audited Accounts for 2023/24 - 25-01**	1 - 122

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PAPER NO. WRWA 25-01

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	11th February 2025
REPORT AUTHOR/ DATE	Treasurer (Sukvinder Kalsi, 0208 871 2788) 10th February 2025
SUBJECT	Report of the Treasurer on the Authority's Audited Accounts for 2023/24
CONTENTS	Page 1 Executive Summary and Background Page 2 Recommendations Followed by: Appendix A - Statement of Accounts 2023/24 Appendix B – Auditors Annual Report Appendix C – Report from the Auditor including ISA 260 Appendix D – Letter of Representation
STATUS	Open circulation of this paper is not restricted.
BACKGROUND PAPERS	No background papers were used in the production of this report

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EXECUTIVE SUMMARY AND BACKGROUND

1. The Authority's Financial Statements for 2023/24 were completed and signed by the Treasurer on the 12th June 2024 (shortly after the indicative deadline of 31 May 2024). The deadline was not widely enforced due to the on-going backlog of audit work in the sector, although a statutory deadline of the 28th February 2025 was set for the completion of the external audit.

2. It is expected that this deadline of the 28th February 2025 will be met by WRWA and the draft audited set of accounts are with KPMG for review.

3. Under the Auditing Practices Board's International Auditing Standard (UK and Ireland) 260 – "Communication of audit matters with those charged with governance", the Auditor is required to report to those charged with governance on the significant findings from the audit as a prelude to issuing a formal Opinion on the Authority's accounts. The ISA 260 is attached at Appendix B.

4. The ISA 260 report brings to the attention of the Board, five recommendations as a result of the audit work for 2023/24 and these are outlined on pages 24-26 (this includes the management responses). The recommendations related to the following:

    - the establishment of an Audit Committee
    - the Authority's Internal Audit Programme
    - Valuer Rotation
    - More Regular Asset Valuations
    - IT Policies

5. There was one issue of misstatement identified at present (this related to an overstatement of depreciation based on a revision of the asset values for land/buildings). This has resulted in a increase in the Authority's reserves by £0.5m. The draft audited set of accounts are with KPMG for review.

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

7. KPMG are required to be satisfied that proper arrangements have been made by the Authority for securing value for money in its use of resources as outlined from page 16 onwards of the ISA 260 report at Appendix C.

8. Auditing standards require KPMG to obtain a written representation from management on certain matters material to their Opinion. A draft Letter of Representation is attached at Appendix D. The Authority is requested to authorise the Treasurer to sign the final version of this Letter on behalf of the Authority.

9. KPMG anticipate issuing an unqualified audit opinion on the Authority's financial statements.

10. Following Audit completion, the Authority is requested to approve and provide delegated authority and to authorise the Treasurer and Chair to sign these statements accordingly.

RECOMMENDATIONS

11. The Authority is recommended to:

(a) To approve and provide delegated authority to the Chair to sign the 2023/24 Accounts when the audit is completed, and if there are any matters arising after the meeting, to delegate to the Treasurer authority to agree the final version of the Statement of Accounts (Appendix A).

(b) note the report from KPMG relating to the Accounts for 2023/24 (Appendix B and C)

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

(d) otherwise receive this report for information

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

SUKVINDER KALSI
Treasurer

10th February 2025

DRAFT SUBJECT TO FINAL AUDIT SIGN OFF

Western Riverside Waste Authority

Annual Report and Financial Statements

For the year ended 31 March 2024

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NARRATIVE REPORT

Organisational Overview, External Environment and Operational Model

Western Riverside Waste Authority (WRWA) is one of four Statutory Joint Waste Disposal Authorities in London which are charged by Parliament with managing the waste collected by their respective constituent councils. In the case of WRWA, these are:

- Hammersmith and Fulham
- Lambeth
- Wandsworth
- The Royal Borough of Kensington and Chelsea

The Authority manages its affairs with a main contractor, Cory Riverside Energy (Cory), through the Waste Management Services Agreement (WMSA) to minimise costs and maximise income from recycled materials. Total waste managed by the Authority in the years 2022/23 and 2023/24 is as follows:

	2022/23 (Restated)		2023/24		Difference	
	Tonnage	%	Tonnage	%	Tonnage	%
General Waste	285,889	80.6%	284,927	80.4%	- 962	-0.3%
Recycling	68,944	19.4%	69,626	19.6%	+682	1.0%
Total	354,833		354,553		-280	-0.1%

The reduction in General Waste tonnage in the year is likely to be due to a number of factors, including the continued reduction in the weight of packaging and the continuing impact of the cost of living crisis.

The Authority's key sources of income are charges to constituent councils for the disposal costs of waste via Apportionment of Waste Disposal Costs (AWDC) charges and a levy upon those councils. The Authority has a statutory duty to apportion levies among the constituent councils for each financial year to meet liabilities for which provision is not otherwise made. The Authority has agreed with all four constituent councils the basis of this levy which is directly related to tonnage levels delivered for specific waste streams and proportionate council tax bases for household waste and recycling tonnage and other running costs.

Risks

The Authority annually reviews its Risk Management Strategy and has developed a Risk Register which identifies key risks together with an analysis of their likelihood/impact and the key preventative, detective and corrective controls. The Annual Governance Statement confirms that the Authority's Risk Management Strategy is effective and well embedded into management processes.

A key risk relates to the Local Authority sector's financial position in being able to fund their waste disposal costs and the potential subsequent pressure on the Authority to seek short term cost savings. The Authority continues to be open and transparent regarding its ability to reduce costs for constituent councils. The location of one of the Authority's transfer stations is within the regeneration area of Nine Elms and the redevelopment of the area may lead to

possible nuisance claims by new residents. The Authority is mitigating this via ongoing discussions on a comprehensive redevelopment plan.

The volatility of recycling rates is a key risk to the constituent Councils in terms of price. In order to mitigate this, the Authority has arrangements with its contractor to ensure both an available market and price certainty as far ahead as possible for recyclates.

Performance

The operational income and expenditure of the Authority is wholly affected by the tonnage of waste managed during the year. The Usable Reserves Balances at the end of March 2024 stood at £37.1 million, an increase of £10.6 million compared to that reported in March 2023 (£26.5 million). The balance at the end of March 2024 was £3.4 million higher than anticipated when the budget for 2024/25 was set in February 2024 mainly due to improved electricity prices and the 'Triad' income generated by the contractor meeting specific energy supply targets set by the National Grid.

During 2022/23 Cory reached financial close on the arrangements to construct a further Energy from Waste facility on land adjoining the existing facility at Belvedere. As part of that arrangement the Authority received a one-off payment which will be drawn down in the Authority's accounts over the remaining life of the Cory contract.

Pensions

All permanent staff are eligible for inclusion in the statutory Local Government Pension Scheme (LGPS) administered by the London Pension Fund Authority (LPFA) under the Local Government Pension Scheme Regulations 2013.

The Fund's assets remain unchanged at £9.2 million (£9.2 million in 2022/23). The Fund's actuary estimated that the present value of scheme liabilities has reduced over the same period by £0.4 million, from £8.0 million to £7.6 million. The net pension surplus therefore reduced by £0.1 million to a surplus of £1.1 million from a previous surplus of £1.2 million. However, this valuation is only a snapshot in time and changes Fund surplus (or deficit) movement is largely attributable to complex external factors and is heavily dependent on the assumptions made by the Authority's actuary who values the Fund and provides an estimate in this case of the surplus in funds available to meet any liabilities. Reasons for this decrease in surplus in 2023/24 include changes in demographic assumptions for both current and future pensioners, changes in financial assumptions which include a decreased discount rate increasing the net present value of projected liabilities, offset by increased investment returns. In addition there has been an accounting adjustment under International Accounting Standard 19 (IAS 19) for the prudent treatment of surpluses in pensions funds. This adjustment is known as an 'asset ceiling' adjustment and further explanation can be found in Note 29 of the Accounts.

Between 2022 and 2023 the position changed from a deficit to a surplus which demonstrates how easily the position can change and the Authority has a cash reserve of £1.8 million to offset any future potential cost should it ever crystallise. The surplus is not being recognised in the income and expenditure account but is held on the Balance Sheet.

Total annual employment costs are only £0.6 million which underlines the low level of directly employed staff and the risk of increased pension contributions that could ultimately be required in the event of pension performance reverting.

Each Local Government Pension Scheme fund is required to have a triennial fund valuation which differs in basis to the accounting valuation undertaken annually. The latest Triennial Valuation has been undertaken as at 31 March 2022 and shows that on that basis the Authority's element of the fund was over 100% funded, and accordingly the minimum employer contribution rate as a percentage of payroll for the year from 1 April 2023 to 31 March 2026 was set at 4.1%, down from 13.8% in the previous valuation. The Valuation undertaken as at 31 March 2022 and previously in 2019 does not include a secondary contribution requirement.

Borrowing Facilities

The Authority finances debt through the PWLB with loans totalling £1.0 million outstanding at 31 March 2024, and no new loans being advanced during the financial year. The Authority's current policy is to redeem debt from balances wherever this is practicable and the top up of the earmarked reserve established in 2018/19 will be used to redeem future loans. Average balances of £19.1 million were invested via Wandsworth Council earning the investment rate achieved by the Council at an average of 5.00%. The Authority also holds £6.2 million in the Diversified Income Fund (DIF) account with CCLA Investment Fund Management (CCLA). Day to day cashflow is managed within a Special Interest Bearing Account (SIBA) with the current retail banker (RBS/NatWest) earning 1.35%. The Authority's total cash balance was £27.5 million at 31 March 2024. The cash balances are shown as cash and cash equivalents in the Balance Sheet.

Outlook

The total level of waste managed by the Authority in 2023/24 has reduced which follows a national trend of reducing packaging weight. However, the level of waste could grow in future years in line with the increase in population forecast for its area. The Authority continues to drive forward efficiencies from within the WMSA in order to generate savings for Constituent Councils in the current financial climate. The Authority is also keenly aware of the Constituent Councils' commitment to achieving net zero and its principles around the waste hierarchy and increasing recycling align with those goals.

Key challenges for 2024/25 and beyond are:

- Redevelopment proposals at Cringle Dock, providing a new transfer station for the Authority and financial benefits for the Constituent Councils;
- Establishing a waste and procurement strategy looking towards the new contract requirements when the existing contract expires in 2032;
- Understanding future liabilities under the Emissions Trading Scheme likely to be introduced in full from 2028; and
- Delivering savings.

However, the Constituent Councils benefit from the EfW facility at Belvedere under the current WMSA with:

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

Conclusion

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

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Responsibility of the Authority

The Authority is required to:

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

The Responsibility of the Treasurer

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

Certificate

I certify that the Statement of Accounts presents a true and fair view of the Western Riverside Waste Authority's income and expenditure for the year ended 31 March 2024 and the Authority's financial position as at 31 March 2024.

S Kalsi
Treasurer x February 2025

Statement of Accounts for Western Riverside Waste Authority

Introduction

This is the Statement of Accounts for the Authority for the year ended 31 March 2024. The purpose of the Statement of Accounts is to summarise the financial position of the Authority.

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

The Statement of Accounts is made up of four core statements as follows:

- **Movement in Reserves Statement -** This is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It is analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce the Levy such as the General Fund) and 'unusable reserves'.
- **Comprehensive Income and Expenditure Statement -** This consolidates all the gains and losses experienced by the Authority during the financial year.
- **Balance Sheet** – This statement shows the value, as at 31 March each year, of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.
- **Cash Flow Statement -** This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

In addition further Notes to the accounts provide more information.

Movement in Reserves Statement

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

	Note	General Fund Balance	Pension Liability Reserve	Capital Reserve	Stabilisation Reserve	Loan Repayment Reserve	Recycling Initiatives Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in Reserves during 2023/24										
Balance at 1 April 2023 carried forward		**4,479**	**1,800**	**7,984**	**10,991**	**1,000**	**250**	**26,503**	**106,153**	**132,656**
Surplus on provision of services		8,836	-	-	-	-	-	**8,836**	**-**	**8,836**
Other Comprehensive Income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,835)**	**(1,835)**
Total Comprehensive Income and Expenditure (CIES Statement)		**8,836**	**-**	**-**	**-**	**-**	**-**	**8,836**	**(1,835)**	**(1,835)**
Adjustments between accounting basis and funding basis under regulations	7	**1,810**	**-**	**-**	**-**	**-**	**-**	**1,810**	**(1,810)**	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**10,645**	**-**	**-**	**-**	**-**	**-**	**10,645**	**(3,644)**	**7,001**
Transfers (to)/from Earmarked Reserves	8	**(10,645)**	**-**	**2,016**	**8,628**	**-**	**-**	**-**	-	**-**
Increase/(Decrease) in Year		**-**	**-**	**2,016**	**8,628**	**-**	**-**	**10,645**	**(3,644)**	**7,001**
Balance at 31 March 2024 carried forward		**4,479**	**1,800**	**10,000**	**19,619**	**1,000**	**250**	**37,148**	**102,509**	**139,657**

	Note	General Fund Balance	Pension Liability Reserve	Capital Reserve	Stabilisation Reserve	Loan Repayment Reserve	Recycling Initiatives Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in Reserves during 2022/23										
Balance at 1 April 2022 carried forward		**3,803**	**1,800**	**2,210**	**9,575**	**1,000**	**250**	**18,636**	**105,264**	**123,900**
Surplus on provision of services		4,920	-	-	-	-	-	**4,920**	-	**4,920**
Other Comprehensive Income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,837**	**3,837**
Total Comprehensive Income and Expenditure (CIES Statement)		**4,920**	**-**	**-**	**-**	**-**	**-**	**4,920**	**3,837**	**8,757**
Adjustments between accounting basis and funding basis under regulations	7	**2,948**	**-**	**-**	**-**	**-**	**-**	**2,948**	**(2,948)**	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**7,868**	**-**	**-**	**-**	**-**	**-**	**7,868**	**888**	**8,757**
Transfers (to)/from Earmarked Reserves	8	**(7,190)**	**-**	**5,774**	**1,416**	**-**	**-**	**-**	-	**-**
Increase/(Decrease) in Year		**678**	**-**	**5,774**	**1,416**	**-**	**-**	**7,868**	**888**	**8,757**
Balance at 31 March 2023 carried forward		**4,479**	**1,800**	**7,984**	**10,991**	**1,000**	**250**	**26,503**	**106,153**	**132,656**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from AWDC charges and the Residual Levy. The Authority raises income to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The position relating to the raising of income to cover expenditure is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement (MiRS).

		2022/23		**2023/24**	
	Note	£000	£000	**£000**	**£000**
Operating expenditure					
Employees		689		**627**	
Premises		584		**779**	
General waste disposal		43,485		**40,383**	
Other supplies and payments		332		**1,143**	
Depreciation and Impairment	11	2,213		**2,099**	
Total			47,303		**45,032**
Operating Income (outside IFRS 15)					
Hammersmith and Fulham		(9,151)		**(9,074)**	
Kensington and Chelsea		(9,652)		**(9,553)**	
Lambeth		(15,047)		**(15,065)**	
Wandsworth		(13,243)		**(13,490)**	
Total			(47,093)		**(47,182)**
Net Cost/ (surplus) of Services			210		**(2,150)**
Other Items					
Net Financing and investment (income)/expenditure	9		403		**(1,304)**
Other income recognised under IFRS 15	10		(710)		**(717)**
Other income outside IFRS 15			(331)		**(499)**
Deficit/(Surplus) on Provision of Services			(428)		**(4,671)**
Levy on Constituent Authorities (outside IFRS 15)					
Hammersmith and Fulham		(862)		**(803)**	
Kensington and Chelsea		(1,019)		**(935)**	
Lambeth		(1,165)		**(1,078)**	
Wandsworth		(1,446)		**(1,349)**	
			(4,492)		**(4,165)**
Surplus on Provision of Services			(4,920)		**(8,836)**
Deficit on revaluation of Property, Plant and Equipment assets	11		-		**1,738**
Remeasurements of the net defined benefit asset/liability	29		(3,837)		**98**
Other Comprehensive (Income)/Cost			(3,837)		**1,836**
Total Comprehensive Income			(8,757)		**(7,000)**

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (AWDC charges and the Residual Levy) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

	2022/23 £000			2023/24 £000		
	Net Expenditure chargeable to the General Fund	Adjustments between the funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	**Net Expenditure chargeable to the General Fund**	**Adjustments between the funding and accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
Employees	600	89	689	**572**	**55**	**627**
Premises	584	-	584	**779**	**-**	**779**
General Waste Disposal	43,485	-	43,485	**40,383**	**-**	**40,383**
Other supplies and payments	332	-	332	**1,143**	**-**	**1,143**
Depreciation and Impairment (Note 11)	-	2,213	2,213	**-**	**2,099**	**2,099**
Operating Income	(47,093)	-	(47,093)	**(47,182)**	**-**	**(47,182)**
Net Cost of Services	(2,092)	2,302	210	**(4,305)**	**2,154**	**(2,151)**
Net Financing and Investment (Income)/Expenditure	(242)	646	403	**(958)**	**(346)**	**(1,304)**
Other Income	(1,041)	-	(1,041)	**(1,216)**	**-**	**(1,216)**
Levy income	(4,492)	-	(4,492)	**(4,165)**	**-**	**(4,165)**
Deficit/ (surplus) on Provision of Services	(7,867)	2,948	(4,920)	**(10,644)**	**1,808**	**(8,836)**
Opening Usable Reserve Balance	18,636			**26,503**		
Plus surplus on General Fund in Year	7,867			**10,645**		
Usable Reserve Balance carried forward	26,503			**37,147**		

For a breakdown of Usable Reserves, please refer to the MiRS.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MiRS line adjustments between accounting basis and funding basis under regulations.

	Notes	31 March 2023	**31 March 2024**
		£000	**£000**
Property, Plant and Equipment	11	111,705	**107,868**
Defined Benefit Pension Asset		1,166	**1,068**
Long Term Assets		112,871	**108,936**
Short Term Investments	14	5,929	**6,221**
Short Term Debtors	13	6,813	**8,029**
Prepayments		38	**38**
Cash and Cash Equivalents	14	17,255	**27,541**
Current Assets		30,035	**41,829**
Short Term Borrowing	12	-	**-**
Short Term Creditors	15	3,952	**4,086**
Receipts in Advance		1,349	**2,498**
Deferred Income		3,950	**3,525**
Current Liabilities		9,251	**10,109**
Long Term Borrowing	12	1,000	**1,000**
Defined Benefit Pension Liability	29	-	**-**
Long Term Liabilities		1,000	**1,000**
Net Assets		132,656	**139,656**
Usable Reserves	18	26,503	**37,148**
Unusable Reserves	19	106,153	**102,508**
Total Reserves		132,656	**139,656**

The notes on pages 13 to 52 form part of the financial statements.

S Kalsi - Treasurer x February 2025

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting year. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of AWDC charges or the Residual Levy received from the Constituent Authorities. All activities are based on recovery of costs from the Constituent Authorities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Note	2022/23 £000	**2023/24** **£000**
Net surplus on the provision of services		4,920	**8,836**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	20	5,021	**1,449**
Net cash flows from Operating Activities		9,941	**10,285**
Net cash outflow from Investing Activities	21	-	**-**
Net cash outflow from Financing Activities	22	-	**-**
(Decrease)/Increase in cash and cash equivalents		9,941	**10,285**
Represented by			
Cash and cash equivalents at the beginning of the reporting year		7,314	**17,255**
(Decrease)/increase in cash and cash equivalents		9,941	**10,285**
Cash and cash equivalent at the end of the reporting year	14	17,255	**27,540**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 as amended. These Regulations require that the accounts be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards and any relevant statutory guidance issued by Government.

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

ii. Going Concern

The Authority's financial statements are prepared on the going concern basis; that is, the accounts are prepared on the assumption that the Authority's functions and services will continue in operational existence for the foreseeable future. The Authority is a statutory body, funded in full by charges levied on constituent councils.

iii. Accruals of Income and Expenditure

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

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on cash balances and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where cash is received in advance of being due, this is recorded as a Receipt in Advance.

iv. Cash and Cash Equivalents

Cash is represented by deposits with current retail banker (NatWest) and investments via Wandsworth Council repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a specified period, no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts. If any overdraft is used, it is repayable on demand and used only for the purposes of cash management.

v. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to understand the Authority's financial performance.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior year as if the new policy had always been applied.

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

vii. Charges to Revenue for Non-Current Assets

Revenue is debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Authority is not required to charge constituent Boroughs to fund depreciation, revaluation and impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision - MRP), by way of an adjusting transaction with the Capital Adjustment Account in the MiRS for the difference between the two. Following a review of MRP policy and the establishment of an earmarked reserve to redeem debt MRP was nil in 2022/23 and 2023/24.

viii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. health checks) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual would be made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year, however, this is immaterial for the Authority and not recognised in the accounts.

Termination Benefits

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

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

Post Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme, administered by the London Pension Fund Authority (LPFA). The scheme provides defined benefits to members (retirement lump sums and pensions), earned whilst employees worked for the Authority.

The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.85% in 2023/24 compared to 4.80% in 2022/23 (based on the net present value of the notional cash flow, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve – this is consistent with the approach used at the previous accounting date).

The assets of the pension fund are valued at market value in the Balance Sheet. Further detail is outlined in note 29.

The change in the net pension's liability is analysed into seven components:

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting

standards. In the MiRS, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

ix. Events After the Balance Sheet Date

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

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

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

x. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from a Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. Financial assets measured are generally classified into two types:

- Amortised cost - assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The asset is held within a business model with the objective of collecting contractual cash flows and not for trading.
- Fair value through profit or loss (FVPL) - assets that do not meet the amortised cost definition of cash flows that are solely payments of principal and interest and are held within a business model with the objective of collecting contractual cash flows and not for trading.

The Authority's business model is to hold investments to collect contractual cash flow. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of an expectation that future cash flows might not take place because the borrower could default on their obligations under the contract, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

For Pooled Investment Funds which includes the Authority's Better World Cautious Fund with the CCLA, the Government introduced a regulation to mitigate the effects of changes in fair value on the Authority for a period of 5 years from 1 April 2018 which has since been extended for another 2 years. Changes in fair value are transferred from the CIES to an account established solely for this purpose on the Balance Sheet. This account is called the Pooled Investment Funds Adjustment Account. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Pooled Investment Funds Adjustment Account.

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

Fair Value Measurements of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Accounting Policies for Expected Credit Losses and the Impairment of Financial Assets

The Authority recognises expected credit losses on all of its financial assets held at amortised cost or where relevant fair value through profit and loss, either on a 12-month or lifetime basis as appropriate. The expected credit loss model would also apply to lease receivables and other assets if appropriate. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

xi. Leases

IFRS 16 (Leases) for local authority (including waste authorities) implementation was deferred until 1 April 2024. The Authority did not voluntarily implement the standard early. In the 2023/24 Accounts therefore, potential leases would still be classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The authority has considered impact of implementation of IFRS 16 in Note 2.

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

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

The Authority as Lessee

Operating Leases

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

The Authority as Lessor

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment which it owns, the asset is retained in the Balance Sheet. Rental income is credited to the Other Income outside IFRS 15 line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the

Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on buildings, vehicles, plant, furniture and equipment on a straight-line basis over the useful life of the asset as estimated by the valuer. (Remaining useful economic lives are as follows: Building structure – 60 years, External works – 60 years, Roof – 35 years, fixed plant (heating etc) – 20 years, and electrical equipment – 35 years). Where an

item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

xiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xiv. Reserves

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

xv. VAT

VAT payable is included as an expense in the CIES and the capital accounts only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income accounts. VAT due from HMRC and payable to HMRC at the year end is accrued in the accounts and included in debtors or creditors.

xvi. *Rounding*

It is not the Authority's policy to adjust for immaterial cross-casting difference between the main statements and disclosure notes.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code introduces changes in Accounting Policies which will need to be adopted fully by the Authority in the 2024/25 financial statements. The Authority is required to disclose information relating to the expected impact of the accounting changes on the financial statements because of adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Authority.

IFRS 16 (Leases) will require local authorities to recognise assets on their Balance Sheet where any contract gives rise to a 'right of use asset'. Currently, a distinction exists between operating and finance leases for lessees. Finance leases are accounted for as acquisitions (asset on the Balance Sheet) and operating leases are expensed in year and therefore are not currently required to be reported on lessee balance sheets. IFRS 16 largely removes this distinction, unless it is a short term (12 months or less) or low value contract. For lessors the reporting requirements are largely unchanged as under the revised IFRS 16 there is still a distinction between operating and finance leases. The implementation of IFRS 16 has been deferred until 1 April 2024 and the authority did not voluntarily adopt the standard early.

Upon implementation IFRS 16 will apply to the Authority's leases, but as it is a lessor (other than in respect of the Energy from Waste facility, discussed in note 3), the estimated impact is Nil.

All other accounting changes introduced by the 2024/25 Code either are expected to not affect the authority or are presentational.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Services provided by Cory

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

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

The calculation of the gate fee for each period includes an energy revenue risk share mechanism, based on the average price (for electricity or other outputs) achieved during the financial year by Cory (when the plant generates electricity income above a floor, the Authority benefits a share of that which hence lowers the price per tonne to the Authority and vice versa). This variation is considered to be closely related to the underlying services provided by Cory, and so is not separated and separately accounted for.

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

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

Residual Value Agreement

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

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

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

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

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

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

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

It should be noted that during 2020/21 the Authority was approached by Cory regarding whether it wished to review the arrangements under the Residual Value Agreement which might amend the situation stated above in future. Following discussions with the constituent councils no further action was taken on this review.

Authority sites

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

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

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

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

EfW site leases

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

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

Force Majeure provisions

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

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

Refinancing

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

- In 2017, the main contractor undertook a qualifying refinancing, with the result being treated as a combined arrangement with the Authority and resulting in a net benefit recognised over time via a change to the contract price and therefore reflected each year dependent upon the volume of activity.
- In 2018, the Authority received £3.5m from the main contractor and a further £1.75m in 2022 which were in effect payments to facilitate their refinancing, these payments have no impact on future potential or contingent liabilities and thus future costs. However, as these payments have arisen due to the existence of the WMSA, this income be recognised over the remaining life of the contract and therefore is held as deferred income and gradually released into revenue. An amount of £425,000 has been recognised as revenue in the 2023/24 accounts.

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

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

There is a high degree of uncertainty about the government's implementation of measures in the Environment Act 2021. However, the Authority has determined that this uncertainty is not

sufficient to undermine predictions about future levels of AWDC charges and the Residual Levy due to the use of the EfW plant.

The items in the Authority's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. In the event that wear and tear on the assets is more intensive than assumed, then the assets will have to be depreciated over a shorter period of time, resulting in higher repairs and maintenance costs to extend the life of the asset or a shorter repayment period before PWLB loans fall due.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £30,700 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £91,000. However, the assumptions interact in complex ways. A +1 year adjustment to the mortality age rating assumption would result in an increase in the pension liability of £332,000. A detailed sensitivity analysis for changes in assumptions is included in note 29.
Arrears	The Authority recovers the significant majority of its costs from the Constituent Authorities under statute. Late payment by the Constituent Authorities will incur additional cash flow charges or result in a reduction in interest earned on cash flow movements.	If collection rates were to deteriorate, a higher penalty rate would have to be imposed on Constituent Councils to ensure cash flow losses are not incurred.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Authority received £3.5 million cash receipt as a result of Cory executing a debt refinancing of the Belvedere Energy from Waste plant in October 2018 which has been classified as deferred income in the accounts and recognised gradually in revenue over the lifetime of the WMSA, that being for the period until October 2032. The amount included within revenue in 2023/24 is £250,000 which is the same as that recognised in 2022/23. Similarly, the Authority received a £1.75 million cash receipt as a result of Cory's refinancing following closure of the Riverside Energy Park financing at Belvedere in December 2022 which has been classified as deferred income in the accounts and recognised in revenue over the remaining lifetime of the WMSA. £175,000 has been recognised within revenue in 2023/24 which is the same as that recognised in 2022/23.

The Authority also benefits from a share of the 'Triad' income generated by the contractor meeting specific energy supply targets set by the National Grid during the year. The Authority accounted for a receipt of £2.7 million in 2023/24 and £1.4 million in 2022/23 in relation to this.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Draft Statement of Accounts was authorised for issue by the Treasurer on 12 June 2024. Events taking place after this date are reflected in the final completed financial statements and notes as appropriate. Where events taking place before this date provided information about conditions existing at 31 March 2024 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

2023/24	General Fund Balance £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	**(2,099)**	**2,099**
Changes in fair value of pooled investments	**292**	**(292)**
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 29)	**(20)**	**20**
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 29)	**19**	**(19)**
Total Adjustments	**(1,809)**	**1,809**

2022/23	General Fund Balance £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(2,213)	2,213
Changes in fair value of pooled investments	(578)	578
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 29)	(222)	222
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 29)	64	(64)
Total Adjustments	**(2,948)**	**2,948**

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24.

The Authority created a Pension Liability Reserve in 2012/13 of £1.8 million. The Actuary for the Pension fund (administered by the LPFA) has reported on the triennial valuation that as at 31 March 2022, the Authority's element of the LPFA fund was fully funded. This valuation, although it is a forward look, is still only valid as at that point in time and the fund will be subject to market pressures which could mean that the funding level drops due to investments not performing as well as could be expected. In light of this it is proposed to retain the Pension Liability Reserve at this time to provide against future increases in charges

from the LPFA requiring increases in the Levy. The next triennial valuation will be calculated as at 31 March 2025.

At the end of 2021/22 a Capital Reserve was created with a sum of £2.2 million in order to set aside funds for any potential legislative changes arising from the Environment Act 2021. This has been topped up in both 2022/23 and 2023/24 and the current balance is £10.0 million for future use.

The Authority has set aside a Stabilisation Reserve and Recycling Initiatives Reserve. The first of these reserves provides a prudent approach to offset potential changes in rates and the Levy as a result of circumstances outside the Authority's control. The planned subsidy of General Waste rates and Co-mingled rates in 2024/25 will cost approximately £5.5 million and therefore the remainder of the surplus for 2023/24 has been transferred into the reserve to fund this. The Recycling Initiatives Reserve will enable future recycling projects to be proposed and funded without the requirement of additional borough funding. In 2018/19 a Loan Repayment Reserve was established to provide for the redemption of the majority of current debt with the PWLB.

	Balance 1 April 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance 31 Mar 2023	**Transfers Out 2023/24**	**Transfers In 2023/24**	**Balance 31 Mar 2024**
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
General Fund Balance	3,802	-7,190	7,869	**4,481**	**-10,646**	**10,644**	**4,479**
Pension Liability Reserve	1,800	-	-	**1,800**	**-**	**-**	**1,800**
Capital Reserve	2,210	-	5,774	**7,984**	**-**	**2,016**	**10,000**
Stabilisation Reserve	9,575	-	1,416	**10,991**	**-**	**8,628**	**19,619**
Loan Repayment Reserve	1,000	-	-	**1,000**	**-**	**-**	**1,000**
Recycling Initiatives Reserve	250	-	-	**250**	**-**	**-**	**250**
Total	18,636	-7,190	15,059	**26,506**	**-10,646**	**21,288**	**37,148**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE CHARGED TO PROVISION OF SERVICES

	2022/23	**2023/24**
	£000	**£000**
Interest payable and similar charges	37	**37**
Net interest on the net defined benefit liability (asset)	68	**(53)**
Interest receivable and similar income	(278)	**(996)**
Movements in fair value of financial instruments	578	**(292)**
Total	405	**(1,304)**

10. OTHER INCOME

Amounts included in the Comprehensive Income and Expenditure Statement for other income include the full year recognition of £250,000 of the £3.5m receipt from Cory classified as deferred income as well as a subsequent £175,000 of the £1.75m receipt from Cory, and £282,000 income from Westminster council for the use of the Authority's Household Waste and Recycling Centres:

	2022/23	**2023/24**
	£000	**£000**
Other income	710	**717**

Nothing is included in the Balance Sheet for contracts with service recipients, nor was there in 2022/23.

11. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2023/24

A valuation was carried out by the Authority's Valuer, P C Smith, MRICS IRRV (Hons), RICS Registered Valuer of Wilks Head & Eve LLP, on land, buildings and fixed plant and equipment as at 31 March 2024. Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years and a full valuation took place as at 31 March 2024. There was a revaluation decrease of £6.05m resulting from movement all elements of values around the Cringle Dock and Smugglers Way Transfer Station sites, and land values at Institute Wharf as part of that valuation in 2023/24.

	Land and Buildings	Fixed Plant and Equipment	Vehicles and Moveable Plant	**Total**
	£000	£000	£000	**£000**
Cost or valuation at 1 April 2023	99,955	13,963	223	**114,141**
Reclassifications	-	-	-	**-**
Revaluation increases/ (decreases) recognised in Revaluation Reserve	(5,266)	(784)	-	**(6,050)**
Revaluation increases to Surplus/ Deficit on Provision of Services	-	-	-	**-**
At 31 March 2024	**94,689**	**13,179**	**223**	**108,091**
Accumulated Depreciation and Impairment at 1 April 2023	(1,640)	(573)	(223)	**(2,436)**
Depreciation charge	(1,575)	(524)		**(2,099)**
Depreciation written out to the Revaluation Reserve	3,215	1,097	-	**4,312**
At 31 March 2024	**-**	**-**	**(223)**	**(223)**
Net Book Value				
at 31 March 2024	**94,689**	**13,179**	**-**	**107,868**
at 31 March 2023	**98,315**	**13,391**	**-**	**111,705**

Fixed Plant and Equipment

No capital expenditure was incurred during 2023/24 or 2022/23.

2022/23

	Land and Buildings	Fixed Plant and Equipment	Vehicles and Moveable Plant	**Total**
	£000	£000	£000	**£000**
Cost or valuation at 1 April 2022	99,954	13,964	223	**114,141**
Reclassifications	-	-	-	**-**
Revaluation increases/ (decreases) recognised in Revaluation Reserve				
Revaluation increases to Surplus/ Deficit on Provision of Services	-	-	-	**-**
At 31 March 2023	**99,954**	**13,964**	**223**	**114,141**
Accumulated Depreciation and Impairment at 1 April 2022	-	-	(223)	**(223)**
Depreciation charge	(1,640)	(573)		**(2,213)**
Depreciation written out to the Revaluation Reserve	-	-	-	**-**
At 31 March 2023	**(1,640)**	**(573)**	**(223)**	**(2,436)**
Net Book Value				
at 31 March 2023	**98,315**	**13,391**	**-**	**111,705**
at 31 March 2022	**99,954**	**13,964**	**-**	**113,918**

12. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2023	**31 March 2024**	31 March 2023	**31 March 2024**
	£000	**£000**	£000	**£000**
Financial Assets				
Fair value through profit and loss	-	-	5,929	**6,221**
Amortised cost	-	-	6,813	**8,029**
Total Financial Assets	**-**	**-**	12,742	**14,250**
Financial Liabilities				
Amortised cost	1,000	**1,000**	3,952	**4,086**
Total Financial Liabilities	**1,000**	**1,000**	3,952	**4,086**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the interest rate at 31 March 2024 of 3.69% for loans from the Public Works Loan Board (PWLB);
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities	31 March 2023 Carrying amount £000	31 March 2023 Fair value £000	**31 March 2024 Carrying amount £000**	**31 March 2024 Fair value £000**
Financial Liabilities held at amortised cost – short term borrowing	-	-	**-**	**-**
Financial Liabilities held at amortised cost – long term borrowing	1,000	1,005	**1,000**	**994**
Total	1,000	1,005	**1,000**	**994**

The fair value of outstanding long term debts as at 31 March 2024 was lower than the book value due to the changes in market factors since the original borrowing was made.

Financial Assets	31 March 2023 (Restated) Carrying amount £000	31 March 2023 Fair value £000	**31 March 2024 Carrying amount £000**	**31 March 2024 Fair value £000**
Financial Assets held at fair value through Profit and loss – Better World Cautious Fund	5,929	5,929	**6,221**	**6,221**
Financial Assets held at amortised cost	6,813	6,813	**8,029**	**8,029**
Total	12,742	12,742	**14,250**	**14,250**

Fair Values of Financial Assets

Some of the Authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial Assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2023 £000	As at 31 March 2024 £000
Fair Value Through Profit or Loss				
Better World Cautious Fund	Level 1	Unadjusted quoted prices in statement received	5,929	6,221
Total			5,929	6,221

13. SHORT TERM DEBTORS

Short term debtors and other receivables at 31 March 2023 and 31 March 2024 can be analysed as follows:

ITEM	31 March 2023 £000	**31 March 2024 £000**
Trade Receivables	0	**0**
Accrued Income	5,364	**6,551**
Other Receivable Amounts	1,449	**1,478**
Total	6,813	**8,029**

14. CASH AND CASH EQUIVALENTS

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

	31 March 2023 £000	**31 March 2024 £000**
Cash at bank	4,107	**904**
Cash held by Wandsworth Council	13,148	**26,637**
Total	17,255	**27,541**

15. SHORT TERM INVESTMENTS

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

	31 March 2022 £000	**31 March 2023 £000**
Better World Cautious Fund	5,929	6,221
Total	**5,929**	**6,221**

16. SHORT TERM CREDITORS

Creditor payments 31 March 2023 and 31 March 2024 can be analysed as follows:-

ITEM	31 March 2022 £000	**31 March 2023 £000**
Accruals	3,952	**4,086**
Total	3,952	**4,086**

17. PROVISIONS

There are no provisions recognised at 31 March 2024 (31 March 2023 was also nil).

18. USABLE RESERVES

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

19. UNUSABLE RESERVES

	31 March 2023 £000	**31 March 2024 £000**
Revaluation Reserve	86,279	**84,541**
Pensions Reserve	1,166	**1,068**
Capital Adjustment Account	19,281	**17,181**
Pooled Investment Funds Adjustment Account	(574)	**(282)**
Total Unusable Reserves	106,152	**102,508**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2009, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2022/23 £000	**2023/24 £000**
Balance at 1 April	(2,513)	**1,166**
Remeasurements of the net defined benefit liability	3,837	**(97)**
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(222)	**(20)**
Employer's pensions contributions and direct payments to pensioners payable in the year	64	**19**
Balance at 31 March	1,166	**1,264**

Capital Adjustment Account

The Capital Adjustment Account contains the amounts contributed from the CIES for the repayment of external loans, and is adjusted for depreciation. In 2022/23 and 2023/24 there has been a payment 'holiday' in relation to debt redemption.

	2022/23 £000	**2023/24 £000**
Balance at 1 April	21,494	**19,281**
Depreciation provision	(2,213)	**(2,099)**
Balance at 31 March	19,281	**17,182**

Pooled Investments Adjustment Account

The Pooled Investments Adjustment Account reflects the balance between fair value and investment originally made for funds held in the CCLA Better World Cautious Fund. As noted there is a five year exemption operational from 2018 which has been extended until 2025 which allows for the accounting treatment in this way.

20. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2022/23 £000	**2023/24 £000**
Interest received	278	**996**
Interest paid	(37)	**(37)**
Total	241	**959**

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

	2022/23 £000	**2023/24 £000**
Depreciation	2,213	**2,099**
Impairment and downward valuations	578	**(292)**
Increase/(Decrease) in receipts in advance	1,347	**1,149**
Increase/(Decrease) in deferred income	1,325	**(425)**
Increase/(Decrease) in creditors	(3)	**134**
(Increase)/Decrease in debtors	(594)	**(1,216)**
Increase in prepayments	(3)	**-**
Movement in pension liability	158	**1**
	5,021	**1,449**

21. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2022/23 £000	**2023/24 £000**
Purchase of short-term and long-term investments	-	**-**
Net cash flows from investing activities	-	**-**

22. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2022/23 £000	**2023/24 £000**
Repayments of short- and long-term borrowing	-	**-**
Net cash flows from financing activities	-	**-**

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

There are no liabilities arising from the financing activities during the year 2023/24:

	1 April 2022	Financing cash flows	Non-cash changes	31 March 2023
Long term borrowing	1,000	-	-	1,000
Short term borrowing	-	-	-	-
Total liabilities from financing activities	**1,000**	**-**	**-**	**1,000**

	1 April 2023	Financing cash flows	Non-cash changes	31 March 2024
Long term borrowing	1,000	-	-	1,000
Short term borrowing	-	-	-	-
Total liabilities from financing activities	**1,000**	**-**	**-**	**1,000**

24. OFFICERS' REMUNERATION

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

Title	Year	Salary, Fees and Allowances £000	Bonuses £000	Expenses Allowances £000	Pension Contribution £000	**Total £000**
General Manager* – M. Broxup	2022/23	147	13	-	22	182
	2023/24	**120**	**23**	**-**	**6**	**150**
Deputy General Manager* – R. Espinosa	2022/23	71	-	-	10	81
	2023/24	**96**	**-**	**-**	**4**	**100**
Clerk	2022/23	12	-	-	2	14
	2023/24	**12**	**-**	**-**	**1**	**13**
Treasurer	2022/23	12	-	-	-	12
	2023/24	**8**	**-**	**-**	**-**	**8**
Treasurer***	**2023/24**	**4**	**-**	**-**	**-**	**4**

*General Manager left the employment of the Authority during 2023/24
**Deputy General Manager was promoted to Interim General Manager during 2023/24
***Treasurer turnover during 2023/24
Bonuses relates to a Performance Related Pay award.

Remuneration band	2022/23 Number of Employees	2023/24 Number of Employees
£50,000 - £54,999	2	1
£55,000 - £59,999	1	0
£60,000 - £64,999	0	1
£70,000 - £74,999	1	0
£95,000 - £99,999	0	1
£140,000 - £144,999	0	1
£160,000 - £164,999	1	0

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

There are no allowances paid to Members by the Authority and there were no exit packages in either 2022/23 or 2023/24.

25. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's auditors:

	2022/23 £000	**2023/24 £000**
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	12	**55**

Any 2021/22, 2022/23 and 2023/24 additional fees have not yet been agreed with the Public Sector Audit Appointments Limited (PSAA) body and are therefore not included in this table.

26. RELATED PARTIES

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

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

Members: Each of the four constituent boroughs of the Authority appoints two of their Members to the Authority. Apart from this dual role, no Member of the Authority has reported that he/she or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2023/24.

Officers: Finance and admin support services have been provided by Wandsworth Borough Council and Lambeth Borough Council in 2023/24. The Clerk to the Authority is also a Senior Officer at the London Borough of Lambeth and the Treasurer is a Senior Officer at the London Borough of Hammersmith and Fulham. No other officer or member of their family or household, whether working wholly for the Authority or in an advisory role has indicated that they or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2023/24.

The Authority's operations are financed by charges to constituent councils for the disposal costs of waste, Apportionment of Waste Disposal Costs (AWDC) charges and levies upon those councils. The cost of the support services from Wandsworth and Lambeth are also set out below and are included in the CIES.

	Hammersmith and Fulham £000	Kensington and Chelsea £000	Lambeth £000	Wandsworth £000
Income				
Levies	802	935	1,078	1,349
AWDC	9,074	9,553	15,065	13,490
Total 2023/24	**9,876**	**10,488**	**16,143**	**14,839**
Expenditure				
Financial Services	0	0	0	68
Other Services (administrative support etc)	0	0	29	0
Total 2023/24	**0**	**0**	**29**	**68**

At 31 March 2023 and 31 March 2024 the following Authority balances related to the constituent councils:

Debtors and Accrued Income	31 March 2023 £000	**31 March 2024 £000**
Hammersmith and Fulham	762	**708**
Kensington and Chelsea	797	**755**
Lambeth	1,147	**1,228**
Wandsworth	1,125	**1,073**

The Authority invests cash via Wandsworth Council with a balance of £26.2m held with Wandsworth as at 31 March 2024 (£13.2m as at 31 March 2023). Net interest payments on

cash flow balances of £1,010,803 were received by the Authority from Wandsworth Council for the year 2023/24 whilst net interest payments for 2022/23 amounted to £242,511.

27. CAPITAL EXPENDITURE AND CAPITAL FINANCING

There was no capital expenditure incurred in the year as shown in the table below. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2022/23	**2023/24**
	£000	**£000**
Opening Capital Financing Requirement	6,079	**6,079**
Capital investment		
Capital Expenditure	-	**-**
Sources of finance		
Direct revenue contributions	-	**-**
Closing Capital Financing Requirement	6,079	**6,079**

28. LEASES

Authority as Lessor

Operating Leases

The Authority has leased out land at Institute Wharf, Smugglers Way to Chartwell Properties Ltd on a 15 year lease with effect from 2015 for a rental value of £158,599 per annum. The future minimum lease payments receivable under non-cancellable leases in future years are:

	Minimum Lease Payments	
	31 March 2023	31 March 2024
	£000	£000
Not later than one year	159	159
Later than one year and not later than five years	634	634
Later than five years	400	242
Total	1,193	1,035

Authority as Lessee

Operating Leases

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

29. DEFINED BENEFIT PENSION SCHEMES

1. PENSION FUND**.** As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

2. Local Government Pension Scheme. All permanent staff are eligible for inclusion in the statutory Local Government Pensions Scheme (LGPS) which is administered by the London Pensions Fund Authority (LPFA) under the Local Government Pension Scheme Regulations. Employee costs shown in the accounts include the contributions paid to the scheme in respect of the employees concerned in accordance with Regulations governing the Scheme. An independent firm of actuaries, Barnett Waddingham, was instructed to undertake IAS 19 calculations on behalf of the Authority as at 31 March 2024.

3. We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the Levy is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year:

	Year to 31 March 2023 £000	**Year to 31 March 2024 £000**
Comprehensive Income and Expenditure Statement		
Service cost	154	**74**
Financing and Investment Income and Expenditure		
Net Interest and Administration Expense	68	**(54)**
Total Post-employment Benefits charged to the Surplus of Deficit on the Provision of Services	222	**20**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	120	**(400)**
Actuarial gains and losses arising on changes in demographic assumptions	138	**0**
Actuarial gains and losses arising on changes in financial assumptions	(3,752)	**(3)**
Other actuarial gains and losses	(358)	**(93)**
Experience gain/(loss) on defined benefit obligation	15	**24**
Changes in effect of asset ceiling		**569**
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(3,837)	**97**

Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(222)	**(20)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	64	**19**

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by t court in this case may have implications for other UK defined benefit plans. WRWA and the administering authority are monitoring developments in terms of whether there is expected to be any impact on LGPS Funds and will consider if there are any implications for the pension scheme. As a result, WRWA does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

In 2023/24 the authority adopted an asset ceiling in reporting its net surplus required by IAS 19 which only allows an asset to be recognised to the extent that the employer can gain economic benefits from the surplus. Economic benefit can be gained in two ways – either via a refund, or via a reduction in future contributions. The limit to the net asset is known as the asset ceiling. Under International Financial Reporting Issues Committee 14 (IFRIC 14), scheduled bodies such as waste authorities cannot use the option of getting a refund due to participation in the LGPS and the fact that the refund must be unconditional. The asset ceiling adjustment is calculated by the Authority's actuary. The Authority is therefore limited to the option of reduction in future contributions by paying primary contributions at a lower rate than the accounting service cost, which means staff are remunerated in form of a pension accrual while paying less than the value of that accrual.

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	2022/23 £000	**2023/24 £000**
Present value of the defined benefit obligation	8,047	**7,576**
Fair value of scheme assets	(9,213)	**(9,213)**
Present value of unfunded obligation	-	**-**
Impact of asset ceiling	-	**569**
Net liability arising from defined benefit obligation	(1,166)	**(1,068)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	2022/23 £000	**2023/24** **£000**
Opening fair value of scheme assets	9,469	**9,213**
Interest income	243	423
Remeasurement gain/(loss):		
The return on assets, excluding the amount included in the net interest expense	(120)	400
Other actuarial (losses)	(138)	-
Contributions from employer	64	19
Contributions from employees into the scheme	34	33
Benefits paid plus unfunded net of transfers in	(336)	(872)
Administration expenses	(3)	(3)
Closing fair value of scheme assets	9,213	**9,213**

Local Government Pension Scheme Assets Comprised:

	2022/23		**2023/24**	
	£000	%	£000	%
Equities	5,417	59	5,579	61
Target Return Portfolio	1,713	18	1,589	17
Infrastructure	1,166	13	1,058	11
Property	905	10	843	9
Cash	12	0	144	2
Total	**9,213**	100	**9,213**	100

40% of total assets do not have a quoted market price in an active market and therefore there is a higher degree of estimation uncertainty over their valuation at 31 March 2024, this is the same proportion as at 31 March 2023.

Reconciliation of Present Value of the Scheme Liabilities

	2022/23 £000	2023/24 £000
Opening balance 1 April	**11,982**	**8,047**
Current service cost	154	74
Interest cost	308	366
Contributions from scheme participants	34	33
Remeasurement (gains) and losses:		
- Actuarial gains arising from changes in demographic assumptions	(358)	(93)
- Actuarial losses/(gains) arising from changes in financial assumptions	(3,752)	(3)
Experience (gain)/loss on defined benefit obligation	15	24
Past Service Cost	-	-
Liabilities assumed on entity combinations		
Benefits paid	(336)	(872)
Unfunded pension payments	-	-
Closing balance at 31 March	**8,047**	**7,576**

4. Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Barnett Waddingham based upon the latest triennial valuation, as at 31 March 2022.

The significant assumptions used by the actuary have been:

	2022/23	**2023/24**
Longevity at 65 for current pensioners:		
-Men	21.4	**21.2**
-Women	22.1	**22.7**
Longevity at 65 for future pensioners:		
-Men	22.6	**22.4**
-Women	26.1	**25.8**
Rate of inflation (CPI)	2.85	**2.90**
Rate of increase in salaries	3.85	**3.90**
Rate of increase in pensions	2.85	**2.90**
Rate for discounting scheme liabilities	4.80	**4.85**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely

to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	£000	£000	£000
Longevity (sensitivity)	+1 Year	None	-1 Year
Present Value of Total Obligation	7,908	7,576	7,259
Projected Service Cost	75	73	70
Rate of increase in salaries (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	7,582	7,576	7,570
Projected Service Cost	73	73	73
Rate of increase in pensions (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	7,664	7,576	7,489
Projected Service Cost	75	73	71
Rate for discounting scheme liabilities (sensitivity)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	7,485	7,576	7,668
Projected Service Cost	71	73	75

30. CONTINGENT LIABILITY

The Authority's contract with Cory includes provisions in the event of early termination where in some circumstances the Authority may become liable for the repayment of the contractor's senior debt. The amount payable would depend upon the nature of the termination and timing. This would be offset either in part or in full by the transfer of the contractor's assets.

31. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services. The procedures for risk management in relation to key financial instruments are set out through the legal framework detailed within the Local Government Act 2003 and associated regulations. These require the Authority to comply

with the CIPFA Prudential Code and the CIPFA Treasury Management Code (both of which were updated in December 2022). Overall, the Authority is required to manage risk in the following ways:

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

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

5. In accordance with Standing Orders, the Treasurer is responsible for all of the Authority's banking, borrowing and investment activities. Under the Authority's existing arrangements, Wandsworth Council administers part of the treasury management function on behalf of WRWA, there is a sum invested within the CCLA Better World Cautious Fund. In 2023/24 The Treasurer received notification from CCLA of a merger of the former Diversified Income Fund (DIF) into the Better World Cautious Fund for which all unitholders of the DIF were asked to submit a vote. The core reason for the change by CCLA is to open the investment strategy to a wider customer base by reducing the minimum investment and therefore expects additional growth. The new fund has substantially the same investment strategy as the DIF but with an enhanced ethical investment policy. Approval was gained for this change by submission to the Extraordinary General Meeting on the DIF on 31 January 2024.

   The remainder of funds are invested with the current retail banker (NatWest) in a Special Interest Bearing Account (SIBA). WRWA receives reports and monitors the treasury management performance of the Wandsworth Council on a regular basis.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Credit risk with banks and financial institutions are managed under the Treasury Management arrangements operated by the Wandsworth Council.

Credit Risk in relation to payments due from Council Customers (Debtors)

Credit risks can arise from the Authority's exposure to customers. As the great majority of income due to WRWA is derived from its four constituent boroughs, risks are low. Payments for services are either required in advance or due at the time the service is provided. As at 31 March 2023, £6.549 million (£5.364 million as at 31 March 2023) is due to the Authority from its customers. Of this sum, constituent councils were liable to pay a

net £3.757 million all of which was accrued income to the Authority, and payable in April 2023. VAT due from the HMRC for February and March 2023 totalled £1.418 million whilst VAT due for February and March 2022 amounted to £1.448 million. These sums were received in April and May 2024 and 2023 respectively.

There was no provision for bad debts as at 31 March 2023 and 31 March 2024 as all outstanding debtors are expected to be paid.

Credit risk arising from deposits with Banks and Financial Institutions

This is managed through the Treasury Management Arrangements which adopt the same as those operated by the London Borough of Wandsworth.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Authority has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer-term funds and acts as lender of last resort to authorities. Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. As at 31 March 2024, all of the Authority's outstanding loans were with PWLB.

Through the Local Government Finance Act 1992, the Authority is required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that the Authority will be unable to raise finance to meet its commitments.

Refinancing and Maturity Risk

The key risk is that the Authority will be bound to replenish a significant proportion of its financial instruments, in the form of PWLB loans, at a time of unfavourable interest rates. The risk relates to maturing financial liabilities as all PWLB loans are maturity loans. The Authority approved Treasury Management and Investment Strategies address the main risks and the Treasurer addresses the operational risks within approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt; and
- monitoring the daily cash flow.

The maturity structure for borrowing as at 31 March 2023 and 31 March 2024 is set out below and is within the Authority's Prudential Code limits for 2022/23 and 2023/24 as set out in its Treasury Management Strategy:

Renewal Period	Market Loans Outstanding as at 31 March 2023 £000	% of Total borrowing	**Market Loans Outstanding as at 31 March 2024 £000**	**% of Total borrowing**
Between Two and Five Years	1,000	100.0	**1,000**	**100.0**
Total	1,000	100.0	**1,000**	**100.0**

All trade and other payables are due to be paid in less than one year

Market Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Interest rates rose during 2022/23 in response to the Bank of England base rate rises and remained fairly stable during 2023/24. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the provision of services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has the following strategies to manage interest rate risk:

- All the Authority's borrowings are at fixed rates for the period of the loan.
- Spreading the maturity of loans so that a large proportion of loans do not mature in the same year.
- Ensure the average maturity period for all new loans is at least 4 years.

In view of the fact that the Authority has no variable rate borrowings, no financial impact on the Authority's financial performance for 2023/24 is reported in the key financial statements.

WESTERN RIVERSIDE WASTE AUTHORITY

ANNUAL GOVERNANCE STATEMENT 2023/24

1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Authority has reviewed governance arrangements against the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (including the subsequent Addendum). This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
The CIPFA/SOLACE Framework for Delivering Good Governance in Local Government (2016) provides a core set of seven principles, listed below, to support good governance and the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

- Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle 2 Ensuring openness and comprehensive stakeholder engagement.
- Principle 3 Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Principle 4 Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Principle 5 Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Principle 6 Managing risks and performance through robust internal control and strong public financial management.
- Principle 7 Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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

- **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**. The relevant Policies and Procedures, which were reviewed in 2020/21, when combined with proper procedures and audits, are effective in terms of reports of possible frauds or financial regularities. The Authority's complaints system is effective with numbers of complaints and reasons for complaints monitored by officers.

- **Ensuring openness and comprehensive stakeholder engagement.** The Authority works in partnership with its constituent councils and maintains an effective internet site to provide feedback for all stakeholders. All meetings of the Authority are open to the press and public, and minutes of the meetings are published on the Authority's website. Further engagement is underway with constituent councils in relation to the new Joint Municipal Waste Management Strategy (as outlined below), especially cognisant to current borough waste priorities.

- **Defining outcomes in terms of sustainable economic, social, and environmental benefits**. The Authority's strategic approach was established within the framework of the Riverside Waste Partnership (Joint Municipal Waste Management Strategy - JMWMS) with its four constituent councils, the London Boroughs of Hammersmith and Fulham, Lambeth and Wandsworth and the Royal Borough of Kensington and Chelsea. This Strategy was supplemented in 2013 with the adoption of a joint waste policy document and in 2016 the Authority, jointly with the other five statutory joint waste disposal authorities, endorsed a number of points it believes are critical to developing a 'Circular Economy' and agreed a position paper on recycling. These documents, together with the Authority's Annual Report are the key documents that contain the current vision, purpose and intended outcomes for citizens and service users and are published on the Authority website. A new JMWMS is currently being developed in partnership with the constituent councils and timetabled to be complete in 2025 with a draft having already been circulated. This will incorporate the latest changes from the Environment Act 2021 which gives the Government wide ranging powers to make regulations with respect to consistency in waste collections, extended producer responsibility and the introduction of a deposit return scheme and on 3rd July 2023 the Government's announced its decision to include EfW in the UK's Emission Trading Scheme from 2028. These new measures are likely to change the type and quantity of waste in the future.

  As set out in the current joint waste policy document, the Authority's vision is to continue to promote the use of waste management techniques higher up the waste

hierarchy as they represent best value both environmentally and economically. Performance is reviewed annually within an Annual Report.
The Authority introduced a booking system for the Household Waste and Recycling Centre in 2021. This has a) reduced vehicle queues with the associated environmental benefits and the convenience of users and neighbours; and b) stopped usage by residents of boroughs that do not pay for the service.

- **Determining the interventions necessary to optimise the achievement of the intended outcomes.** The Authority has an effective performance management culture and system with regular review of key performance indicators at officer and Member level. In-year monitoring reports and year-end reviews are presented to the Authority to monitor progress and action plans for seeking continuous improvement are in place and progress reviewed. Authority officers provide appropriate advice at the points of consideration and report to Members on progress and the outcome of decisions taken. Monitoring of compliance is undertaken by the Clerk to the Authority (as the Authority's monitoring officer), supported by the General Manager and the Treasurer (as the s.73 officer), with legal advice available via the Authority's legal advisers. Members are informed of relevant legal advice as it is received. All reports that have actual or potential financial implications include a Treasurer's comment.

- **Developing the entity's capacity, including the capability of its leadership and the individuals within it.** Formal protocols are not required within the Authority, given its size and the simplicity of its decision making processes, although Members are informed of their role in an induction pack and offered additional training and support as necessary. Officer training needs are judged to be adequately identified at annual review meetings with line managers and catered for as required with individual training plans. Members from the constituent authorities comply with their own authority codes. The officer Codes of Conduct are robust and set out clear and specific rules in relation to the giving and receiving of gifts and hospitality and are made available to officers. These were reviewed in 2019 and will formally be renewed in 2023/24 as part of the wider governance review.

  Managing risks and performance through robust internal control and strong public financial management. The Authority's Constitution and Standing Orders set out how the Authority operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The membership of the Authority comprises eight elected Members, with each of the four constituent councils appointing two Members, providing a high level of scrutiny for the Authority. The Authority has a Risk Management Strategy that is embedded within the management processes and a specific risk assessment is undertaken as part of the annual review of the Authority's internal control procedures which will move to twice a year from 2024/25.

  Implementing good practices in transparency, reporting, and audit to deliver effective accountability. Due to the nature and size of the Authority these functions are effectively undertaken at the Authority level but as and when necessary, an audit committee is convened.

3. REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements including the system of internal control. The review of effectiveness is informed by the work of the senior officers who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies. The Authority is also undertaking at present a wide ranging Member-led review of Governance arrangements which is currently ongoing.

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

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

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

Review Mechanisms. There is an annual review of the procedures and controls in place which if any amendments are required can be addressed at: The Management Team meetings, via the Standing Order No. 38 authorisation process or at an Authority meeting. Staff homeworking is now part of formal ongoing arrangements following adoption during the Covid 19 pandemic, and as a result there have been new manageable risks around data security, information governance and IT Business Continuity which have all been mitigated during this time.

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

Clerk to the Authority (as Monitoring Officer). There are no issues in this statement report that need to be specifically commented upon.

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

4. CONCLUSION

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

5. CERTIFICATE

No significant governance issues were identified from internal audit, management reporting or other assurance processes. Therefore no action plan is required and we are satisfied that governance arrangements are sound and will be considered again in the next annual review.

Signed: ……..…… ……

Clerk Chair

On behalf of Western Riverside Waste Authority September 2024

INDEPENDENT AUDITOR'S REPORT 2023/24

To follow

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Auditor's Annual Report for Western Riverside Waste Authority

Year-ended 31 March 2024

—

XX February 2025

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Key Contacts

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

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

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01

Executive Summary

Western Riverside Waste Authority

Appendix B

Executive Summary

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Purpose of the Auditor's Annual Report

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

Our responsibilities

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



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



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



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



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

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

Findings

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

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

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Executive Summary

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

Public interest reports

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

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

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

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

We have not applied to the courts this year.

Recommendations

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

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

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

Advisory notice

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

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

We have not issued an advisory notice this year.

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

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02

Audit of the financial statements

Western Riverside Waste Authority

Appendix B

Audit of the financial statements

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

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

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

Our audit opinion on the financial statements

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

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

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

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Audit of the financial statements

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

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

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03

Value for Money

Western Riverside Waste Authority

Value for Money

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Introduction

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

- **Financial sustainability**: How the Authority plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How the Authority ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

Approach

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

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

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

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

Summary of findings

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

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Value for Money

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National context

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

Financial performance

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

Environmental issues

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

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

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

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Financial Sustainability

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

We have considered the following in our work:

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

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

  - Forecast data forming the plan - 23 November 2022 meeting

  - First budget - 9 February 2023

  - Updated budget - 22 November 2023

  - Revised budget - 8th February 2024

  - Financial Outturn - 29th July 2024

  S151 Officers and Authority Members at the meetings noted above provided appropriate scrutiny and challenge - challenge is also presented by the management team throughout.
- The Authority holds quarterly meetings through the year at which the financial position is reported on, with a detailed position of forecast vs. actual, and rebudgeting. This ensures that the ongoing finances of the Authority are regularly scrutinised by members to a sufficient and appropriate level.
- There has been no planned or actual usage of general reserves for the year ending 31 March 2024. The Authority planned too, and have, utilised balances within the stabilisation reserve to subsidise Borough charges. This was agreed by the Authority meeting; when setting the 2023/24 budget, rates and levy. The Authority agreed to utilise reserves to reduce the rates for both general waste and co-mingled recyclate.
- The Authority achieved an outturn surplus position of £10,644k, compared to an in year forecasted surplus position of £7,239k. It is proposed to transfer the additional surplus from 2023/24 to useable reserves primarily the Capital Reserve and the Stabilisation Reserve. The most significant reason given for the difference is in relation to the energy share reconciliation – the process for this takes place after April each year and is therefore not built into the Budget – this drives £2,700k of the difference. The other main driven is additional interest on a higher than anticipated bank balances, accounting for £457k of the movement.

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Financial Sustainability

DRAFT

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

We have considered the following in our work:

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

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

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Governance

DRAFT

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

We have considered the following in our work:

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

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

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Governance

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

We have considered the following in our work:

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

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

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

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

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Improving economy, efficiency and effectiveness

DRAFT

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

We have considered the following in our work:

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

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

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Improving economy, efficiency and effectiveness

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

We have considered the following in our work:

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

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

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Year End Report to the Authority Meeting - DRAFT

Western Riverside Waste Authority Audit

27 January 2025

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Western Riverside Waste Authority (the 'Authority') prepared in accordance with [International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Authority's Member's Meeting, those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 13 June 2024.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Authority's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

Yours sincerely,

Jessica Hargreaves
Director KPMG LLP
27 January 2025

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete, and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status at the meeting. Page 03 'Our Audit Findings' outlines the outstanding matters in relation to the audit.
Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided for the information of the Authority Meeting; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

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Our audit findings

Significant audit risks	Pages 4 –10
Significant audit risks	**Our findings**
Management override of controls	At the time of writing this report, our testing in relation to management override of controls is not fully complete, however our work to date has not identified any significant issues.
Valuation of land and buildings	Our specialists have assessed the overall methodology and assumptions applied in valuing the Authority's land and building assets to be balanced. Our audit procedures identified an audit misstatement in respect of the recognition of the 23/24 valuation within the financial statements. Our audit procedures have identified a control deficiency in regard to management review of the valuations report.
Key accounting estimates	**Page 11**
Valuation of land and building	We assessed as reasonable the assumptions underpinning the valuation
Present value of defined benefit obligation	We assessed as reasonable the assumptions underpinning the valuation
Fair value of LGPS assets	We assessed as reasonable the assumptions underpinning the valuation

Number of Control deficiencies	Page 24-26
Understatement/ (overstatement)	
Significant control deficiencies	0
Other control deficiencies	5

Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- Resolution of the audit misstatement adjustment in respect of accounting for PPE valuation. KPMG technical team approval of the proposed adjustment is required.
- Review of the draft annual report and annual governance statement
- Resolution of IT team comments and RI comments on draft financials.
- Management representation letter
- Final review of file and audit work

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Appendix C

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which Western Riverside Waste Authority operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

Due to the current levels of uncertainty across the sector, there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Members.

See the following slides for the cross-referenced risks identified on this slide.

Significant risks	
1.	Valuation of land and buildings
2.	Management override of controls

Other audit risks	
3.	Recognition of surplus on the net pension asset

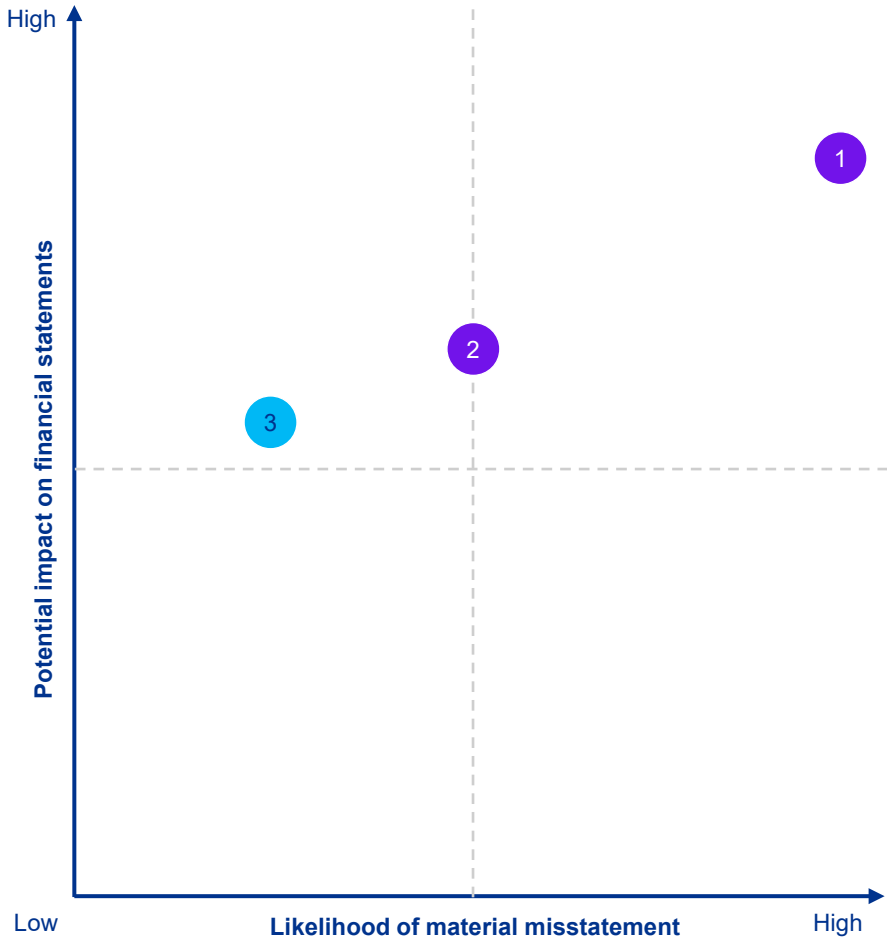
Since we communicated our audit plan on 13 June 2024, the following revisions to our audit approach have been made:

1. Downgrading the valuation of pension liabilities obligation from a significant risk.

Key:

Significant financial statement audit risks

Other audit risk

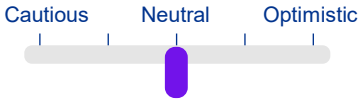


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Audit risks and our audit approach

1 Valuation of land and buildings

The carrying amount of Land & Buildings differs from the fair value



Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued on at least a five-year basis.
- The Authority engaged their valuer, Wilks Head & Eve LLP, to perform a desktop valuation as at 31 March 2024. The revaluation of land and building assets involves significant judgement and estimation on behalf of the engaged valuer.
- The Authority's properties comprise of recycling facility and transfer station sites of Cringle Dock and Smugglers Way and an additional land asset referred too as Institute Wharf, which have a combined balance sheet value of £107.9 million.

Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

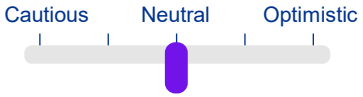
- We critically assessed the independence, objectivity and expertise of Wilks Head & Eve LLP (engaged valuer), the valuers used in developing the valuation of the Waste Authority's properties at 31 March 2024;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement. We utilised our own valuation specialists to review the valuation report prepared by the Waste Authority's valuers to confirm the appropriateness of the methodology utilised; and
- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We utilised our own valuation specialists to review the valuation report prepared by the Waste Authority's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

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Audit risks and our audit approach (cont.)

1 Valuation of land and buildings (cont.)

The carrying amount of Land & Buildings differs from the fair value



Our findings

The Authority engaged Wilks Head & Eve LLP (WHE) to undertake a desktop valuation of its land and building assets. The valuation exercise also included a desktop valuation assessment of the Authority's Fixed Plant & Equipment assets. The valuation exercise valued the Authority's Plant, Property and Equipment (PPE) assets at £107.9m.

KPMG's real estate valuation specialists undertook a detailed assessment of the valuation methodology and assumptions underpinning the valuation of Land, buildings and Equipment at Smugglers Way. KPMG's assessment identified the approach applied in the revaluation of the site was in line with our independent valuer's expectation. While we were eventually able to obtain the necessary evidence from the valuer to support their key subjective inputs (namely the build costs), engagement from them was limited and the initial information and follow up responses provided lacked detail and transparency. This resulted in delays in our work requiring a call with them including Management to set out clearly the information required.

Our reconciliation of the Authority's fixed asset register (FAR) to the WHE valuation report identified differences in the amounts recognised for the component asset elements. While there were no reconciling differences for the total PPE balance recorded, the amounts recognised in the FAR for the individual Land, Building and Plant components did not agree to the underlying WHE valuations. Further investigation of these differences identified a material misstatement as detailed in Appendix One, page 23. The misstatement arose due to a misinterpretation of information included within the WHE reports.

Additional audit procedures were required to determine if a similar error had occurred at the 31 March 2018 and 31 March 2022 financial year end (being the previous financial periods WHE undertook a revaluation assessment for the Authority). No concerns were identified in the accounting treatment applied for the 2018 valuation exercise however, we identified a similar error to have been processed as part of the 2022 valuation exercise. Consequently, the Authority had charged excessive depreciation in 2023 and 2024. We engaged our technical specialist team to determine if the misstatement identified in the 2022 valuation exercise significantly impacted the users of the financial statements and required a restatement of the previous financial periods. It was concluded that no prior year restatement was required, and corrective accounting treatment should be processed as part of the 2024 misstatement previously identified.

We have considered the management review of the valuation assumptions and identified a deficiency in the design of this control. Whilst the control as designed does not meet the requirements of a management review control as outlined in the auditing standards, it is sufficient for purpose at WRWA and we have not raised a recommendation to address this finding.

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Audit risks and our audit approach (cont.)

2 Management override of controls[a]

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Our response

- Our audit methodology incorporated the risk of management override as a default significant risk.
- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post-closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that were outside the Waste Authority's normal course of business or were otherwise unusual.
- We analysed all journals through the year using data and analytics and focused our testing on those with a higher risk, such as journals impacting income recognition, cash, PPE, and Pensions.

Note: (a) Significant risk that professional standards require us to assess in all cases.

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Audit risks and our audit approach (cont.)

2 Management override of controls[(a)] (cont.)

Fraud risk related to unpredictable way management override of controls may occur

Our findings

- As highlighted on page 11, we found all of the Authority's assumptions to be neutral, following the correction of identified audit misstatements in respect of the valuation of PPE assets. No indicators of management bias were identified.
- We identified a control deficiency in respect of management's review of journal entries. While we are able to evidence that journals are approved by an appropriate individual ahead of being posted, auditing standards expect there to be evidence to demonstrate the level of review and challenge of each individual journal entry. Whilst the control as designed does not meet the requirements of a management review control as outlined in the auditing standards, it is sufficient for purpose at WRWA and we have not raised a recommendation to address this finding.
- We identified 3 journal entries and other adjustments meeting our high-risk criteria.
- At the time of issuing this report, work in this area has been finalized pending KPMG's internal review process.
- Our procedures did not identify any significant unusual transactions.

Note: (a) Significant risk that professional standards require us to assess in all cases.

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Audit risks and our audit approach (cont.)

3 Recognition of surplus on the net pension asset

Management's assessment of the level of recognisable surplus may not be in line with requirements

Other audit risk

- Recent changes to market conditions have meant that more Local Government entities are finding themselves moving into surplus in their Local Government pension scheme. As at 31 March 2024, WRWA had an LGPS surplus before asset ceiling adjustment of £1.7m. As at 31 March 2023, WRWA had fully recognised an LGPS surplus of £1.2m.
- Participations in surplus pose an additional risk to Authorities, as the entity will need to assess the level of surplus that it can recognise. The requirements of accounting standards on recognition of these surpluses are complicated and requires actuarial involvement.
- This will need to be assessed each year, and the conclusion can change as it depends upon market conditions at the year end and any changes in the contributions committed to under the rates and adjustments certificate.

Our response

We performed the following procedures:

- Tested the data and valuations provided by the actuary in their IAS19 report for completeness and consistency with the other information provided by the Authority;
- Challenged the Authority's estimate of the recognisable surplus; and
- Assessed the adequacy of the Authority's disclosures in respect of the assumptions or judgements made in determining the level of recognisable surplus.

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Audit risks and our audit approach (cont.)

3 Recognition of surplus on the net pension asset

Management's assessment of the level of recognisable surplus may not be in line with requirements

Our findings

- In the draft accounts presented for audit and published for inspection, the Authority recognised a net pension asset balance of £1.1m. Our audit procedures confirmed that this was following an asset ceiling adjustment of £0.6m to restrict the surplus from £1.7m. We have not identified any concerns with the asset balance recognised and the presentation of this in the financials statements.
- KPMG's actuarial specialist review of the IAS19 valuation report identified Barnet Waddingham's calculation of the asset ceiling had been calculated in line with KPMG's expectations.
- Our audit procedures of the Authority's assumptions underpinning the gross pension obligations and asset values has not identified any concerns. The assumptions adopted were all balanced and within KPMG's reasonable range compared to KPMG central assumptions.

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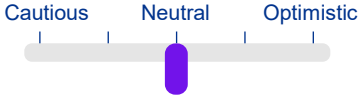
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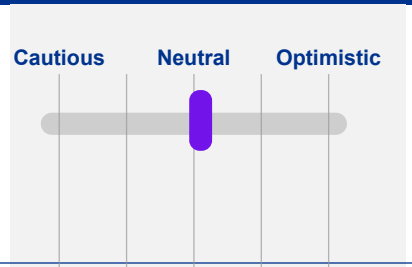
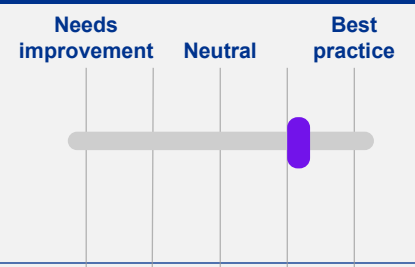
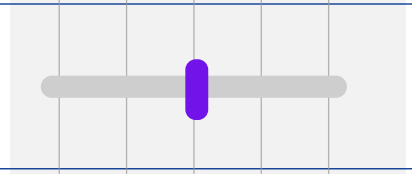
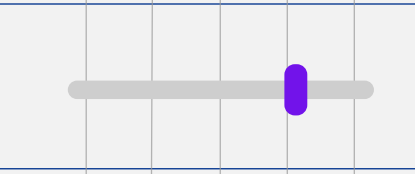
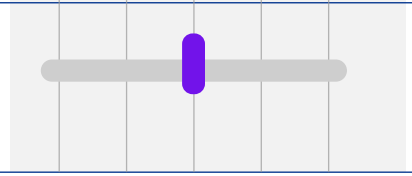
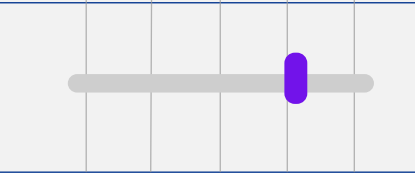
Appendix C

Key accounting estimates and management judgements – Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Land and Building		94.7	(3.6)		KPMG's real estate valuation specialists undertook a detailed assessment of the valuation methodology and assumptions underpinning the valuation of the Authority's land, building and plant assets at Smuggler's Wharf. The methodology applied and assumptions adopted were balanced. Our procedures identified similar methodology and approach to be in place in respect of Cringle Dock.
Fair value of LGPS asset		9.2	0		No concerns identified.
Present value of defined benefit obligation		7.6	(0.4)		No concerns identified.

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Other significant matters

Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Authority's internal control.

- No significant control deficiencies have been identified.

Key:

🔴	These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have identified 0 significant control deficiencies in the current year.
🟡	These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified 3 of such deficiencies in the current year.
🟢	These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have raised 2 related observations in the current year.

Significant difficulties

Matters which led to significant difficulties in performing the audit included the following:

Significant delays:

- While we were eventually able to obtain the necessary evidence from the valuer to support their key subjective inputs (namely the build costs), engagement from them was limited and the initial information and follow up responses provided lacked detail and transparency. This resulted in delays in our work requiring a call with them including Management to set out clearly the information required.

Length of audit

- KPMG were not able to significantly progress their 23/24 audit until completion of the 22/23 audit. Due to factors outside of the Authority's control, the 22/23 audit did not conclude until late November 2023 and we were not able to perform a review of the prior year audit file until late January 2025.
- Additional audit procedures were required to be completed in respect of (1) Assessment of potential prior year audit misstatement; (2) Assessment of potential breach of laws and regulations.

Quality and timeliness of information prepared by management

In our view, the quality of information, except for, the information provided by the Authority's external valuer:

- Supported our ability to understand key decisions better and obtain sufficient audit evidence
- Enabled informed challenge of management decisions
- Supported audit quality and better disclosure.

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Significant audit misstatements

Management has approved the correction of the audit misstatements detailed on page 23. and they are reflected in the draft financial statements. A summary of the uncorrected audit misstatements is detailed on page 22.

The misstatements identified, and their estimated financial impact on the surplus, are summarised in the table on the right.

In line with ISA (UK) 450 we request that you correct uncorrected misstatements.

- At the time of issuing this report, there are no uncorrected misstatements.

Audit misstatements – surplus

	Type	£000	Comment
Trial balance		8,836	
Corrected misstatements			
Revaluation accounting	Factual	1,606	
Reported in FS		10,442	
Uncorrected misstatements			
None identified			
Our assessment		10,442	

Types of misstatement

Factual: Misstatements about which there is no doubt

Projected: Our best estimate of misstatements in the audited populations

Judgemental: Differences arising from judgments of management that we consider unreasonable or inappropriate

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Other matters

Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ('the Code'). Based on the work performed to date:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council. As Audit and Governance Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Our procedures on this area are ongoing.

Annual Governance Statement

We are in the process of reviewing the Authority's 2023/24 Annual Governance Statement to confirm that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Our procedures on this area are ongoing.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We have confirmed that, for Western Riverside Waste Authority, the threshold at which detailed testing is required has not been exceeded. We have therefore completed our work on the Whole of Government Accounts and have no issues to report to the Audit Committee.

We will submit an updated assurance statement on completion of the audit and following review the final financial statements.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our PSAA proscribed 2023/24 audit scale fee for the audit was **£55k.**

We have not completed any non-audit work at the Authority during the year

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Value for money

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities, we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

Our full commentary on the Authority's arrangements will be included in our Auditors Annual Report. The report is required to be published on your website alongside the publication of the annual report and accounts.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail is set out in our Auditor's Annual Report.

Performance improvement observations

As part of our work we have identified Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses. These are detailed within the Appendices to this report.

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Appendix C

Required communications

Type	Response
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	One adjusted audit difference with a surplus impact of £1.6 million. See page 23.
Unadjusted audit differences	At the time of issuing this report, no unadjusted audit differences have been identified from our audit procedures.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	No actual or suspected fraud involving Authority management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	No significant difficulties were encountered during the audit. While we were eventually able to obtain the necessary evidence from the valuer to support their key subjective inputs (namely the build costs), engagement from them was limited and the initial information and follow up responses provided lacked detail and transparency.
Modifications to auditor's report	None
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	At the time of issuing this report, our audit procedures over the narrative report and AGS remain ongoing. To date no material inconsistencies were identified related to other information in the annual report and narrative report. The narrative report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	There were no significant matters arisingarising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.
Provide a statement to the NAO on your consolidation schedule	We have confirmed that, for WRWA, the threshold at which detailed testing is required has not been exceeded. We have therefore completed our work on the Whole of Government Accounts and have no issues to report to the Audit Committee.

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Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	*2022/23 (£'000)*
Statutory audit	55	*12[(a)]*
ISA315r	7	-
Audit procedures in respect of DBO Pension Scheme	12	
Additional audit procedures in respect of Land and Buildings Misstatement	TBC	-
Additional audit procedures in respect of potential breaches of laws and regulations	TBC	
Quality and timeliness of information prepared by management	TBC	
TOTAL	**TBC**	*12*

Note: (a) Fee charged by Deloitte – your predecessor auditor.

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud. The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.
- As highlighted to the Authority's Finance Team, per PSAA's Scale Fees Consultation, the fee set for WRWA does not reflect the existence of a Defined Benefit pension scheme. Additional fees in relation to this area will be subject to the fees variation process as outlined by the PSAA.
- As highlighted within this report, additional audit procedures were required in respect of the identified audit misstatement and potential breaches of laws and regulations. Further additional time and effort was required due to lack of engagement of the Authority's external valuer.

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Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of Western Riverside Waste Authority

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity [except for those detailed below where additional safeguards are in place].

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

There are no non-audit services applicable.

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Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	55
ISA315r	7
Audit procedures in respect of DBO Pension Scheme	12
Additional audit procedures in respect of Land and Buildings Misstatement	TBC
Additional audit procedures in respect of potential breaches of laws and regulations	TBC
Quality and timeliness of information prepared by management	TBC
Total Fees	**TBC**

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

Jessica Hargreaves

KPMG LLP

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Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Authority Meeting with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Authority, details of all adjustments greater than £67,500 are shown below:

- No uncorrected audit misstatements have been identified.

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Appendix C

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit [and Risk] Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statement:

Corrected audit differences (£'000s)				
No.	**Detail**	**SOCI Dr/(cr)**	**SOFP Dr/(cr)**	**Comments**
1	Dr Land	-	70,541	Our reconciliation of the Authority's fixed asset register (FAR) to the WHE valuation report identified differences in the amounts recognised for the component asset elements. While there were no reconciling differences for the total PPE balance recorded, the amounts recognised in the FAR for the individual Land, Building and Plant components did not agree to the underlying WHE valuations. Further investigation of these differences identified a material misstatement as detailed in Appendix One. The misstatement arose due to a misinterpretation of information included within the WHE reports.
	Cr Buildings	-	(60,665)	
	Cr Fixed Plant and Equipment	-	(9,876)	
	Dr Revaluation Reserve	-	3,326	
	Cr Depreciation	1,606	-	
	Cr Capital Adjustment Account	-	(1,225)	Additional audit procedures were required to determine if a similar error had occurred at the 31 March 2018 and 31 March 2022 financial year end (being the previous financial periods WHE undertook a revaluation assessment for the Authority). No concerns were identified in the accounting treatment applied for the 2018 valuation exercise however, we identified a similar error to have been processed as part of the 2022 valuation exercise. Consequently, the Authority had charged excessive depreciation in 2023 and 2024. We engaged our technical specialist team to determine if the misstatement identified in the 2022 valuation exercise significantly impacted the users of the financial statements and required a restatement of the previous financial periods. It was concluded that no prior year restatement was required, and corrective accounting treatment should be processed as part of the 2024 misstatement previously identified.
	Cr General Fund	-	(493)	
	**At the time of issuing this report, we await confirmation from the WRWA finance team and KPMG technical team in respect of the proposed amendment.			
Total		**£1,606**	**£1,606**	

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Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations		
1 **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2 **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3 **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
Value for Money			
1	2	**Audit Committee** We note the Authority's governance structures does not include an Audit Committee. In December 2024 a local audit consultation was launched which proposes to mandate the recommendation of the Redmond review, whereby audit committees should be mandatory for all local bodies, with at least one independent member, and audits should be considered by full council (for local authorities). To comply with best practice we recommend the Authority reviews its governance structure and considers establishing an Audit Committee which consists of at least one independent member.	The WRWA will consider this matter further and reflect on the mandating of the Redmond Review with due regard to the complexity of our operations and the size of our organisation. All matters that would be considered by an AC are already considered by the Board.
2	2	**Lack of member scrutiny of Internal Audit reporting** We have confirmed through minute review, constitution review and inquiry of management that the Authority do not have an Audit Committee in place. This has impact that the Internal Audit reporting does not go to Committee for review. It also does not go to the Members Meeting for review. It is scrutinised by senior management only. This means that the independent members do not scrutinise the challenge raised in the internal audit report. No issues have been found in regard to the current year report, however there is a risk that if events were to be reported this would not be subject to the independent review of member scrutiny.	An annual internal audit review is undertaken by Wandsworth LBC under our SLA arrangements and these reports are discussed and actioned by the WRWA Management Team (copies can be provided). This level on internal audit is considered sufficient for the size and potential risks for WRWA.

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Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
Financial Statement Audit			
3	3	**Valuer Independence** Whilst the Authority's Valuer (WHE) currently complies with RICS guidance on valuer independence/rotation, the lead valuer has now reached the RICS suggested rotation period of seven years within the public sector. We recommend the Authority discusses this guidance with WHE and consider how this guidance can be complied with in future financial years to ensure the Authority aligns with recommended best practice.	The WRWA accepts this recommendation and will progress this matter in 2025/26 (as it will not be practical for 2024/25 given that we are at the end of this financial year).
4	3	**Completion of an annual revaluation exercise** Our procedures identified the Authority engages an external valuer to perform a fair value assessment in the third and fifth year of the 5 year valuation cycle. The valuation assessment at 31 March 2024 identified a material movement in the value of the Authority's PPE assets. Due to changes in the economic environment, frequent movement in BCIS indices underpinning DRC valuations and the significant value of the Authority's land and buildings assets compared to materiality, we recommend the Authority undertakes an annual desktop revaluation exercise of these assets, with a full revaluation (including physical inspection) being completed once every five years.	The WRWA will progress this recommendation and complete for 2024/25.

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Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
Financial Statement Audit			
5	2	**IT Policies** Our inquiries identified the Authority does not have a suite of IT policies that we would expect to be in place, including an Acceptable Use IT policy, Without clear guidelines on the proper use of IT resources, employees may have inappropriate access on the systems i.e may post incorrect journal and hence may compromise data integrity and result in incorrect financial reporting. Further, may increase the chances of cyberattacks and information breaches. We note that at the time of our audit procedures a policy had been drafted and was awaiting approval. We recommend a detailed documented IT policy is launched to ensure proper use of their Information and communication technology systems, safeguard data and comply with broader legal and regulatory obligations. The policy should include information regarding granting access to new starters and leavers, back-up and recovery of data, disaster recovery plan, cyber security assessment.	The WRWA will finalise the current draft policy and secure formal approval and continue to develop/review under our internal audit arrangements with Wandsworth LBC.

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KPMG required communications for all entities

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ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on audit plan. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.
- Based on our assessment, we have no matters to report to Those Charged with Governance.

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ISA (UK) 315 Revised: changes embedded in our practices

Summary

In the prior period, ISA (UK) 315 Revised "Identifying and assessing the risks of material misstatement" was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard's scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity's audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

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ISA required communications for UK PIEs, listed entities & entities reporting under the UK Corporate Governance Code

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KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

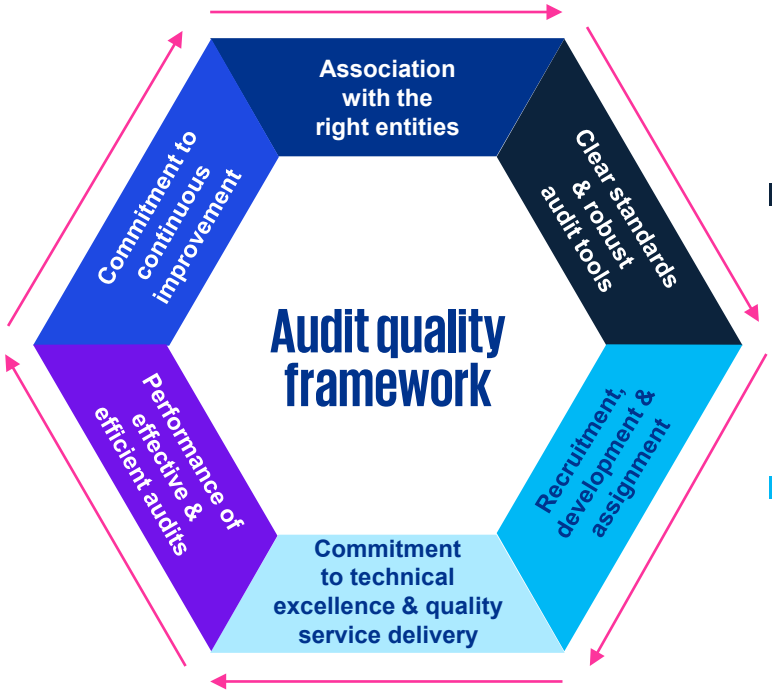
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

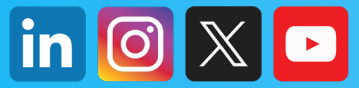
Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Appendix A

Western Riverside Waste Authority

Treasurer: Sukvinder Kalsi
Interim Clerk: Hugh Peart
Interim General Manager: Rachel Espinosa

Western Riverside Transfer Station,
Smugglers Way, Wandsworth,
LONDON SW18 1JS

Telephone: 020 8871 2788 E-Mail: info@wrwa.gov.uk
Web: www.wrwa.gov.uk

Jessica Hargreaves
KPMG LLP
15 Canada Square
London
E14 5GL

11th February 2025

Dear Jessica,

This representation letter is provided in connection with your audit of the financial statements of Western Riverside Waste Authority ("the Authority"), for the year ended 31st March 2024, for the purpose of expressing an opinion:

i. as to whether these give a true and fair view of the financial position of the Authority as at 31st March 2024 and of the Authority's income and expenditure for the year then ended;

ii. whether the Authority's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Cash Flow Statement and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix 2 to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2022, for the preparation of financial statements that:

i. give a true and fair view of the financial position of the Authority as at 31st March 2024 and of the Authority's income and expenditure for the year then ended;

ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached in Appendix 1 to this representation letter.

Information provided

5. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence. [ISA (UK) 210 6b(iii)]

6. All transactions have been recorded in the accounting records and are reflected in the financial statements. [ISA (UK) 580.11b]

7. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix 2 to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
   - management.
   - members.
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its

responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements

10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 Related Party Disclosures. [ISA (UK) 550.26a, b]

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

12. The Authority confirms that:

    a) The financial statements disclose all of the matters that are relevant to the Authority's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 Presentation of Financial Statements.

    b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority to continue as a going concern.

13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 - Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions.
        - arise in the UK and the Republic of Ireland or overseas.
        - funded or unfunded; and
        - approved or unapproved,
        - have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

14. The Authority provides the following specific representations as follows:

- The Authority instructed its valuer, WHE, to perform a valuation exercise of its land, building and fixed plant and equipment assets as at 31 March 2024. The Board confirms that it is satisfied with the completeness and accuracy of the instructions provided to the valuer and confirms that the Authority has not unduly influenced WHE in determining the valuation of land and buildings.

- The Authority confirms that it is satisfied with the accuracy of the underlying data used as the basis of the revaluation exercise, specifically the land and building measurements and the classification of assets between operational, non-operational and specialised. Where assets have been revalued on an alternative site basis the Authority confirms that it is satisfied with the reasonableness of the assumptions and methodology underlying the alternative site basis.

This letter was tabled and agreed at the meeting of the Authority Meeting on 11 February 2025.

Yours faithfully,

SUKVINDER KALSI
TREASURER

Appendix 1 to the Authority Representation Letter of Western Riverside Waste Authority

Uncorrected Misstatements:- None

Appendix 2 to the Authority Representation Letter of Western Riverside Waste Authority

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
c) dissimilar items, transactions or other events are inappropriately aggregated;
d) similar items, transactions or other events are inappropriately disaggregated; and
e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - The entity is controlled, or jointly controlled by a person identified in (a).
  - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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