

NOTICE OF MEETING

Monday, 26 September 2011 - Civic Centre, Dagenham - 9:30 am

Members

Councillor S Kelly (Chairman); Councillor G M Vincent (Vice Chairman); Councillor I Corbett, Councillor R Crawford, Councillor M Dunn, Councillor G Letchford, Councillor B Tebbutt and Councillor V Tewari

Declaration of Members' Interests

In accordance with the Constitution, Members are asked to declare any personal or prejudicial interest they may have in any matter which is to be considered at this meeting.

Paul M Taylor
Managing Director

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AGENDA

1. Apologies for Absence

Items for Decision

2. Minutes - To confirm as correct the minutes of the meeting held on 27 June 2011 (Pages 1 - 5)

Items for Information

- 3. Statement of Accounts and Auditor's Report 2010/11 (Pages 7 - 95)**
- 4. Treasury Management Outturn Report 2010/11 (Pages 97 - 102)**
- 5. Budgetary Control to 31 August 2011 (Pages 103 - 108)**
- 6. Contract Monitoring to July 2011 and oral update for August (Pages 109 - 113)**
- 7. Reuse & Recycling Centres - Controls (Pages 115 - 129)**
- 8. Date of next meeting: 28 November 2011**
- 9. Any other public items which the Chair decides are urgent**
- 10. To consider whether it would be appropriate to pass a resolution pursuant to Section 100A(4) of the Local Government Act 1972**

Confidential Business

The public and press have a legal right to attend ELWA meetings except where business is confidential or certain other sensitive information is to be discussed. The items below relate to the business affairs of third parties and are therefore exempt under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended.

Confidential items for decision

- 11. Inclusion of glass in dry recyclable waste stream (Pages 131 - 149)**

Confidential items for information

- 12. Decision Regarding Shanks' Increased Diversion Proposal (Pages 151 - 162)**
- 13. Contract Options update (oral)**
- 14. Closed Landfill Strategy - Sale of Aveley (oral update)**
- 15. Utilisation of SRF Markets to increase contract diversion performance (Pages 163 - 184)**
- 16. Any other confidential or exempt items which the Chair decides are urgent**

East London Waste Authority

AUTHORITY MINUTES: MONDAY, 27 JUNE 2011 (9:38 - 11:40 AM)

Present: Councillor S Kelly (Chair), Councillor I Corbett, Councillor M Dunn, Councillor G Letchford, Councillor B Tebbutt and Councillor V Tewari

1 **Appointment of Chairman, Vice Chairman and ELWA Limited "A" Director for the year 2011/12**

Councillor Kelly, Councillor Vincent and Councillor Corbett were appointed to the roles of Chairman, Vice Chairman and ELWA Limited 'A' Director respectively.

2 **Apologies for Absence**

Councillor G M Vincent; Councillor R Crawford.

3 **Declaration of Members' Interests**

There were no declarations of Members' Interests.

4 **Nominations Under Section 41 of the Local Government Act 1985**

Members received the Monitoring Officers Report and commentary.

Members agreed to appoint Councillors Vincent, Tebbutt, Corbett and Dunn as the lead Members for Environment/Waste who will, on behalf of ELWA, answer questions put to them by other Members of their own Constituent Council.

5 **Minutes of previous meeting**

Members requested that previous Annual General Meeting Minutes should be made available at the next and future Annual General Meetings.

Members agreed to confirm as correct the minutes of the Authority meeting held on 11 April 2011.

6 **Internal Audit Progress Report 2010/12, Audit Plan 2011/12 and Planned Audit Coverage to March 2016**

The Finance Director presented his report and stated that no major issues had arisen out of the 2010/11 audit.

Members agreed to note the audit coverage for 2010/11 and the proposed coverage for 2011/12 and Five Year Strategic Plan as outlined in the report and appendix.

7 **Final Financial Outturn for 2010/2011**

Members received the Finance Director's report which provided a summary of the outturn for the year 2010/11. Commentary was provided in respect of variances in



the accounts.

There is more buoyancy in commercial waste charges and therefore overall surplus is in line with the end of the year.

The Finance Director updated Members on the progress of the financial accounts, a draft set of which will be agreed and passed to the external auditors. Members will receive the final draft accounts for approval in September.

Members noted the report.

Members agreed to carry forward £100,000 into 2011/12 to cover service pressures.

8 Budgetary Control to 30 April 2011

The Finance Director recapped his report. Included in this report was information on the payment from Shanks relating to the equity share sale agreement and the failure to conclude the proposed contract variation.

Members asked that this is not shown in the accounts as it was not an income relating to the operation of the contract. The Finance Director will transfer this amount to a reserve account.

Members noted the report.

9 External Audit Plan 2010/11

Members received and noted the commentary from the external auditor's representative from PriceWaterhouseCoopers (PWC) relating to the contents of the 2010/11 Audit Plan. Members' attention was drawn to the communications plan and timetable. The Chairman thanked the external auditor for attending.

Members accepted the Audit Plan for 2010/11 as presented.

10 Contract Monitoring to April 2011

Members received the Managing Directors commentary on this report, presented in the absence of the Head of Operations.

Members discussed the question of diversion targets being lower than those set in the Annual Budget & Service Delivery Plan (ABSDP) as a result of unmarketable Solid Recovered Fuel being generated and problems with the BioMrfs.

Diversion targets were down from those set in the ABSDP. This was mainly as a result of problems with the Bio Mrfs and as a result SRF was unmarketable.

Members expressed concern at the loss of recycling due to contractual failures between Countrystyle and Sita for the disposal of the fines material from the

BioMRFs. Members sought assurance this would not happen again. The managing director confirmed that Shanks had implemented controls, including the tracking of all outputs to their final destination within the UK. He also stated that ELWA was reclaiming the associated recycling performance payments.

Members were pleased with the newly introduced Reuse & Recycling Centres (RRCs) controls, which seemed to be working very well. Tonnage was significantly down with one site achieving a 40% reduction, possibly due to less commercial waste being taken. Discussion took place on the decision to reduce the requirement from two to one form of identification being presented at site and whether this should have been an Authority decision. The Managing Director explained it was changed at the request of one of the Boroughs and its Leader and that for consistency across ELWA, the rule was applied to all four Boroughs.

Members agreed to the continued use of one form of ID for the time being.

Action: Concern was also raised about the use of photocopied forms of identify and the Managing Director agreed to provide a response for Council Leaders.

Action: Procedures would be reviewed after the Summer period.

Another concern was raised about the new controls, suggesting it might be responsible for an increase in fly-tipping in one of the Barking & Dagenham wards which comprised, particularly, beds and other bulky items. Increased fly-tipping had not been reported by other boroughs. Members requested information on this and to be advised about any increase in prosecutions. The Managing Director reported that the sites were being monitored and that random checks would be made.

Action: There would be a formal report to Members at the next meeting to include flytipping and prosecutions.

Members expressed concern at the lack of opportunities for making financial savings and discussed the use of bring sites and the possibility of reducing the number of RRCs, especially in the light of reduced tonnages.

One borough was looking at removing bring sites and had concerns about using orange bags for glass recycling. The managing director acknowledged the concerns but pointed out that the contractor was exceeding its contractual obligations for waste diversion from landfill. He reported discussions were ongoing with the contractor about the inclusion of glass in recycling collections and he was due to meet representatives during the week to explore other savings options.

Action: The Managing Director agreed to produce a report on the inclusion of glass in the kerbside recycling collections. He also advised the future provision of RRCs would be reviewed in light of forthcoming changes in legislation.

Members noted the recommendations set out in paragraphs 2.1, 2.2. and 2.3 regarding ongoing issues with BioMrf fines material and the effects on contract

recycling, LATS performance and associated potential costs to the Authority, the improvements in contract recycling and diversion performance and the effects of the successful implementation of controls at the RRC sites.

11 Private Business

Members resolved to exclude the public and press from the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

12 Contract Options

Members discussed contract options and potential ways forward following the Managing Director's commentary on the Head of Operations' report.

The Managing Director advised that the ELWA Operational Management Team (EOMT) had identified two scenarios worth pursuing, following an exercise to attribute costs and savings to each of the options available. EOMT had recognised that waste reduction was the only way forward with influence coming from the collection authorities and not the disposal authority. EOMT would discuss proposals with the Contractor at a meeting on Friday.

The Managing Director responded to questions about Biossense and whether the technique worked, how much ELWA derived SRF would be used resulting in what percentage diversion, the cost of the project and who was funding it as well as could ELWA consider offering capital support and if so, what was the risk of project failure? The Managing Director reported that the technology works in the one plant in Canada and that Shanks expect 90,000 tonnes/year of SRF to be diverted through the plant. He stated ELWA could consider providing support in terms of costs.

Action: The Managing Director agreed to report on SRF diversion options at the meeting in September.

Action: Engage specialist legal firm to review contractual documentation and options. The Monitoring Officer to provide list of specialist legal firms to the Managing Director.

Action: Members noted the recommendations in 2.1(a) and 2.1(b).

Action: Members approved the recommendations in 2.1(c) and requested the report include all information, including diversion rates.

13 Closed Landfill Strategy - Option Agreement with Thurrock TGDC

London Borough of Havering Members declared a possible interest in this matter. Members agreed to continue with all present.

This report was presented by the Managing Director who confirmed that the recommendation referred to a change to the clause around costs associated with development. All parties were content with the wording the solicitors had drafted.

Members noted the current situation in relation to the planning application and that this was a pre-emptive report based on communications between the planning inspector and Thurrock TGDC.

Members approved the amendment of Schedule 5 of the option agreement.

14 Funders' Consent to Contractual Performance Target Changes

Members noted the progress in relation of contractual performance changes. The managing director agreed to clarify the reason behind the lack of approval and identify an alternative incentive variation with the contractor and funders.

15 Date of next meeting: 26 September 2011

Noted – 26 September 2011

Minutes agreed as a true record.

Chairman:

Dated:.....

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AUTHORITY REPORT: STATEMENT OF ACCOUNTS AND AUDITOR'S REPORT 2010/11**1. Confidential Report**

1.1 No

2. Recommendations2.1 Approve the draft Statement of Accounts for the financial year 2010/11.

3. Introduction

3.1 This report provides the Authority with a summary of the key issues arising from the audit of the financial statements. The External Auditor, PricewaterhouseCoopers (PwC) are completing their review and audit of the Accounts. It is expected that they will give an unqualified opinion and certificate of the Accounts.

3.2 At the time of writing this report, the audit of the draft Statement of Accounts had not been finalised and therefore the Statement of Accounts will be circulated separately.

3.3 At the ELWA meeting in June 2011, Members were informed about changes to the statutory audit and accounts regulations that underpin the production of ELWA's financial statements. The 2010/11 financial statements are the first where the Authority has to fully comply with International Financial reporting Standards (IFRS). This has created extra work and required additional resources, which can be demonstrated by the size of the financial statements. In 2009/10, the Statement of Accounts was 53 pages long. By comparison, this year's accounts are 71 pages long.

3.4 Another main change was around the signing, approval and publication of accounting statements. In previous years, the Authority has had to approve a set of draft financial statements by the 30 June 2011. This is no longer required and it is now the responsibility of the 'responsible financial officer' to sign and date the Statement of Accounts, and certify that it presents a true and fair view of the financial position of the Authority at the end of the financial year. However Members are still required to formally approve the audited financial statements by the 30 September.

4. 2010/11 Accounts

4.1 The financial position as outlined in the Statement of Accounts is the same as I

informed you in my Budgetary Control outturn report to the Authority meeting on the 27 June 2011.

4.2 In the Statement of Accounts, we have continued to value the four closed landfill sites at nil value. This recognises the fact that, whilst the land will appreciate in value at some point in the future, there remain significant uncertainties and also remediation costs that would have to be incurred if the land could have a change in its economic use. This accounting approach has been agreed with our Auditors but they have recommended that in 2011/12, a formal valuation process is undertaken. Officers have arrangements in place to deliver this recommendation.

5. Auditors report

5.1 A copy of the External Auditor's report is attached at Appendix A. It notes that they expect to issue an unqualified opinion on the Financial Statements and an unqualified value for money conclusion will be issued. The ISA 260 report also states that

'The change to IFRS was a huge task for the Authority and we have been pleased with the level of engagement from staff and determination to get things right'.

5.2 External Audit will provide a verbal update on this report at the Authority meeting.

6. Conclusion

6.1 The audit of ELWA's accounts will be completed by the statutory deadline of the 30 September. The Auditor report attached identifies that ELWA expects to receive an unqualified opinion.

7. Relevant Officer

Geoff Pearce Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3588

8. Appendices attached

Appendix A: ISA 260 report

Appendix B: ELWA Statement of Accounts

9. Background Papers

27 June 2011 - Financial Outturn Report for 2010/11 report & minute no. 2011/7.

10. Legal Considerations.

None

11. Financial Considerations

As outlined in this report.

12. Performance Management Considerations

None.

13. Risk Management Considerations

None

14. Follow-up Reports

None

15. Websites and e-mail links for further information.

None

16. Glossary

ELWA – East London Waste Authority

IFRS – International Financial Reporting Standards

17. Approved by Management Board

12 September 2011

18. Confidentiality

Not applicable

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East London Waste Authority

Report to those charged with
governance (ISA 260 (UK&I))

2010/11 Audit

September 2011

Final

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Executive summary

The purpose of this report

Under the Auditing Practices Board’s International Auditing Standard (UK and Ireland) 260 (ISA (UK&I) 260) - “Communication of audit matters with those charged with governance” we are required to report to those charged with governance on the significant findings from our audit before giving our audit opinion on the accounts of East London Waste Authority (‘the Authority’). As agreed with you, we consider that “those charged with governance”, at the Authority, are the Members of East London Waste Authority.

This report contains the significant matters we wish to report to you arising from all aspects of our audit programme of work in accordance with ISA (UK&I) 260.

Our audit work during the year was performed in accordance with the plan that we presented to you in June 2011. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

2010/11 was the first year the Authority was required to report under International Financial Reporting Standards (IFRS), including restatement of prior years’ comparative information. As part of our audit we have performed work on the IFRS restated figures and are satisfied with the approach and methodology used by management to prepare the 2010/11 financial statements under IFRS. The Authority has worked hard to produce its first set of IFRS based accounts and the finance team are to be congratulated for their efforts.

We will discuss the matters contained within this report with the Members on 26 September 2011.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of their standing guidance.

We would also like to take this opportunity to express our thanks for the co-operation and assistance we have received from the management and staff of the Authority throughout our work.

Significant audit and accounting matters

ISA (UK&I) 260 requires us to communicate to you relevant matters relating to the audit of the financial statements sufficiently promptly to enable you to take appropriate action. We set out below the significant risks identified in the audit plan together with the audit action we have taken in respect of each one.

Significant Risks

Risk

Response

Revenue and expenditure recognition

We are required by International Standards on Auditing (ISAs) to specifically consider the risk of material misstatement in relation to revenue recognition. We have also considered the risk of material misstatement in relation to expenditure recognition.

Due to their nature, we do not consider the receipt of commercial waste income, levy income and PFI grant income to be a significant risk and these income streams will therefore be excluded from this category. There are no other sources of material income, therefore revenue recognition is not considered to be a significant risk.

We have:

- understood and evaluated controls relating to expenditure recognition;
- considered the accounting policies adopted by the Authority; and
- subject expenditure to the appropriate level of testing to identify any material misstatement.

We have also carried out cut off testing on expenditure at year end to ensure that expenditure has been recorded in the correct financial year.

There are no issues to be brought to your attention

Fraud and Management Override of Control

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Under International Standard on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls. Our audit is designed to provide reasonable assurance that the 2010/11 Accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent. We consider the manipulation of financial results through the use of journals and management estimates, such as provisions and accruals as a significant fraud risk.

We have made inquiries in respect of:

- your oversight responsibility for Systems for monitoring risk, financial control and compliance with the law; and
- your assessment of the risks of fraud and of the internal controls the entity has established to mitigate specific risks of fraud that it has identified.

We have also:

- reviewed material management estimates for provisions and accruals and evaluate the accuracy, completeness and relevance of the data and the underlying assumptions used to produce the estimate, taking account of the new Clarity ISA requirements on estimates;
- performed targeted procedures on high-risk areas, such as journals, and on unusual material transactions; and performed unpredictable procedures to provide reasonable assurance that the Accounts are free from material misstatement.

There are no issues to be brought to your attention.

Significant Risks

Risk

Response

IFRS Transition

The transition to IFRS involved both new and considerably revised financial statements and an increase in the amount of disclosure required in the accounts. In particular:

Leases - IFRS requires building and land elements of leases to be analysed separately, increasing the possibility that the land element may need to be classified separately as an operating lease.

Component Accounting - The new Code requires the separate depreciation of components of an item of Property, Plant and Equipment whose cost is significant in relation to the total cost of the item and which have a shorter useful life than the item as a whole.

Accruals for Employee Benefits - The new Code has more rigorous requirements for the accrual of employee benefits earned during a year but untaken by the year-end (particularly leave entitlements and flexitime) and for the disclosure of termination benefits.

We have worked closely with the Finance team to resolve any accounting issues raised with us on a timely basis.

We have completed sufficient audit work in respect of the restatement of the 2008/09 balance sheet and the 2009/10 financial statements and are pleased to report that there are no issues which need to be brought to your attention.

VfM Conclusion related risks

Risks

Response

Increased pressures on budgets

Local government bodies are expected to make significant efficiency savings over the next three years as a result of the Comprehensive Spending Review 2010 and the local government financial settlement. There is a risk that savings plans may not be robust or based on sustainable solutions which could result in short term actions to ensure that spending targets are met.

We have considered the Authority's 2011/12 budget setting approach and its medium term financial projections.

We have conducted sufficient work to enable us to reach a conclusion in relation the Authority's value for money in the use of resources.

There are no issues we need to bring to your attention.

Relationship with Shanks Waste Management Ltd and contract management

It is crucial that the Authority continues to maintain a good working relationship with Shanks to ensure that the objectives of the Integrated Waste Management Service Contract are met.

We have discussed the Authority's governance arrangements regarding Shanks with the Finance Director and other relevant officers as part of our VFM conclusion work.

There are no issues we need to bring to your attention.

Accounts

We have completed the audit of the Authority's accounts in line with current Auditing Standards. We have completed our audit, subject to the following outstanding matters:

- Approval of the financial statements and letters of representation; and
- Completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the financial statements and their approval by those charged with governance we expect to issue an unqualified audit opinion.

Accounting issues

We have set out below the details of the significant accounting issues which have arisen during the audit and our assessment of the approaches adopted by the Authority.

It is important to recognise that our audit of the Authority's accounts this year was undertaken against the backdrop of the change from the traditional UK Generally Accepted Accounting Practices to International Financial Reporting Standards (IFRS).

The change to IFRS was a huge task for the Authority and we have been pleased with the level of engagement from staff and determination to get things right.

Misstatements and significant audit adjustments

We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. No unadjusted misstatements above the agreed reporting level of £100,000 have been identified.

As anticipated, given that this is the first time the Authority has produced a set of IFRS based financial statements, a number of presentation and disclosure amendments were identified during the course of the audit. None of these impacted materially the year end position and the financial statements have been amended by management.

Judgments and accounting estimates

The clarity ISAs (International Standards on Auditing), applicable for the first time this year, introduced an increased emphasis on what auditors need to do on accounting estimates. For each estimate we assessed the level of risk that they may be misstated and tailored our audit procedures to address the risk, depending on the nature of the estimate. These included:

- Estimated economic useful lives of property, plant and equipment assets. Management have used a consistent approach in relation to estimated economic useful lives of their property, plant and equipment. There are no issues to be reported.
- Calculation of pension fund net liability. Management has utilised the information provided from the actuary which is the fundamental basis of this estimation. Based on the work we have carried out we are satisfied that the estimate is reasonable within the Financial Statements.
- Landfill Valuation – we have considered the Authority's approach to valuing its property, plant and equipment during our audit and as part of that we considered the value of the four landfill sites which are no longer used and are currently valued at nil. The land is still contaminated and the majority is not used, however, in our experience it is unusual for land to have no value. While we are satisfied that the value of the land is not materially misstated we recommend that the authority keeps the issue under review and considers obtaining a formal RICS compliant valuation to support the valuation in the 2011/12 accounts.
- Going concern status. We have performed a review of the performance of the Authority for the 2010/11 and 2011/12 financial years, which has resulted in no issues to be reported.

We have not identified any issues with the application of these judgements and estimates in the financial statements.

Management representations

The final draft of the representation letter that we are requesting management and those charged with governance to sign is attached in Appendix 1.

Related parties

No significant matters in connection with the Authority's related parties were identified during the audit.

Audit independence

We confirm that, in our professional judgment, as at the date of this document, we are independent auditors with respect to the Authority and its related entities, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit engagement leader and the audit staff is not impaired.

Systems of internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the financial statements and our review of the annual governance statement. No such issues have been noted.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: 'Delivering Good Governance in Local Government'. The AGS was included in the financial statements.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE 'Delivering Good Governance in Local Government' framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Value for Money Conclusion

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Unlike in previous years, we have not been required to reach a scored judgement in relation to these criteria and the Audit Commission has not developed 'key lines of enquiry' for each criteria. Instead, we have determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We anticipate issuing an unqualified value for money conclusion.

Risk of Fraud

As communicated to you in our audit plan in June 2011, the preparation of the financial statements is the responsibility of management. Our responsibility as auditors is to express an opinion on those financial statements. Effective internal control reduces the likelihood that errors, fraud or illegal acts will occur and remain undetected; however, it does not eliminate that possibility.

Our responsibility regarding fraud is to obtain reasonable assurance that material misstatements resulting from fraud will be detected. Accordingly, while we cannot guarantee that all errors, fraud or illegal acts, if present, will be detected, we have designed our audit to provide reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as illegal acts having a direct and material effect on the financial statements.

As a result of our audit, no material errors, fraud or illegal acts have come to our attention other than those reported to the Authority by Internal Audit.

Fees update

Fees update for 2010/11

We reported our fee proposals as part of the Audit Plan for 2010/11.

Our actual fees were in line with our proposals.

Our fees charged were therefore:

	2010/11 Outturn	2010/11 Fee proposal
Financial Statements	24,800	24,800
Value for Money Conclusion	10,200	10,200
Total	35,000	35,000

Recent developments

Future of public audit

On 13th August 2010 the Department for Communities and Local Government announced that the Audit Commission will be disbanded and most recently on the 28 July 2011 the Department confirmed that the Commission's in-house Audit Practice will be outsourced to the private sector (effective from the financial year 2012/13 and for an anticipated period of three or five years).

Ministers have determined this approach should offer the best value for money. It is expected that after three or five years local councils and other public bodies will be able to plan to appoint their own auditors – creating auditor choice.

We will remain as your auditors for the 2011/12 financial year and we understand from the Commission that our appointment is expected to remain unchanged for at least 2012/13. The Audit Commission will not however be confirming 2012/13 audit appointments until later in 2012 once the procurement exercise has been concluded.

Letter of representation

Dear Sirs

This representation letter is provided in connection with your audit of the Statement of Accounts of East London Waste Authority (the “authority”) for the ended 31 March 2011 for the purpose of expressing an opinion as to whether the Statement of Accounts gives a true and fair view, and has been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice.

My responsibilities as Finance Director for preparing the financial statements are set out in the Statement of Responsibilities for the Statement of Accounts. I am also responsible for the administration of the financial affairs of the authority. I also acknowledge that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of East London Waste Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries so far as materially relevant in each case, the following representations:

Financial Statements

- I have fulfilled my responsibilities, for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- Significant assumptions used by the authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the financial statements for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom requires adjustment or disclosure have been adjusted or disclosed.

Information Provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you (the authority's auditors) are aware of that information.
- I have provided you with:
 - Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters, including minutes of the Authority and relevant management meetings;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the authority from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

- I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- I have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the authority and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- I have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the authority's financial statements communicated by employees, former employees, analysts, regulators or others.
- I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the financial statements.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.

Related party transactions

I confirm that we have disclosed to you the identity of the authority's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that the authority has made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the authority have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken for the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Bank accounts

I confirm that we have disclosed all bank accounts to you.

Valuation of Landfill Sites

I confirm that we are satisfied with the valuation of the landfill sites within the Financial Statements, based on their existing use value.

As minuted by the Authority at its meeting on 26 September 2011.

.....

Finance Director

For and on behalf of East London Waste Authority

Date

In the event that, pursuant to a request which East London Waste Authority has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. East London Waste Authority agrees to pay due regard to any representations which PwC may make in connection with such disclosure and East London Waste Authority shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, East London Waste Authority discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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EAST LONDON WASTE AUTHORITY
DRAFT STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

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PREFACE

This publication presents the Authority's Accounts for the year ended 31st March 2011. Its purpose is to give clear and concise information about the financial affairs of the Authority to both Members of the Authority and the Public.

Any enquiries about the Accounts or requests for further financial information should be addressed to the Finance Director, Lynton House, 255-259 High Road, Ilford, Essex, IG1 1NN.

EXPLANATORY FOREWORD

The accounts for 2010/11 are set out on the following pages and consist of:

- The Movement in Reserves Statement on pages 19 and 20 brings together all the movements in 2010/11 on these Balances.
- The Comprehensive Income and Expenditure Account on page 21 summarises the costs of the services provided by the Authority. It also shows how these costs are met from Service Income, Government Grants and the Levy Income.
- The Balance Sheet on page 22 is a summary of the Authority's financial position at 31st March 2011.
- The Cash Flow Statement on page 23 shows the total cash received by the Authority and how it was used.
- The Authority's Accounts are accompanied by explanatory notes.

The accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 – Based on International Financial Reporting Standards (IFRS), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The Code constitutes "proper accounting practice" with which, by law, Local Authorities must comply. The 2010-11 Code incorporates the Accounts and Audit Regulations 2003. IFRS has introduced a number of accounting and reporting changes, which have been incorporated into the accounts and briefly explained within relevant sections of the Accounts.

The Finance Director's Statement starting on page 4 identifies the more significant matters included within the Authority's Accounts and provides a summary of the Authority's overall financial position.

Finance Director's Statement

Introduction

The East London Waste Authority (ELWA) was created by Regulations made under the Local Government Act 1985. From 1 April 1986, ELWA assumed responsibility for the disposal of waste arising in the area covered by the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge.

The Statement of Accounts on the following pages set out the Authority's financial position for the year to 31 March 2011. Further information on the nature and purposes of the Authority's expenditure is contained in the annual Revenue and Capital Budgets.

The introduction of International Financial Reporting Standards (IFRS) had a significant impact on the Authority's accounts for 2009/10 mainly with the recognition of Private Finance Initiative (PFI) assets on the balance sheet. This year, the changes continue with a new primary statement, called 'Movement in Reserves' and the expansion of the 'Comprehensive Income and Expenditure Statement' to include the reconciliations from the former 'Statement of Total Recognised Gains and Losses'. Other notes to the accounts have also been expanded upon and renamed. 2010/11 is the first year that the Statement of Accounts has been fully prepared against an IFRS based Code of Accounting Practice.

Income and Expenditure Account

The Authority's revised budget for 2010/11 projected that there would be a net deficit of £5.081 million which would require the use of Revenue reserves and the PFI contract reserve in order to ensure that a balanced budget was achieved. The Authority's final outturn position demonstrates an improvement from this revised budget, as a result of a reduction in the final net revenue expenditure position. This is summarised in the table below.

	<u>Original Budget (£'000)</u>	<u>Revised Budget (£'000)</u>	<u>Actual (£'000)</u>
Net Revenue Expenditure (inc. Contingency)	45,906	45,906	45,441
Levy Raised	-40,825	-40,825	-40,825
Balance before accountancy adjustments	5,081	5,081	4,616

As a result of the accounting adjustments that are required to be made under IFRS, the deficit for the year as shown in the Comprehensive Income and Expenditure Statement appears larger, at £6.050 million. The table on page 5 provides a reconciliation between this net deficit figure and the actual final outturn position shown above of £4.616 million.

Reconciliation of the Accounting Adjustments required under IFRS

	<u>Actual</u> <u>£'000</u>	<u>Actual</u> <u>£'000</u>
Balance before accountancy adjustments (see Note 17)		4,616
Accountancy adjustments		-225
Balance of net expenditure to be financed by reserves		4,391
<u>PFI contract accountancy adjustments</u> (see Note 23):		
Service Charge	-9,558	
Depreciation and Impairment of PFI assets	5,203	
Interest Payable on Finance Leases	6,014	1,659
Deficit for the year after PFI adjustments		6,050
<u>Movement between Revenue Reserve and Reserves</u>		
Net Transfer from PFI Contract Reserve		-3,103
Transfer from Capital Adjustment Account		-1,584
Accumulated Absences Account		-3
Transfer to Pensions Reserve		136
Net Effect on Revenue Reserve		1,496
Revenue Reserves Brought Forward		-8,103
Revenue Reserves Carried Forward		-6,607

The adjustments arising from IFRS compliant accounting treatment have had no impact on overall net expenditure and movements on reserves.

Capital Programme/Borrowing Facilities

Since the introduction of the Prudential Code in 2004, the Authority can set its own capital spending limit as long as it is affordable, sustainable and prudent. The Local Government and Housing Act 1989 specifies that all new capital receipts generated from the sale of non-housing land, buildings and other assets are available to finance capital expenditure.

ELWA can borrow for any purpose for which it is legally entitled to incur expenditure. Loans can be raised for new capital requirements, to replace maturing debt and also to meet short-term revenue cash flow deficits. No capital expenditure or financing was incurred during 2010/11.

ELWA Operations

ELWA transferred its principal operations and contracts to Shanks Waste Services Limited as part of the 25-year IWMS Contract partly backed by PFI funding in December 2002. Since then ELWA's limited direct operational responsibilities have been in relation to its four closed landfill sites.

Local Government Pension Scheme (LGPS)

The Authority is legally obliged to offer guaranteed pension benefits to its employees. The statutory pension fund provider for the Authority is the London Pensions Fund Authority (LPFA). The LPFA Fund is maintained at a level to eventually meet the Authority's long-term liabilities for pension benefits, with the Authority's contributions fixed accordingly.

The results of the 2010 triennial actuarial valuation were used as part of the calculations for these accounts. The next valuation is due as at 31 March 2013.

As at 31 March 2011 the Authority's estimated liability for retirement benefits exceeded the value of assets by £391,000 (as at 31 March 2010 £990,000) when valued in accordance with the accounting standards. This is primarily due to assets growing more than expected and the liability valuation being lower than last year, partly due to a change in the use of indices as described below.

Changes to the LGPS

The Government has announced its plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). In the Pension Scheme disclosure it is assumed that the CPI will increase at a slower rate than the RPI and so pension increases and therefore the IAS 19 liabilities will be lower.

Future Outlook

The future outlook for the Authority is subject to a number of uncertain factors, for example changes in landfill tax, waste growth, inflation assumptions and the impact of new legislation. Whilst levy increases in recent years have accommodated spending pressures and exceeded the rate of inflation, the expenditure constraints faced by the constituent boroughs and Government pressure to minimise Council Tax increases mean that this may not be sustainable in future.

Conclusion

I would like to thank all the ELWA staff and the staff and colleagues in the four Constituent Councils for their continued support in the production of these Statement of Accounts.

G Pearce, BA, CPFA
Finance Director
26th September 2011

Annual Governance Statement

Introduction

Each year the Authority is required by regulation to produce a statement that details the framework for making decisions and controlling the resources of the Authority. The statement covers both the Authority's governance arrangements as well as internal control issues. This statement should enable stakeholders to have assurance that decisions are properly made and public money is being properly spent on citizens' behalf. The statement below complies with the Accounts and Audit Regulations 2003 as amended.

The purpose of the Governance Framework

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

The system of internal control is a significant part of the governance 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 being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Authority's governance framework is established through its systems, processes, cultures and values. Its systems and controls are regularly reviewed to reflect changing needs. The local Code has been incorporated into the constitution as a single point of reference for the Authority's framework for its Governance arrangements.

Vision and Purpose

ELWA has the vision "To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value". This vision is supported by objectives and joint targets. The vision was adopted in consultation with stakeholders.

The Joint Waste Management Strategy sets out the Authority's strategic direction. It shows the integrated planning process that links the Strategy, the Authority's Vision, Aims and priorities together. The Strategy also outlines the actions to be taken to deliver on the strategic priorities. This is reviewed annually to identify new key actions to be considered in the service planning process. A range of performance indicators assists in the monitoring of activity.

The Joint Waste Management Strategy underpins the annual service delivery plans that are agreed by ELWA and the Contractor. These are required under the Integrated Waste Management Contract, which was established in 2002, at the commencement of the 25 year waste contract. These requirements are;

- The Overall Service Delivery Plan (OSDP) of ELWA Limited is a Plan that covers the 25 years of the Contract. This is a schedule to the Contract and is essentially the operational and technical proposal by Shanks Waste Services (SWS) to meet ELWA's requirements.
- The 3 or 5 Year Service Delivery Plan (SDP) follows a similar format to the OSDP but provides a greater level of detail. The first 5 Year SDP is also a schedule to the Contract. The second and subsequent 3 or 5

Year SDPs will be submitted for approval by ELWA in the future but must be prepared so that they are consistent with the OSDP.

- The Annual Budget and Service Delivery Plan (ABSDP) follows a similar format to the other SDPs but provides a greater level of detail, particularly in respect of financial matters. The first ABSDP, relating to the period up until 31st March 2003, was finalised and incorporated as a schedule to the Contract. In subsequent years, the ABSDP is normally considered in the Autumn prior to the commencement of the relevant financial year to which it relates. This will ensure that the levy report in February can fully reflect the likely expenditure commitments arising from the Contract

The Authority can apply various penalties under its IWMS contract if these Plans, once approved, are not adhered to and met. In extreme circumstances, the Authority could terminate the Contract.

The financial aspects of the ABSDP are important in the preparation of the ELWA levy. The SDP and WDP are important operationally and set out the arrangements dealing with Borough waste collections and the periods of construction and improvements to Civic Amenity sites.

It is recognised that the Authority cannot achieve its Vision alone. It needs to work in partnership with its four Constituent Boroughs, other agencies and the community to make this happen. An example of this partnership working includes the work undertaken with all partners for the improvement in the collection and sorting of dry recyclables.

Performance Management and Reporting

The performance management framework demonstrates how effective the actions being taken are and assists in monitoring progress in the way in which the Authority's strategies are translated into action plans. It also helps to identify if any risks are materialising when indicators do not show the level of progression anticipated.

The performance management framework is therefore instrumental in identifying and mapping continuous improvement of services across the Authority.

The fundamentals of contractual performance management are embedded in the way the Authority operates. There is:

- A corporately defined process that ensures that Plans are linked to strategic aims;
- Mechanisms whereby performance is reported to Members and Officers.

However, within the Authority itself, it is recognised that improvements are required to formalise a performance management system for Authority Officers. This will ensure that each member of staff have clear and measurable objectives that are ultimately aligned to the strategic objectives of the Authority. This is a key improvement action for 2011/12.

Authority Constitution

This sets out the roles and responsibilities of Members and Officers. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively.

At the beginning of the 2010/11 financial year, Members approved new Governance arrangements and a new corporate structure. Emerging changes to our governance structure are presented at Authority meetings for approval. A revised Constitution has also been formally adopted. A copy of the Authority's constitution is on the Authority's website. This includes a clear reference to the scheme of delegation,

which outlines who is authorised to make particular decisions in particular areas. Clear rules regarding financial and contractual regulations are outlined within the Constitution as well.

Codes of Conduct

Part E of the ELWA Constitution deals with the Codes of Conduct for Members and Employees. Each of ELWA's four Constituent Councils has adopted the mandatory provisions of the Model Code. ELWA is not required to adapt a Code of Conduct for its Members. However, the Members of the four Councils are bound by their respective Council Codes when they act on their official capacity for ELWA. A consolidated Code of Conduct for officers was approved in April 2010.

Risk Management

The Authority has embedded risk management processes throughout its structure. A Risk Management Policy and Strategy is agreed and reviewed by the ELWA Board and Authority on a regular basis.

Financial and operational risks are embedded within individual reports that are presented at Authority meetings.

Risks identification and management processes are also in place for projects, partnerships and contracts. Given the growing use of partnership working to deliver joined-up services and VFM, the processes of risk identification and management will need to reflect the greater number and complexity of such arrangements. The process of delivering these enhancements has already commenced with clarity achieved via, for example, contract variations.

Compliance with policies, laws and regulations

The constitution sets out the legal framework for making decisions and publishing them. The Authority has the following statutory officers; Head of Paid Service – Managing Director, Section 151 officer (Local Government Act 1972) – Finance Director, and Monitoring Officer – Legal Adviser each of whom has the power to refer matters to full Authority if a breach of regulation is possible. These officers form part of the Management Board. None of these officers have been required to use their powers during the year.

The statutory officers provide also professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed.

Counter Fraud including Whistle-blowing

The Authority has an agreed Anti Fraud & Corruption Strategy that is regularly reviewed to ensure it remains effective and adaptive to emerging issues and risks. Two key components that support this Strategy are:

- Whistle blowing arrangements that are available to the general public, employees, contractors and partners.
- Delivering a programme of anti fraud training and guidance, including a Fraud Response Plan to instill a culture and awareness that fraud will not be tolerated.

It is recognised that improvements could be made to making this information much more visible on the Authority's website and this is one of the agreed areas for improvement in 2011/12.

Complaints process

The Authority has a recognised complaints process, and aims to comply and conform to the complaints procedures operating in each of the four Constituent Councils.

Members also receive enquiries and complaints via their surgeries, walkabouts or by correspondence. ELWA Officers support Members in addressing these queries to ensure that the public receive an appropriate answer.

Members of the public may also complain to the Local Government Ombudsman. The Authority has had no previous history of any such complaints.

Complaints are analysed and assessed so that the organisation can identify trends and issues and if necessary, put in place changes and improvements to prevent complaints reoccurring.

Training and development

Members have a general programme to keep them up to date with changes and to supplement their training needs via their Constituent Councils. This is supplemented by formal and informal information about ELWA through briefings, workshops and conferences.

Training and development of staff continues via professional associations, conferences, seminars, courses run by Constituent Councils, on-line tuition and bespoke courses. These are related to the demands of new legislation and new system.

Communication and engagement

The Authority has a responsibility to communicate how to access basic services and information. The Authority's primary communication methods are comprehensive reporting, its website, leaflets and briefings for Constituent Councils. In respect to public and community information, the Authority and the Constituent Councils have combined with the main service provider to implement a 3 year Communications Strategy to drive through improvements in performance from the doorstep. User satisfaction surveys provide services with feedback on Authority performance, used to shape service delivery and policy.

Partnerships

The most significant partnerships for the Authority are with its four Constituent Boroughs and through the IWMS Contract with Shanks, East London.

There are sound governance arrangements in place for partnerships. They are implemented via regular formal meetings with Shanks including those at ELWA Limited and regular formal meetings with the Boroughs including those at the ELWA Management Board and Operational Management Group.

Review of effectiveness

ELWA has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors who have responsibility for the development and maintenance of the governance environment, the annual report of the Chief Auditor for the London Borough of Redbridge, and also by comments made by the external auditors and other review agencies and inspectorates.

During 2010/11, significant time and effort has been invested by ELWA, the Boroughs and the Service Provider in consulting and negotiating and specifying the medium term service delivery plans for the majority of ELWA's activities.

The 5 yearly and annual processes, conducted within a formal framework provided by the Integrated Waste Management Strategy and Contract, enforce a disciplined review of objectives and effectiveness.

Internal Audit

Internal Audit and External Audit operate a joint working arrangement to maximise the effectiveness of the audit scrutiny of the Authority. In accordance with the Audit Commission's Code of Audit Practice, the external auditors seek to place reliance upon Internal Audit's work in the assessment of risk, core accounting processes, and the effectiveness of internal control. An effective Internal Audit function is a core part of the Authority's arrangements to ensure the proper conduct of its financial affairs. Internal Audit priorities are risk based and agreed with the Finance Director, following consultation with the Management Board and External Audit as part of the annual planning process.

The Chief Auditor for the London Borough of Redbridge is authorised to complete a programme of audit reviews within the Authority. To assist in the accomplishment of this programme, the Financial Regulations of the Authority give authority for Internal Auditors to have full, free and unrestricted access to all Authority assets, records, documents, correspondence and personnel for the purposes of that audit. Recommendations arising from the work of both internal and external auditors are discussed and agreed with management, including acceptable timescales for their implementation. The Chief Auditor for the London Borough of Redbridge reports on the outcomes of the annual programme of audit work to Members and management.

Governance and internal control issues requiring improvement

Areas for development that have been identified within the Annual Governance Statement are listed below together with the improvements made during the year and those planned to be delivered in 2011/12.

- Contract Management

Hand-held devices have now been implemented which should improve the consistency of information between inspection records and data held by ELWA and the constituent councils. The revised arrangements need to be embedded during 2011/12 to ensure that they deliver the outcomes required.

- Performance Monitoring

Develop an internal performance management system so as to ensure that Authority Officers have clear, measurable objectives, which are aligned to the overall strategic objectives of the Authority.

- Business Continuity Planning

Strengthen our governance arrangements further by documenting and testing a business continuity plan so that it is clear how ELWA are able to continue to function in the advent of a significant risk or incident occurring.

- Improved communication of key ELWA documents

Continue to review how improvements can be made to the ELWA website so that key stakeholders can easily access key documents such as the Authority's whistle blowing policy.

We propose over the coming year to take steps to confirm and implement the above matters to embed the new arrangements. We are satisfied that these steps will continue ELWA's satisfactory performance and national standing

Signed:

.....

Paul Taylor (Managing Director)

.....

(Chairman)

Date:

Annual Governance Statement Action Plan 2011/12

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
1	Contract Management	Hand-held devices have now been implemented. Regular reviews of information quality and governance issues will be undertaken by ELWA	March 2012	Head of Operations
2	Performance Monitoring	The building of performance management framework is a key action for the Managing Director for 2011/12 and this will commence shortly.	December 2011	Managing Director
3	Business Continuity Planning	Documentation of business continuity plan is about to commence which shall enable a testing of the plan to be completed by the end of the Autumn.	October 2011	Managing Director
4	Improved communication of key ELWA documents	Initial review of accessibility of key documents on the ELWA website prior to undertaking a refresh exercise.	September 2011	Managing Director

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

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 Finance Director;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Managing Director's Responsibilities

The Managing Director is responsible for: -

- maintaining effective financial controls and for securing the accuracy and integrity of financial information and systems operating within their department;
- complying with any procedural instructions issued by the Finance Director ; and
- preparing the Annual Governance Statement.

The Finance Director's Responsibilities

The Finance Director is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('IFRS'), is required to give a true and fair view of the financial position of the Authority as at the 31 March 2011 and its income and expenditure for the year ending 31 March 2011.

In preparing this Statement of Accounts, the Finance Director confirms that he has:

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the Code of Practice
- kept proper accounting records which were up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

East London Waste Authority
Statement of Accounts
For The Year Ended 31 March 2011

I certify that the Statement of Accounts presents a true and fair view of the Authority's income and expenditure for the year ending 31 March 2011 and the Authority's financial position as at 31 March 2011.

G Pearce, BA, CPFA
Finance Director
26th September 2011

Independent auditor's report to the Members of East London Waste Authority

We have audited the financial statements of East London Waste Authority for the year ended 31 March 2011 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom supported by the Best Value Accounting Code of Practice 2010/11.

Respective responsibilities of the Finance Director and Auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 14 and 15, the Finance Director is responsible for the preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the Finance Director's Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2011 and of the Authority income and expenditure and cash flows for the year then ended; and
- have been prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Finance Director's Statement for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Ciaran McLaughlin (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, East London Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

We certify that we have completed the audit of the Authority accounts of East London Waste Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Ciaran McLaughlin (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

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 taxation) and other reserves. The Surplus and (Deficit) on the Provision of Service line shows the true economic cost of providing the Authority's service, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2010/11 Movement

	Earmarked Capital Reserve £000	Earmarked PFI Contract Reserve £000	Earmarked Revenue Reserve £000	Total Earmarked Reserves £000	Revenue Reserve Balance £000	Total Usable Reserves £000	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	Accumulated Absences Reserve £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	-400	-10,767	0	-11,167	-8,103	-19,270	12,244	-2,278	990	0	10,956	-8,314
Movement in Reserves during 2010/2011												
(Surplus) or Deficit on the provision of services	0	0	0	0	6,050	6,050	0	0	0	0	0	6,050
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	-463	0	-463	-463
Total Comprehensive Income and Expenditure	0	0	0	0	6,050	6,050	0	0	-463	0	-463	5,587
Adjustment between accounting basis and funding basis under regulations (Note 5)	0	0	0	0	-1,451	-1,451	1,584	0	-136	3	1,451	0
Net Increase / Decrease before Transfers to Earmarked Reserves	0	0	0	0	4,599	4,599	1,584	0	-599	3	988	5,587
Transfers to / From Earmarked Reserves (Note 6)	0	3,103	-30	3,073	-3,103	-30	0	0	0	0	0	-30
(Increase) / Decrease in 2010/11	0	3,103	-30	3,073	1,496	4,569	1,584	0	-599	3	988	5,557
Balance at 31 March 2011 carried forward	-400	-7664	-30	-8,094	-6,607	-14,701	13,828	-2,278	391	3	11,944	-2,757

East London Waste Authority
Statement of Accounts
For The Year Ended 31 March 2011

2009/10 Movement

	Earmarked Capital Reserve £000	Earmarked PFI Contract Reserve £000	Earmarked Revenue Reserve £000	Total Earmarked Reserves £000	Revenue Reserve Balance £000	Total Usable Reserves £000	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	Accumulated Absences Reserve £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009 carried forward	-400	-13,535	0	-13,935	-10,157	-24,092	7,806	0	429	0	8,235	-15,857
Movement in Reserves during 2009/10												
(Surplus) or Deficit on the provision of services	0	0	0	0	9,293	9,293	0	0	0	0	0	9,293
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	-2,278	528	0	-1,750	-1,750
Total Comprehensive Income and Expenditure	0	0	0	0	9,293	9,293	0	-2,278	528	0	-1,750	7,543
Adjustment between accounting basis and funding basis under regulations (Note 5)	0	0	0	0	-4,471	-4,471	4,438	0	33	0	4,471	0
Net Increase / Decrease before Transfers to Earmarked Reserves	0	0	0	0	4,822	4,822	4,438	-2,278	561	0	2,721	7,543
Transfers to / From Earmarked Reserves (Note 6)	0	2,768	0	2,768	-2,768	0	0	0	0	0	0	0
(Increase) / Decrease in 2009/10	0	2,768	0	2,768	2,054	4,822	4,438	-2,278	561	0	2,721	7,543
Balance at 31 March 2010 carried forward	-400	-10,767	0	-11,167	-8,103	-19,270	12,244	-2,278	990	0	10,956	-8,314

Comprehensive Income and Expenditure Statement

This statement summarises the resources that have been generated and consumed in providing services and managing the Authority during the year. It includes all day-to-day expenses and related income on an accruals basis.

2009/10			2010/11			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
446		446	Supplies and Services	454		454
40,380		40,380	Service Charges (Note 23)	40,758		40,758
766		766	Employee and Support Services	951		951
96		96	Premises Related Expenditure	83		83
1		1	Transport Related Expenditure	2		2
5,680		5,680	Depreciation and Impairment of Fixed Assets (Note 8)	5,203		5,203
904		904	Third Party Payments	1,016		1,016
	3,051	-3,051	Commercial Waste Charges		2,819	-2,819
	4,181	-4,181	PFI Grants (Note 20)		4,014	-4,014
	343	-343	Other Income		507	-507
48,273	7,575	40,698	Cost of Services	48,467	7,340	41,127
7,677	422	7,255	Financing and investment income and Expenditure (Note 7)	6,169	421	5,748
55,950	7,997	47,953	Net Operating Expenditure	54,636	7,761	46,875
	38,660	-38,660	Income from Levy		40,825	-40,825
55,950	46,657	9,293	(Surplus) or Deficit on provision of services	54,636	48,586	6,050
		-2,278	Surplus or deficit on revaluation of Property, plant and equipment assets (Note 8)			0
		528	Actuarial gains / losses on pension assets / Liabilities (Note 24)			-463
		-1,750	Other Comprehensive Income and Expenditure			-463
		7,543	Total Comprehensive Income and Expenditure			5,587

Balance Sheet

The Balance Sheet shows the value as at the 31 March 2011 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 (for example the Capital Receipts Reserve that may only be used to fund capital and repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
97,560	94,158	Property, Plant & Equipment	8	88,955
2,619	283	Long Term Investments	25	133
100,179	94,441	Long Term Assets		89,088
23,051	21,231	Short Term Investments	25	16,978
3,574	1,796	Short term Debtors	10	3,226
0	934	Cash and Cash Equivalents	11	11
26,625	23,961	Current Assets		20,215
-11	0	Cash and Cash Equivalents	25	0
-29	-29	Short Term Borrowing	25	-151
-4,886	-4,641	Short Term Creditors	12	-5,243
-4,926	-4,670	Current Liabilities		-5,394
-1,610	-1,610	Long Term Borrowing	25	-1,488
-103,982	-102,818	PFI Finance Lease Liability	23	-99,273
		<i>Other Long Term Liabilities:</i>		
-429	-990	Pension Liability	24	-391
-106,021	-105,418	Long Term Liabilities		-101,152
15,857	8,314	Net Assets		2,757
24,092	19,270	Usable Reserves	13	14,701
-8,235	-10,956	Unusable Reserves	14	-11,944
15,857	8,314	Total Reserves		2,757

G Pearce, BA, CPFA
Finance Director
26th September 2011

Cash Flow Statement

The Cash Flow 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. 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.

2009/10 £000		2010/11 £000
9,293	Net (surplus) or deficit on the provisions of services	6,050
-3,956	Adjustments to net surplus or deficit on the provision of services for non- cash movements	-4,915
-7,384	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-2,916
-2,047	Net cash flows from Operating Activities (Note 15)	-1,781
	Investing Activities :	
2,336	<i>Movement in long term investments</i>	150
656	Financing activities (Note 16)	708
945	Net increase and decrease in cash and cash equivalents	-923
-11	Cash and cash equivalents at the beginning of the reporting period	934
934	Cash and cash equivalents at the end of the reporting period (Note 11)	11

Statement of Accounting Policies

1. General Principles

The general principles adopted in compiling the Accounts are consistent with the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 - based on International Financial Reporting Standards (IFRS), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of Non Current Assets in accordance with the IFRS.

The Balance Sheet comprises the balances, after eliminating inter-account balances, of all the services of the Authority.

2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. The Authority's bank overdraft is presented as part of cash and cash equivalents on the face of the balance sheet as the amounts are an integral part of an authority's cash management.

Cash equivalents are investments that having originally been invested for no longer than three months are repayable on demand or readily convertible to known amounts of cash with insignificant risk of change in value. Fixed term deposits, excluding overnight deposits, are not considered to be readily convertible since they only become repayable at the point of maturity and cannot be traded or redeemed without penalty. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

3. Exceptional Items

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

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period 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 period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period 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.

5. 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 benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

6. Pension Provision

As part of the terms and conditions of employment of its officers, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) administered by the London Pension Funds Authority (LPFA). This is a funded defined benefit scheme.

Employees' and employers' contributions are paid into the LGPS. Employers' contribution rates are advised by the LPFA Fund's Actuary, Barnett Waddingham LLP, with the intention of balancing the pension liabilities with investment assets over time. Additional pension liabilities resulting from early retirements are met by the Authority's Income and Expenditure Account and not by the Pension Fund. The Authority is

required to account for pension costs in accordance with IAS 19 and to recognise in the accounts accrued benefits payments at the time that the employees earn their future benefit entitlements.

This has the following effect on the results of the current and prior period:

- the overall amount to be met from the levy has remained unchanged, but the costs disclosed for services after the replacement of actual employer's contributions by current service costs are £46,000 higher (£33,000 higher in 2009/10).
- Pension costs have reduced by £136,000, primarily owing to the effect of the change in indices used for increasing future pensions in line with inflation, as described in the Finance Director's Statement.
- The liability in the balance sheet has reduced and reported net worth of the Authority is now £391,000. (£990,000 in 2009/10).

7. 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 period 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 period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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

8. Loans and Receivables

Loans and receivables 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 the Comprehensive Income and Expenditure Statement 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 loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

9. Interests in Companies and Other Entities

The Authority annually reviews the extent to which other entities (over which the Authority has a material interest) need to be consolidated into Group Accounts. In consolidating the accounts, all transactions and balances between the Authority and the subsidiary would be eliminated in full.

10. Leases

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

A prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Operating Leases

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

11. 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 example if the Authority was to be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

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

Contingent Assets

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

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

12. Accruals of expenditure and income

The Accounts have been prepared on the normal accruals basis whereby activity is accounted for in the year that it takes place, not when cash payments are made or received. Debtors and creditors are included in the balance sheet in respect of goods supplied and services rendered but not paid for at 31 March 2011.

When debts may not be settled, the balance of the debtor is written down and a charge made to revenue for the income that might not be recovered.

13. Property, Plant and Equipment

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised provided that the fixed asset yields benefits to the Authority and the service it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to the Income and Expenditure Account.

Under the adaptation to International Financial Reporting Interpretations Committee (IFRIC) 12, a PFI asset should initially be recorded as both an asset and liability at the present value of the minimum lease payments, which is equal to the cost of the assets constructed in a PFI scheme.

Fixed assets have been valued by the waste management contractor, who has current and expert knowledge of the assets in question. The last revaluation was carried out on a replacement cost basis in 2009/10. Fixed assets are classified into the groupings required by the 2010-11 Code of Practice on Local Authority Accounting. Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use.

Revaluations of fixed assets are planned at five yearly intervals, although material changes to assets' valuations will be adjusted in the interim period, as they occur. Properties regarded by the Authority as operational were valued on the basis of open market value for their existing use, or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost (DRC).

Properties regarded by the Authority as non-operational have been valued on the basis of open market value.

Any surpluses arising from movements in the general level of prices will be credited to the Revaluation Reserve. Any deficit will be debited to the Revaluation Reserve where a credit balance exists for that specific asset, otherwise the debit will be reflected in the Income & Expenditure Account and reversed out in the Statement of the Movement on the Revenue Reserve Balance. A review, including an assessment for impairment, is carried out each year to assess material changes to the value or useful life of fixed assets. Where the impairment is due to a clear loss of economic benefit, IFRS requires that the loss is charged to the Income and Expenditure Account and reversed out in the Statement of the Movement on Revenue Reserve Balance.

The Authority holds four closed landfill sites. Historically, the Authority has valued these landfill sites at £nil to reflect the fact that each site requires significant remediation to restore its economic use to anything other than its current use.

The Authority is aware that as the sites are eventually restored, there will be an increased value for this land. However, it is important to note that at present no planning permission has been granted for any site.

Therefore, as there has been no change, or expected change, to the two principal factors that have historically influenced that valuation, namely economic use and the need for costly remediation action; the Authority has taken a prudent view and maintained the £nil valuation for 2010/11. This approach will continue to be reviewed on a year by year basis.

14. Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation).

- Operational assets are depreciated on a straight-line basis over a maximum period of 25 years.
- Newly acquired assets are not depreciated until the following year.
- Depreciation is provided on assets in the year of disposal.

Depreciation is calculated using the straight-line method.

15. Charges to Revenue

External interest payable (charged on an accruals basis) is charged to the Income and Expenditure Account.

Amounts set aside from revenue for the repayment of external loans to finance capital expenditure or as transfers to other reserves are excluded from the Income and Expenditure Account and disclosed separately on the Movement in Reserves Statement.

16. Value Added Tax

All expenditure and income figures in the Accounts are stated exclusive of Value Added Tax.

17. Reserves

- A Capital Reserve exists primarily to enable expenditure to be financed without the need to borrow or use capital receipts.

- The Pension Reserve has been set up as part of the requirement to comply with IAS 19, Accounting for Pension Costs. It represents the actuarially calculated deficit between the value of all pension liabilities and the assets held by the London Pensions Fund Authority (LPFA) as at the 31 March 2011. The deficit also includes the difference between the cost of statutorily required payments to the LPFA and the IAS 19 accounting cost charged to the Net Cost of Services in the Income and Expenditure Account. Further information relating to the Net Pension Liability is shown in Note 24 to the Accounts.
- The PFI Contract Reserve has been set up in pursuance of the Authority's agreed policy to match income and expenditure in respect of the IWMS/PFI Contract over its 25 year duration from December 2002. The reserve will ensure a smoother levy profile by avoiding exceptional levy increases especially in years when, under the terms of the IWMS/PFI Contract, the cost is expected to be subject to significant stepped increases to meet higher recycling and recovery targets.
- The Capital Adjustment Account is a non-cash backed reserve, which represents amounts set aside from revenue resources and capital receipts to finance expenditure on fixed assets and also for the repayment of external loans and certain other capital financing transactions.
- From the 1 April 2007, the Authority is required to record unrealised revaluation gains and losses arising from holding fixed assets in a designated Revaluation Reserve. The reserve is matched by fixed assets within the Balance Sheet and therefore not available to finance expenditure.
- Under IFRS, an Accumulated Absences Reserve has been set up to account for untaken leave balances outstanding as at the 31 March 2011.

18. Disposal of Assets

Income from the disposal of fixed assets is credited to the Usable Capital Receipts Reserves and can be wholly used to finance capital expenditure. The balance on this Reserve was £nil as at 31st March 2010 and 2011.

19. Inventory

The Authority holds no stocks or work in progress. The cost of all materials is charged to the Income and Expenditure Account when they are purchased.

20. Redemption of Debt

ELWA's Treasury Management function is administered by the London Borough of Redbridge on behalf of ELWA. The Local Government and Housing Act 1989 requires that a Minimum Revenue Provision be charged to the Revenue Reserve and set aside for the repayment of debt.

21. Financial Relationship Between The Authority And Constituent Councils

Many of the Authority's day to day administrative and support functions during the year were run on an agency basis utilising resources from the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge.

22. Government Grants and Contributions

Government Grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

23. Landfill Allowances

In accordance with CIPFA's Code of Practice on Local Authority Accounting Bulletin 64, there is a requirement with effect from 1 April 2005 to account for Landfill Allowances at the lower of cost and net realisable value. Any surpluses or deficits arising from the Landfill Allowances Trading Scheme (LATS) are taken to the specific, earmarked LATS Reserve.

Under the scheme, the Authority receives annual allowances from DEFRA for landfilling Biodegradable Municipal Waste (BMW). Each allowance received represents grant income, while each tonne of BMW landfilled incurs a liability to DEFRA. Any unused allowances are carried forward as an Authority asset. These transactions are reflected in the Comprehensive Income and Expenditure Account and Balance Sheet at the rate of £nil per tonne as at 31 March 2011. This is in line with the position as at 31 March 2010.

ELWA has no arrangement to trade the surplus allowances by the target year and therefore has written down the value of the surplus allowances to zero because they have no value.

24. Long Term Contracts/Private Finance Initiative

In December 2002, the Authority entered into a PFI contract. PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor.

In accordance with IFRIC 12, all PFI arrangements have been reflected on the Authority's balance sheet. The financial liability has been recognised as per the finance lease principles under International Accounting Standards (IAS) 17.

The fixed assets associated with the contract have been recognised in the Authority's balance sheet at fair value, and the assets will be revalued and depreciated in line with the Authority's policies for the accounting of fixed assets.

The annual amounts payable to the PFI operator are analysed into three elements: -

- The value of services received during the year, which is charged to the Income and Expenditure Account;
- An interest charge of 5.99% reflecting the implicit rate of interest on the finance lease on the outstanding balance sheet liability, which is charged to the Income and Expenditure Account; and
- The payment towards the liability, which writes down the liability in the Balance Sheet.

25. Financial Instruments

Financial Instruments represent transactions, with a contract, which result in a financial asset for one entity and a financial liability for another. Financial Instruments cover both financial assets and liabilities.

a) Financial Assets

Financial assets are classified into two types:

- (i) Loans and receivables - assets that have a fixed or determinable payment, but are not quoted in an active market.

(ii) Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried in the Balance Sheet at amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For loans that the Authority has made, the amount in the Balance Sheet is the outstanding principal receivable and the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. Where financial assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

(b) Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. Costs associated with the arrangement of borrowing have been identified and assessed as immaterial.

Borrowings and investments are undertaken and accounted for in accordance with the Authority's Treasury Management Policy and Treasury Management Strategy.

26. Interest on Balances.

Cash balances, not required for immediate use, are invested in accordance with the Authority's Annual Investment Strategy. Interest earned on the Authority's balances is credited to the Income and Expenditure Account.

27. Financial Relationships with Companies and other Organisations

In accordance with IAS 24 local authorities are required to prepare a full set of group Statement of Accounts where they have material interests in subsidiaries, associates and joint ventures. This also includes consideration of interests in other statutory bodies. The Authority does have a financial relationship with some bodies and this is explained in Notes 21 and 23 to the Accounts.

Notes to the Statement of Accounts

1. Adoption of New Accounting Standards and IFRS

• Accounting Standards that have been issued but have not yet been adopted

The only Accounting Standard that has been issued but not adopted is FRS 30, Heritage Assets. This has no effect on the Authority Balance Sheet.

• First Time Adoption of IFRS

In 2009/10, the Statement of Accounts adopted the IFRS approach in order to bring the PFI asset on the balance sheet. IFRS also requires changes to the Statement of Accounts in 09/10 and 10/11 where Government grants are held but not used. As the Authority holds no grants that have been unused at year-end, no adjustments are required to be shown. Therefore the only first time adoption of IFRS impacts is upon Accumulating Compensated Absences.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

There are no accumulating compensated absences as at the end of 2009/10 and therefore there was no requirement to restate the 2009/10 financial statements.

2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in the Statement of Accounting Policies section of the Statement of Accounts, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The only critical judgement made in the Statement of Accounts is as follows.

There is a degree of uncertainty about future levels of Government funding for Local Government. The Authority is funded by a levy on the four Constituent Boroughs. The agreements in place with the Constituent Boroughs stipulate payment of the levy. However, the Constituent Boroughs are subject to pressures that will impose constraints on future levy increases. This in turn limits the Authority's capacity to increase the Levy to fund its commitments.

3. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private Finance Initiative	The PFI contract costs are based on estimation over a period of 25 years. The assumptions made at the beginning of the contract will differ from the original estimate.	The value of the service for each year is charged to Income and Expenditure thus writing down the liability. An increase or decrease in cost will therefore affect the liability.
Pensions	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 retirements 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 present value of the pension's total obligation can be measured. For instance a 0.1% decrease in the discount rate assumption would result in the total obligation increasing by £46,000. However, the assumptions interact in complex ways. The Authority's actuaries use their experience to make the necessary adjustments accordingly.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

4. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Finance Director on 30 June 2011. Events taking place after this date are not reflected in the Statement of Accounts or notes. Where events taking place before this date provide information about conditions existing at 31 March 2011, the figures in the Statement of Accounts and notes have been adjusted in all material respects to reflect the impact of this information.

The Statement of Accounts have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to the conditions at that date:

During 2010/11, the Authority agreed to allow Shanks to dispose of its Class 'B' and 'C' shares in ELWA Limited. The agreement was linked to Shanks agreeing to changes in performance targets around landfill diversion. A change to the contract of this magnitude meant that Shanks needed approval from their funders. Therefore, it was also agreed that if funders' agreement was not received by 31st March 2011, Shanks would make a payment of £500,000 to ELWA. Funders' agreement was not received by the 31st March and a payment of £500,000 was made to the Authority in May 2011.

In May 2011, a review identified that a sub-contractor had incorrectly categorized landfill waste as having been recycled. The financial consequence of this is that ELWA has potentially overpaid recycling credits.

It is currently estimated that this error inflated recycling performance in 2010/11 by 4%, which equates to an overpayment of approximately £300,000. ELWA is currently in discussion to agree a suitable refund of these monies.

5. Adjustment 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 in order to calculate the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11

	Usable Reserves				
	Revenue Reserve Balance £000	Capital Reserve £000	PFI Contract Reserve £000	Revenue Reserve Resource £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of Charges for depreciation and impairment of non-current assets	-5,203				5,203
Statutory provision for the financing of capital investment	3,545				-3,545
Capital charges	74				-74
Total Adjustments primarily involving the Capital Adjustment Account	-1,584				1,584
Adjustment primarily involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 24)	136				-136
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	-3				3
Total Adjustments	-1,451	0	0	0	1,451

2009/10 Comparative Figures

Usable Reserves

	Revenue Reserve Balance £000	Capital Reserve £000	PFI Contract Reserve £000	Revenue Reserve Resource £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of Charges for depreciation and impairment of non-current assets	-5,680				5,680
Statutory provision for the financing of capital investment	1,164				-1,164
Capital charges	78				-78
Total Adjustments primarily involving the Capital Adjustment Account	-4,438				4,438
Adjustment primarily involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 24)	-33				33
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	0				0
Total Adjustments	-4,471	0	0	0	4,471

6. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Revenue Reserve balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Revenue Reserve expenditure in 2010 / 11.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers in 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers in 2010/11 £000	Balance at 31 March 2011 £000
Revenue Reserve:							
PFI Contract Reserve	-13,535	6,949	-4,181	-10,767	7,117	-4,014	-7,664
Revenue Reserve Resource	0	0	0	0	0	-30	-30
Capital Reserve	-400	0	0	-400	0	0	-400
Total	-13,935	6,949	-4,181	-11,167	7,117	-4,044	-8,094

7. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
7,645	Interest payable and similar charges	6,169
32	Pensions interest cost and expected return on pensions assets	-151
-63	Impairment of Investment (recovered)/charged	0
-359	Interest receivables and similar income	-270
7,255	Total	5,748

8. Property, Plant and Equipment

Movements on Balances

a) Movements in 2010/11:

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2010	93,550	11,930	105,480	105,480
At 31 March 2011	93,550	11,930	105,480	105,480
Accumulated Depreciation and Impairment				
At 1 April 2010	10,005	1,317	11,322	11,322
Depreciation charge	4,618	585	5,203	5,203
At 31 March 2011	14,623	1,902	16,525	16,525
Net Book Value				
At 31 March 2010	83,545	10,613	94,158	94,158
At 31 March 2011	78,927	10,028	88,955	88,955

b) Comparative Movements in 2009/2010:

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2009 (restated)	91,591	11,611	103,202	103,202
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provision of services	1,959	319	2,278	2,278
At 31 March 2010:	93,550	11,930	105,480	105,480
Accumulated Depreciation and Impairment				
At 1 April 2009 (restated)	5,007	635	5,642	5,642
Depreciation charge	4,618	585	5,203	5,203
Impairment losses recognised in the Surplus/Deficit on the provision of services	380	97	477	477
At 31 March 2010	10,005	1,317	11,322	11,322

c) Revaluations

- The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by specialists for waste management in the market. In estimating fair value, regard has been had to the nature of the asset and its use, location and size and depreciated replacement cost of the asset.

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Total £000
Carried at historical cost	86,584	10,976	97,560
Valued at fair value as at:			
31 March 2009	86,584	10,976	97,560
31 March 2010	83,545	10,613	94,158
31 March 2011	78,927	10,028	88,955
Total Cost and Valuation	78,927	10,028	88,955

9. Investments

- a) The Authority owns 1,500,000 £1 shares partly paid (0.1p per share) in Aveley Methane Limited, whose principal activity is the utilisation of landfill gas including electricity generation under the Government's Non Fossil Fuel Obligation. Aveley Methane Limited is regarded by the Authority as an authorised company for the purposes of the Local Authority (Companies) Order 1995. The investment was transferred at nil value to the Authority as successor to the Greater London Council. This shareholding represents a holding of almost 50% of the total share capital of Aveley Methane Limited and the Authority would be required to meet any request for uncalled share capital that Aveley Methane Limited might make. The Authority's interest in Aveley Methane Limited is an important part of the management of its closed landfill site at Aveley 1.

The estimated net liabilities of Aveley Methane Limited as at 31 March 2011 were £84,333 (restated 2009/10, £41,966). The estimated loss before taxation for the period ended 31 March 2011 was £42,367 (restated 2009/10 £51,346). The figures are based on unaudited Statement of Accounts.

Copies of the Statement of Accounts of Aveley Methane Limited can be obtained from Novera Energy Europe Limited, Mill Lane, Wingerworth, Chesterfield Derbyshire S42 6NG.

- b) Until 23rd December 2002, the Authority owned 100% of the share capital of ELWA Limited, its Local Authority Waste Disposal Company (LAWDC). As part of the IWMS/PFI Contract, the Authority transferred all its equity shareholding to Shanks Waste Services Limited on 23rd December 2002.

Following the transfer, the Authority owns 19 Class 'A' non-equity, voting shares in ELWA Limited with a nominal value of £0.01p each. ELWA Limited commenced trading on 24th December 2002 and its principal activity is the operation of waste disposal services for ELWA. The net liabilities of ELWA Limited as at 31 March 2011 were £8,509,000 (2009/10: Net liabilities £7,560,000 Restated). The loss

after taxation for the year ended 31 March 2011 was £949,000 (2009/10: Loss after taxation £1,757,000). The 2010/11 figures are based on unaudited Statement of Accounts.

During 2010/11, Shanks Waste Services Limited sold its shareholding in ELWA Limited to the John Laing Group.

Copies of the Statement of Accounts of ELWA Limited can be obtained from Shanks Waste Services Limited, Dunedin House, Auckland Park, Mount Farm, Milton Keynes MK1 1BU.

- c) In the opinion of the Directors, the investments in Aveley Methane Limited and ELWA Limited are not material interests for the purposes of Group Accounts as defined in the Code of Practice on Local Authority Accounting (2010/11) and therefore, there is no requirement to produce Group Accounts.
- d) Cash investments are managed by the London Borough of Redbridge and held in cash deposits on behalf of the Authority in accordance with the Authority's Treasury Management Strategy. Note 26 shows further details.

In 2008, following the collapse of some banks, Heritable Bank went into administration and the Authority had to recognise an impairment based on it recovering 80p in the pound; the total amount to be received was estimated to be between 70% and 80% of the claim including interest.

Following the reassessment of the value of amount recoverable as at 31 March 2011 and complying with the latest CIPFA - Local Authority Accounting Panel (LAAP) guidance, bulletin 82, it is also recommended that the following CIPFA repayment schedule is used to estimate the recoverable amount at 31 March 2011. The schedule is based on expected total dividends of 84.98% of the claim. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012.

During 2009/10 Ernst & Young LLP, the administrators of Heritable Bank, reassessed the amount recovered by creditors and dividends and expected it to be not less than 84.98p in the pound. This figure still stands.

CIPFA Repayment Schedule

Date	Repayment	Date	Repayment
April 2011	6.25%	April 2012	5%
July 2011	5%	July 2012	5%
October 2011	5%	October 2012	3.65%
January 2012	5%		

10. Debtors

	31 March 2010	31 March 2011
	£000	£000
Central Government Bodies	556	1,509
Other Local Authorities	1,198	1,214
Other entities and individuals	42	503
Total	1,796	3,226

11. Cash and Cash Equivalent

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

	31 March 2010 £000	31 March 2011 £000
Bank current accounts	-9	-2
Short term deposits with building societies	943	13
Total Cash and Cash Equivalents	934	11

12. Creditors

	31 March 2010 £000	31 March 2011 £000
Central Government Bodies	0	38
Other Local Authorities	471	625
Other entities and individuals	4,170	4,580
Total	4,641	5,243

13. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 5 and 6.

14. Unusable Reserves

	31 March 2010 £000		31 March 2011 £000
-2,278	Revaluation Reserve		-2,278
12,244	Capital Adjustment Account		13,828
990	Pensions Reserve		391
0	Accumulated Absences Account		3
10,956	Total Unusable Reserves		11,944

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and intangible assets). 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 2009/10, the year that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisitions, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. In the early years of the PFI, the capital element of the Unitary Charge, which dictates the MRP charge, is less than the depreciation on the assets. This will even out over the life of the PFI, however as a result for the early years this will result in the Capital Adjustment Account showing a debit balance.

2009/10 £000		2010/11 £000
7,806	Balance at 1 April	12,244
	<i>Capital financing applied in the year:</i>	
4,438	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,584
<hr/> 12,244	Balance at 31 March	<hr/> 13,828

c) Pension Reserve

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

2009/10 £000		2010/11 £000
429	Balance at 1 April	990
528	Actuarial gains or losses on pensions assets and liabilities	-463
33	Employer's pensions contributions and direct payments to pensionable payable in the year	-136
<hr/> 990	Balance at 31 March	<hr/> 391

d) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise in the Revenue Reserve Balance from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Revenue Reserve Balance is neutralised by transfers to or from the Account.

2009/10 £000		2010/11 £000
0	Balance at 1 April	0
0	Amounts accrued at the end of the current year by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	3
0	Balance at 31 March	3

15. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
Cash Outflows		
877	Cash paid to and on behalf of Employees	1,042
7,645	Loan interest paid	6,169
41,953	Other operating costs	42,428
50,475		49,639
Cash Inflows		
38,660	Levy receipts	40,825
4,181	Other government grants	4,014
4,897	Cash received for goods and services	2,781
690	Interest received from investments	238
48,428		47,858
-2,047	Net cash flows from operating activities	-1781

16. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
1,820	Net decrease/ (increase) in Short Term Investments	4,253
-1,164	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	-3,545
<hr/>		
656	Net cash flows from financing activities	708

17. Amounts reported for resource allocation decisions

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority on the basis of budget reports prepared on a different basis from the accounting policies used in the Statement of Accounts. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Authority recorded in the budget reports for the year is as follows:

Income and Expenditure	09/10 £000	10/11 £000
Fees, charges & other service income	-3,753	-3,383
Total Income	-3,753	-3,383
<hr/>		
Employee expenses	408	577
Other services expenses	51,010	52,261
Total Expenditure	51,418	52,838
<hr/>		
Net Expenditure	47,665	49,455
PFI Grant Received	-4,181	-4,014
Levy Received	-38,660	-40,825
Net expenditure in the Authority Analysis	4,824	4,616

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements

This reconciliation shows how the figures in the analysis of income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009 / 10 £000	2010/11 £000
Expenditure shown in the Authority Outturn Report	47,665	49,455
Grant and Levy Received	-42,841	-44,839
Net expenditure in the Authority Analysis	4,824	4,616
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	46,058	45,796
	50,882	50,412
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-10,184	-9,285
Cost of Services in Comprehensive Income and Expenditure Statement	40,698	41,127

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Authority income and expenditure relate to a subjective analysis of the Surplus or Deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2010/11

	Authority Analysis	Amounts not reported to Management for decision making	Amounts not included	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-3,129	-197	0	-3,326	-151	-3,477
Interest and investment income	-254	-16	270	0	-270	-270
Income from Levy	-40,825	0	40,825	0	-40,825	-40,825
Government grants and contribution	-4,014	0	0	-4,014	0	-4,014
Total Income	-48,222	-213	41,095	-7,340	-41,246	-48,586
Employee and Support Services expenses	933	18	0	951	0	951
Other service expenses	51,750	40,788	-50,225	42,313	0	42,313
Depreciation, amortisation and impairment	0	5,203	0	5203	0	5203
Interest payments	155	0	-155	0	6,169	6,169
Total Expenditure	52,838	46,009	-50,380	48,467	6,169	54,636
Surplus or deficit in the provision of services	4,616	45,796	-9,285	41,127	-35,077	6,050

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	Authority Analysis	Amounts not reported to Management for decision making	Amounts not included	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-3,394	0	0	-3,394	-63	-3,457
Interest and investment income	-359	0	359	0	-359	-359
Income from Levy	-38,660	0	38,660	0	-38,660	-38,660
Government grants and contribution	-4,181	0	0	-4,181	0	-4,181
Total Income	-46,594	0	39,019	-7,575	-39,082	-46,657
Employee and Support Services expenses	766	0	0	766	0	766
Other service expenses	50,497	40,378	-49,048	41,827	32	41,859
Depreciation, amortisation and impairment	0	5,680	0	5,680	0	5,680
Interest payments	155	0	-155	0	7,645	7,645
Total Expenditure	51,418	46,058	-49,203	48,273	7,677	55,950
Surplus or deficit in the provision of services	4,824	46,058	-10,184	40,698	-31,405	9,293

18. Officers' Remuneration

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

	Salary, Fees and Allowances £	Bonuses £	Expenses and Allowances £	Compensation for loss of office £	Pension Contribution £	Total £
Executive Director	39,485		92	53,612	10,809	103,998
Managing Director	56,371		6,154		15,322	77,847
Head of Operations	72,825				13,100	85,925
	168,681	0	6,246	53,612	39,231	267,770

The Executive Director left the Authority in August 2010. A new post of Managing Director was established and filled in August 2010. The compensation for loss of office amount is in respect of the redundancy payment for the Executive Director.

The number of employees including Senior Officers whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were :

Remuneration Band	2009/10 Number of employees	2010/11 Number of employees
£50,000 - £54,999	1	1
£55,000 - £59,999		1
£60,000 - £64,999		
£65,000 - £69,999	1	
£70,000 - £74,999		1
£75,000 - £79,999		
£80,000 - £84,999		
£85,000 - £89,999		
£90,000 - £94,999	1	1
	3	4

19. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections provided by the Authority's external auditors:

	2009/10 £000	2010/11 £000
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor for the year - accounts	28	25
Fees in respect of specific work – use of resources	10	10
Total	38	35

20. Grant Income

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2010/11:

	2009/10 £000	2010/11 £000
PFI Grant	4,181	4,014
Total	4,181	4,014

21. Related Party Transactions

Since the 1st April 1986, ELWA has assumed the statutory responsibility for the disposal of waste arising in the area covered by the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge and has an interest in Aveley Methane Limited and ELWA Limited. The Members of the Authority have official appointments within their respective Constituent Boroughs.

The Code of Practice requires the disclosure of interests between the Authority and its related parties not disclosed elsewhere in the Statement of Accounts.

The material expenditure and income transactions with these related parties are set out below.

	<u>2009/10</u>		<u>2010/11</u>	
	<u>Exp</u> <u>£'000</u>	<u>Inc</u> <u>£'000</u>	<u>Exp</u> <u>£'000</u>	<u>Inc</u> <u>£'000</u>
London Boroughs of:				
Barking and Dagenham	603	-7,464	770	-7,716
Havering	404	-11,007	405	-11,285
Newham	186	-12,166	286	-13,366
Redbridge	420	-11,074	438	-11,288
Aveley Methane Limited	0	0	0	0
ELWA Limited	49,034	-338	49,086	-310

Members of the Authority and Chief Officers

The following Members and Officers have made declarations of their interest in the following organisations, which arise from official Authority Appointments.

Membership of Other Organisations

Paul Martin Taylor	– Director of Aveley Methane Limited
Mark Ash	– Director of Aveley Methane Limited
Councillor I Corbett	– Director of ELWA Limited

22. Capital Expenditure and Capital Financing

The Authority incurred no new capital expenditure during the year ended 31 March 2011.

23. Private Finance Initiatives and Similar Contracts

The IWMS/PFI Contract, which commenced on 24th December 2002, is for 25 years. ELWA Limited is implementing a capital investment programme of more than £100 million in new waste management facilities over the life of the contract. The designing, building, alteration, financing and operation of the waste management facilities required for provision of the IWMS together with any associated risks, will be the responsibility of ELWA Limited.

The Government will provide PFI grant funding based upon a National Credit Approval of £47 million, equivalent to approximately £85 million over 25 years. The Government has advised that the annual PFI grant will now be paid on an annuity basis rather than the declining balance basis with a final payment made in 2026/27. The overall total grant in cash terms will be the same, however, the payment profile has changed.

The main impact of this is in the short term in that for the next three years the Authority will receive additional PFI grant of approximately £870,000 as follows:

	£
2011/12	137,682
2012/13	291,825
2013/14	439,802

SORP 2010/11 requires the application of International Financial Reporting Standards for PFI; specifically IFRIC 12 Service Concession Arrangements. The contract complies with the criteria detailed in IFRIC 12, and therefore the relevant accounting guidance has been applied as outlined in the Authority's Accounting Policies as detailed on page 32.

a) Future Contractual Obligations

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2011 / 12	34,935	3,734	5,802	44,471
Payable within 2 to 5 years	144,887	17,263	20,908	183,058
Payable within 6 to 10 years	192,506	27,397	19,533	239,436
Payable within 11 to 15 years	209,337	35,256	10,744	255,337
Payable within 16 to 20 years	73,828	15,623	1,082	90,533
Total	655,493	99,273	58,069	812,835

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows.

b) PFI Finance Liability

	2009/10 £000	2010/11 £000
Balance outstanding at start of the year	103,982	102,818
Payments during the year	-1,164	-3,545
Balance outstanding at year-end	102,818	99,273

c) Service Charges

The Unitary Charge payment to the contractor has to reflect the total payment as a charge to the Income & Expenditure Account. This treatment needs to be reversed to reflect the application of the IFRC 12 based accounting treatment for the PFI. The Accounting Standard requires that the service, interest and infrastructure elements of the Unitary Charge are separated. The service and interest elements should be expensed to the operating/revenue account.

	2009/10	2010/11
	£'000	£'000
Payments to Shanks East London	49,034	50,317
Capital Repayment	-1,164	-3,545
Interest Payable	-7,490	-6,014
Service Charges	40,380	40,758

24. Defined Benefit Pension Schemes

Transaction Relating to Post Employment Benefits

The Authority recognises 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 benefit is reversed out of the Revenue Reserve via the Movement in Reserves Statement.

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The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Revenue Reserve Balance via the movement in Reserves Statement during the year:

	2009/10 £'000	2010/11 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• Current Service Cost	45	75
• Past Service Costs / Gain	0	-182
<i>Financing and Investment Income and Expenditure:</i>		
• Interest Cost	55	130
• Expected return on scheme assets	-23	-99
Total Post Employment Benefit charged to the Surplus or Deficit on the provision of Services	77	-76
<i>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:</i>		
• Actuarial gains and losses	528	-463
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	605	-539
<i>Movement in Reserve Statement:</i>		
• Reversal of net charges made to the Surplus or Deficit on the provision of Services for post employment benefits in accordance with the code	-33	136
	572	-403
Actual amount charged against the Revenue Reserve Balance for pensions in the year:		
• Employer's contributions payable to scheme	44	60
• Actuarial gains and losses	528	-463
	572	-403

The capitalised gain from the change in pension increase policy from RPI to CPI is calculated at £182,000.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £42,000 (31 March 2010 loss £505,000).

Assets and Liabilities in Relation to Post-employment Benefits

The underlying assets and liabilities attributable to the Authority with the London Pensions Fund Authority (LPFA) as at 31 March 2011 are as follows:

(i) Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities	
	Local Government Pension Scheme	
	£000	
	2009/10	2010/11
Opening Balance at 1 April	771	1,482
Current Service Cost	45	75
Interest Cost	55	130
Contributions by scheme participants	18	20
Actuarial gains and losses	612	362
Benefits paid	-19	199
Past Service Costs / (Gains)	0	-182
Closing Balance at 31 March	1,482	2,086

(ii) Reconciliation of fair value of the scheme (plan) assets:

	Funded Assets	
	Local Government Pension Scheme	
	£000	
	2009/10	2010/11
Opening Balance at 1 April	342	492
Expected Rate of Return	23	99
Actuarial gains and losses	84	825
Employer contributions	44	60
Contributions by scheme participants	18	20
Benefits paid	-19	199
Closing Balance at 31 March	492	1,695

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £103,000 (2009/ 10 £106,000).

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(iii) Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present Value of Defined Benefits Obligation	-740	-711	-771	-1,482	-2,086
Fair value of Employer Assets	376	380	342	492	1,695
Total	-364	-331	-429	-990	-391

With effect from 1 April 2007 the Authority became an employer. On 1 June 2007 five staff were transferred from the Constituent Councils to the Authority with initially three staff electing to join the LPFA. Membership as at the 31 March 2011 consists of four active members and two pensioners. One of whom retired during the 2010/11 financial year.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The net pension liability of £391,000 (£990,000 2009/10) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit in respect of LPFA Fund liabilities will be made good by increased contributions to the LPFA Fund over the remaining working life of the employees (i.e. before payments fall due), as assessed by the scheme actuary.

The projected employer contributions for the year to 31 March 2012 are £62,000.

(iv) 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. Liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, who use a roll forward approach, based on the results of the last full valuation of the LPFA Fund as at 1 April 2010, and adjusting for known membership and scheme changes where applicable.

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The principal assumptions used by the LPFA actuary have been:

	2009/10	2010/11
Long term expected rate of return on assets in the scheme:	6.8%	6.7%
Equity Investments	7.5%	7.4%
Target Return On Funds	4.5%	4.5%
Alternative Assets	6.5%	6.4%
Cash	3.0%	3.0%
Corporate Bonds	5.5%	5.5%
Mortality assumptions		
<i>Longevity at 65 for current pensioners:</i>		
Men	19.6	22.9
Women	22.5	25
<i>Longevity at 65 for future pensioners:</i>		
Men	20.7	24.8
Women	23.6	26.9
Financial Assumptions:		
Rate of Inflation RPI (CPI)	3.9%	3.5% (2.7%)
Rate of increase in salaries	5.4%	4.5%
Rate of increase in pensions	3.9%	2.7%
Rate for discounting scheme liabilities	5.5%	5.5%
Take up of option to convert annual pension into retirement lump sum	0	0

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The LPFA Fund's assets consist of the following categories, by proportion of the total assets held:

Assets	31 March 2010 %	31 March 2010 £'000	31 March 2011 %	31 March 2011 £'000
Equities	70	344	69	1,170
Target Return Funds	10	49	12	203
Property	14	69	14	237
Cash	5	25	3	51
Corporate Bond	1	5	2	34
Total	100	492	100	1,695

(v) History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, at 31 March 2011. The table below shows the changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.

	2007 / 08 £'000	2008 / 09 £'000	2009 / 10 £'000	2010 / 11 £'000
Difference between the expected and actual return on assets	-50	-114	84	825
Experience gains and losses on liabilities	-16	0	0	-421
Changes in assumptions underlying the present value of scheme liabilities	142	61	-612	59
Actuarial gains / (losses) in pension scheme	76	-53	-528	463

	2007 / 08 %	2008 / 09 %	2009 / 10 %	2010 / 11 %
Experience adjustment as a percentage of plan liabilities	-2.3	0.0	0.0	-20.2
Experience adjustment as a percentage of assets	-13.2	-33.3	17.1	48.7

This is the impact of the liabilities of actual experience differing from the assumptions, such as pension increases and salary increases differing from those assumed, and unexpected membership movements. Between valuations, when the roll forward method is used, this item will be small as it is assumed that most experience items are in line with the assumptions. Every three years the Actuary undertakes a formal actuarial valuation, which will take into account experience over the previous three years. IAS19 figures will be updated to reflect the most recent

actuarial valuation and, as a consequence, most experience gains and losses appear in the accounting year following completion of the formal valuation.

25. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

	Long-Term		Current	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Cash at Bank				
Loans and Receivables	0	0	934	11
Total Cash at Bank	0	0	934	11
Investments				
Loans and receivables	283	133	21,231	16,978
Total Investments	283	133	21,231	16,978
Debtors				
Loans and receivables	0	0	1,796	3,226
Total Debtors	0	0	1,796	3,226
Borrowings				
Financial liabilities at amortised cost	-1,610	-1,488	-29	-151
Total Borrowings	-1,610	-1,488	-29	-151
PFI and finance lease liabilities	-102,818	-99,273	0	0
Total other long term liabilities	-102,818	-99,273	0	0
Creditors				
Financial Liabilities at amortised cost	0	0	-4,641	-5,243
Total Creditors	0	0	-4,641	-5,243

Income, Expense, Gains and Losses

	2009/10					2010/11				
	Financial Liabilities measured at amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through profit and loss £000	Total £000	Financial Liabilities measured at amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through profit and loss £000	Total £000
Interest expense	7,645	0	0	0	7,645	6,169	0	0	0	6,169
Impairment losses	0	-63	0	0	-63	0	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	7,645	-63	0	0	7,582	6,169	0	0	0	6,169
Interest Income	0	-359	0	0	-359	0	-270	0	0	-270
Total expense in Surplus or Deficit on the Provision of Services	0	-359	0	0	-359	0	-270	0	0	-270
Net (gain) / loss for the year	7,645	-422	0	0	7,223	6,169	-270	0	0	5,899

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, assuming the following assumptions:

- Estimated ranges of interest rates at 31 March 2011 are 2.89% to 7.00% for loans from the PWLB.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Liabilities				
<i>Long-term creditors</i>				
Public Works Loan Board	1,639	2,542	1,639	2,549
<i>Short-term</i>				
Creditors	4,641	4,641	5,243	5,243

	31 March 2010		31 March 2011	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Loans and Receivables				
<i>Long-term debtors</i>				
Cash Investments	283	283	133	133
<i>Short-term</i>				
Debtors	1,796	1,796	3,226	3,226
Cash at bank	934	934	11	11
Cash Investments	21,231	21,297	16,978	16,978
Total Short Term	23,961	24,027	20,215	20,215

The fair value of outstanding long term debts as at 31 March 2011 is £2.5million. (31 March 2010 was £2.5 million). This is higher than the book value due to the changes in market factors since the original borrowing was made. The Authority has pledged no collateral in respect of repayment of any loan to another entity.

The carrying value of Financial Instruments reported on the Balance Sheet includes interest on loans and investments.

As at 31st March 2011 the Authority had not entered into any financial guarantees.

26. Nature and Extent of Risks arising from Financial Instruments

Overall Procedures for Managing Risk

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

- By formally adopting the requirements of the Code of Practice;

- By approving annually in advance Prudential Indicators for the following three years limiting:
 - The Authority's overall borrowing;
 - Maximum and minimum exposure to fixed and variable interest rates;
 - Maximum and minimum debt repayment profile;
 - Maximum annual exposure to investments maturing beyond a year.

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

In accordance with Standing Orders, the Finance Director is responsible for all of the Authority's banking, borrowing and investment activities. Under the Authority's existing service level arrangements, the London Borough of Redbridge administers the treasury management function on behalf of ELWA. The policies and detailed guidance in the form of Treasury Management Practices (TMPs) are managed on a day to day basis by the London Borough of Redbridge. The TMPs are reviewed at regular intervals. ELWA receives reports and monitors the treasury management performance of the London Borough of Redbridge on a regular basis

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity Risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity 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 and stock market movements.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well credit exposures to debtors

Credit risk arising from deposits with Banks and Financial Institutions

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Authority's credit criteria, which are restricted to the upper end of the independent credit rating criteria. In addition, investment values are set taking into account the institutions' credit rating and the duration of lending. The Authority has also set limits as to the maximum percentage of the investment portfolio, that can be placed with any one class of institution and this is monitored on a daily basis. All transactions in relation to deposits were in line with the Authority's approved credit ratings.

The Annual Investment Strategy requires the Authority to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Creditworthiness is assessed by the use of credit ratings provided by Fitch, Moody's and Standard & Poor's to assess an

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institution's long and short-term financial strength along with its individual and support ratings. Other information provided by Brokers, Advisers and financial and economic reports are also collated and assessed and then used to produce a matrix to monitor each individual institution against the Authority's criteria.

Any counterparty whose ratings fall to the extent that they no longer meet the credit criteria are immediately removed from the lending list. Only highly rated counterparties may be included on the lending list such as:

- UK Banks supported by the UK government; Foreign Banks that meet specified credit criteria;
- Building Societies with assets in excess of £3billion;
- AAA rated Money Market Funds;
- UK Government (Debt Management Office and Gilts);
- Other Local Authorities

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £17 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Authority's deposits; there was no evidence at the 31 March 2011 that this was likely to crystallise.

In addition, the diversification of investments also provides additional security. The maximum percentages of the investment portfolio, which may be invested in each class of assets, are detailed below: -

Asset Class Percentages		
Type of Asset	% Of Total Investment as set by 2010/11 Treasury Management Strategy %	% Of Total Investment as at 31st March 2011. %
UK Government and Local Authorities	100	18
Banks- Specified	100	51
Money Market Funds – Specified	75	0
Building Societies - Specified	50	29
Monetary Institutions outside Europe – Specified	0	0
Unspecified Investments – including un-rated Building Societies	50	2
Non UK Government and Supranational Bonds	15	0

The asset class percentages are well within the Upper limits prescribed in the Authority's Treasury Management Strategy for 2010/11.

The boundary is set at £5 million for long-term investments as specified in the Authority's Treasury Management Strategy. The Authority currently has no investments for longer than one year, other than the Heritable Bank deposit described below.

The above breakdown includes the remaining recoverable deposit of £351,229 in Heritable Bank which was placed into administration in 2008/09 (see Note 9).

The original deposit was £1 million. The total impairment of the investment from 2008/09 to 2010/11 is £270,788. Principle recovered totals £377,981 and £150,519 interest has been received. Following recent advice from Ernst and Young LLP, the minimum expected dividend on the claim is now 84.98%. The minimum amount of repayment due on the principle is £351,229. The recoverable interest receivable from 2011/12 to 2012/13 is estimated to be £16,874.

No breaches of the Authority's counter-party criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Credit risk arising from Authority's exposure from other debtors

There has been no provision for bad debtors as at 31 March 2010, or 31st March 2011, as all outstanding debtors are expected to pay.

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Invoiced payments for services are either required in advance or due at the time the service is provided. As at 31 March 2011, approximately £425,000 (£527,000 as at 31 March 2010) is due to the Authority from its debtors, who are mainly other Local Authorities, the total being past its due date. The past due but not impaired amount can be analysed by age as follows:

<u>Invoiced Payments for Services</u>	31 March 2010 £000	31 March 2011 £000
Less than three months	425	309
Four to six months	0	174
Seven months to one year	0	0
One to two years	0	44
	425	527

Liquidity Risk

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

The Authority has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer- term funds and acts as lender of last resort to authorities. Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. As at 31st March 2011, 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.

The Authority manages its day-to-day liquidity position through: -

- The setting of Prudential Indicators, associated strategies and practices;

- The cash flow management procedures;
- The use of deposits and call funds

Refinancing and Maturity Risk

The Authority's approved Treasury and Investment strategies are set to avoid the risk of refinancing on unfavourable terms. London Borough of Redbridge's Treasury team, on behalf of ELWA, address the operational risks within approved parameters. These include: -

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt;
- Monitoring the maturity of investments to ensure that there is sufficient liquidity available for the Authority's day-to-day cash flow needs, and the spread of long term investments provides stability of maturities and returns in relation to long term cash flow needs; and
- On a short-term basis internal balances are available to finance should market interest rates be unfavourable at the time of refinancing.

The maturity analysis for borrowing is as follows:

Renewal Period	Market Loans Outstanding as at 31 st March 2011 £000's	Limit of projected Fixed rate Borrowing %	% of Total Borrowing 31 st March 2011 %	% of Total Borrowing 31 st March 2010 %
Less than one Year	150	25	9	2
Between one and two years	0	40	0	7
Between two and five years	239	60	15	15
Between five and ten years	0	80	0	0
More than 10 Years	1,250	100	76	76
Total	1,639		100	100

Market Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. 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 fixed rates – the fair value of the liabilities will fall.
- Investments at fixed rates – the fair value of the assets will fall.
- Borrowing at variable rates – the interest expense charged to the Surplus and Deficit on the provision of services will rise
- Investments at variable rates – the interest income credited to the Surplus and Deficit on the Provision of Services will rise

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus and Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivables on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Revenue Reserve Balance.

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

- Setting a maximum for Authority's borrowings at variable rates. For 2010/11 all the Authority's borrowings were at fixed rates.
- Prudent borrowing and repayments arrangements, by limiting the net annual repayment of debt to the outstanding debt.

The Authority, through the L B of Redbridge Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to monitor performance throughout the year. This allows any adverse changes to be responded to and accommodated quickly.

According to this assessment strategy, at 31 March 2011, if discount rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Decrease in fair value of long term fixed rate investments assets – No impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities - No impact on Other Comprehensive Income and Expenditure	201

As at 31 March 2011 the Authority holds no variable interest rate investments or borrowings and therefore there is no predicted impact for this on the Comprehensive Income and Expenditure Account.

The impact of a 1% fall in discount rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note 25 – Fair Values of Assets and Liabilities.

Price and Foreign Exchange Risks

The Authority does not invest in equity shares and therefore is not exposed to losses arising from movement in the price of shares. The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Glossary

Actuary

An independent consultant who advises on the financial position of the Pension Fund.

Actuarial Valuation

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Authority on the fund's financial position and recommended employers' contribution rates.

Appropriation

The transfer of ownership of an asset, from one Service to another, at an agreed (usually market or outstanding debt) value.

Accruals

The amounts by which receipts or payments are increased in order to record the full income and expenditure incurred in an accounting period.

Amortisation

The writing off of a charge or loan balance over a period of time.

Approved Investments

These are investments that Local Authorities are permitted to make using their unapplied Capital and Revenue Funds. These investments must be in sterling and normally consist of deposits with Banks, Building Societies, and other financial institutions. Such investments are treated as neither revenue nor capital expenditure.

Balance Sheet (Statement of Financial Position)

A statement of all the assets, liabilities and other balances of the Authority at the end of an accounting period.

Budget

A forecast of future expenditure plans for the Authority. Detailed revenue budgets are prepared each year and it is on the basis of these figures that the Council Tax is set. Budgets are revised towards the year-end to take account of inflation, changes in patterns of services, and other factors.

Capital Charge

A depreciation charge to Service Revenue Accounts to reflect the cost of fixed assets used in the provision of the service.

Capital Expenditure

Expenditure on the acquisition of fixed assets or expenditure that adds to the value of an existing fixed asset.

Capital Adjustment Account

Represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Capital Receipt

Income received from the sale of a capital asset such as land or buildings.

Carrying Value (Book Value)

For Financial Instruments, this value is the amount to be recognised on the Balance Sheet. Financial Assets and Liabilities need to be recognised in the Balance Sheet at fair value or at amortised cost.

Cash

Comprises cash on hand and demand deposits.

Cash equivalents

Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows

Are inflows and outflows of cash and cash equivalents.

Collateral

Assets pledged by a borrower to secure a loan.

Comprehensive Income and Expenditure Statement

A Statement showing the Income and Expenditure of the Authority's services during the year. It demonstrates how costs have been financed from the Levy and shows income from services provided.

Contingent Liability

A possible liability to future expenditure at the Balance Sheet date dependant upon the outcome of uncertain events.

Credit Ratings for Investments

A scoring system used by credit rating agencies such as Fitch, Moody's and Standard and Poor's to indicate the credit worthiness and other factors of Governments, Banks, Building Society's, and other financial Institutions.

Creditors

Amount of money owed by the Authority for goods and services received.

Curtailement

For a defined benefit pension scheme, an event that reduces the expected years of future service of employees or for a number of employees, the accrual of defined benefit for some or all of their entitlement. Examples include: -

- Termination of employees' services earlier than expected (for example as a result of discontinued operations); and
- Termination of, or amendments, to the terms of a defined benefit scheme, so that some or all future services by current employees no longer qualify for benefits or will qualify for reduced benefits.

Debtors

Amount of money owed to the Authority by individuals and organisations.

Deferred Capital Receipts

The balance of outstanding mortgages granted to purchasers of council houses.

Deferred Liabilities

These are creditor balances repayable after one year.

Defined Benefit Scheme

A pension scheme that defines the benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Depreciation

A Provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to Service Revenue Accounts.

Earmarked Reserves

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Fair Value

The amount that an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction.

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Financial Instruments Adjustment Account (FIAA)

Provides a balancing mechanism between the different rates at which gains and losses are recognised under the CIPFA Code of Practice and are required by Statute to be met from the Revenue Reserve.

Financing activities

Are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

Revenue Reserve

ELWA's main Revenue Account from which is met the cost of providing most of the Authority's services.

General Fund Working Balance

Revenue Funds that are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Government and Other Capital Contributions Deferred

Capital Grants received which will be credited to revenue in future years in line with depreciation for related fixed assets.

Historic Cost

The actual cost of an asset in terms of past consideration as opposed to its current value.

Impairment

A reduction in the valuation of a fixed asset caused by consumption of economic benefits or by a general fall in prices.

Intangible Fixed Assets

Non-financial fixed assets that do not have physical substance but are identifiable and controlled by the Authority, for example purchased software licences.

Investing activities

Are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Minimum Revenue Provision (MRP)

The amount that has to be charged to revenue to provide for the redemption of debt.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet after depreciation has been provided for.

Net Current Replacement Cost

The current cost of replacing or recreating an asset in its existing use adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in realising the asset.

Non Current Assets (Tangible Fixed Assets)

Tangible Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

Non-Operational Assets

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of its services. Examples are investments and surplus properties.

Operating activities

Are the activities of the entity that are not investing or financing activities.

Operating Lease

A lease other than a finance lease, i.e. a lease that permits the use of the asset without substantially transferring the risks and rewards of ownership.

Operational Assets

Fixed assets held, occupied, used or consumed by the Authority in the direct delivery of its service.

Other Comprehensive Income and Expenditure

Comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial gains and losses on defined benefit plans; and gains and losses on remeasuring available-for-sale financial assets.

Other Comprehensive Income

A Statement bringing together all the gains and losses of the Authority.

Outturn

The actual level of expenditure and income for the year.

Post Balance Sheet Events

Those events that relate to the accounting year, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Director of Finance and Resources.

Private Finance Initiative

A Central Government initiative whereby contracts are let to private sector suppliers for both services and capital investment in return for a unitary payment, which may be reduced if performance targets are not met.

Projected Unit Method

Actuarial valuation method whose key feature is to assess future service cost; the Actuary calculates the employer's contribution rate, which will meet the cost of benefits accruing in the year after the valuation date. This method is considered appropriate for a Pension Fund open to new members.

Provisions

Amounts set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment are uncertain.

Public Works Loans Board (PWLB)

Central Government Agency, which funds much of Local Government borrowing.

Reclassification adjustments

Are amounts reclassified to Surplus or Deficit on the Provision of Services in the current period that were recognised in Other Comprehensive Income and Expenditure in the current or previous periods.

Registered Social Landlord

A not for profit organisation that owns and manages homes.

Reserves

Amounts set aside that do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances, which every Authority must maintain as a matter of prudence.

Revaluation Reserve

Represents the increase value of the Authority's land and building assets from 1 April 2007.

Revenue Expenditure

The day-to-day expenditure of the Authority, e.g. pay, goods and services and capital financing charges.

Revenue Support Grant

Grant paid by the Central Government to Local Authorities. This grant is not attributable to specific services.

Statement of Movement on its General Fund Balance

A Statement that sets out reconciliation between the statutory provisions that specify the net expenditure that needs to be taken into account when setting local taxes and the Income and Expenditure Account.

Surplus or Deficit on the Provision of Services

Is the total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.

Support Services

Activities of a professional, technical and administrative nature which are not local authority services in their own right, but support main front line services.

Total Comprehensive Income and Expenditure

Comprises all components of Surplus or Deficit on the Provision of Services and of Other Comprehensive Income and Expenditure.

Abbreviations used in Accounts

AGS	Annual Governance Statement
BVACOP	Best Value Accounting Code of Practice
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government
CODE	Code of practice on local authority accounting
ELWA	East London Waste Authority
FIAA	Financial Instruments Adjustments Account
FRS	Financial Reporting Standard
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LBR	London Borough of Redbridge
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
MRP	Minimum Revenue Provision
PFI	Private Finance Initiative
PWLB	Public Works Loans Board
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
STRGL	Statement of Recognised Gains and Losses

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East London Waste Authority

26 September 2011

AUTHORITY REPORT: TREASURY MANAGEMENT OUTTURN 2010/11

1. Confidential Report

1.1 No

2. Recommendations

2.1 To note this report.

3. Introduction

3.1 The Treasury Management Strategy including borrowing and investment strategies is approved by Members on an annual basis. The 2010/11 Strategy was agreed in February 2010 and this report details the outturn against the background of this Strategy.

3.2 Under ELWA's Standing Orders, the Finance Director is responsible for all the Authority's banking, borrowing and investment activities. The Treasury Management function is carried out by the London Borough of Redbridge on behalf of ELWA.

3.3 The Authority's activities are regulated by statutory requirements, ELWA's Standing Orders, and a professional code of practice, the CIPFA Code of Practice on Treasury Management. The Authority has adopted this code as part of its Financial Standing Orders. The Code recommends that Authorities produce an annual report on Treasury Management after the year-end, which would include Treasury Management indicators.

3.4 This report is presenting to Members the Treasury Outturn for 2010/11 and covers all borrowing and investment activities undertaken during the last financial year.

4. Current Portfolio Position

External Borrowing

4.1 The external borrowing position is summarised below:

	31.03.11 £000's	Average Rate	31.03.10 £000's	Average Rate
Public Works Loans Board	1,610	9.6%	1,610	9.6%

4.2 These loans were taken out many years ago when interest rates were much higher

than they are today. Early repayment/rescheduling has been considered but given the PWLB redemption rates, the cost of early repayment would be prohibitive.

Investments

- 4.3 The Authority is required to produce an Annual Investment Strategy that sets out the Authority's policies in managing its investments. This was approved by Members as part of the Treasury Management Strategy at your meeting in February 2010.
- 4.4 The main objective of the investment strategy is to ensure the security of investments the Authority makes and also to maintain the liquidity of its investments in order to meet known liabilities. To meet this requirement, the Authority has approved creditworthiness criteria which must be strictly adhered to when making investment decisions.
- 4.5 The financial year 2010/11 continued to present challenging circumstances with regard to investments. An operational lending list restricted to highly rated institutions remained in place throughout the year. All investment was carried out in accordance with the approved creditworthiness criteria.
- 4.6 In 2008, Heritable Bank went into administration. Ernst & Young LLP, the administrators of Heritable Bank, have reassessed the amount recovered by creditors and dividends and the projected return has increased again. The current projection is between 86p and 90p in the £ as opposed to the earlier estimate of between 79p and 85p in the £. The total repayment received as at 31 March 2011 was £529,000.
- 4.7 The summary position for the Authority in terms of investments at 31 March 2011 is as follows: –

	31.03.10	31.03.11
	£000's	£000's
Long Term	283	471
Short Term	21,231	16,713
	21,514	17,184

5. Borrowing Requirements/Capital Programme 2010/11

- 5.1 In February 2010 the Authority was advised that the estimated total borrowing at 31 March 2010 was £1,610,000 consisting of Public Work Loans Board (PWLB) loans on a fixed rate basis and that the financing of future capital expenditure would be via

the temporary use of cash balances or to raise loans via the PWLB and capital markets. The Authority was also advised that ELWA might need to make arrangements to finance capital expenditure in 2010/11 as a result of the ongoing review of landfill sites. Taking account of borrowing at 31 March 2010 it was recommended that a borrowing requirement of £400,000 was set for 2010/11.

5.2 No capital expenditure was incurred in 2010/11.

6. Prudential Indicators

6.1 The Authority is required by regulation to give due regard to the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities, and set Prudential Indicators for Treasury Management prior to the start of the financial year. Prudential Indicators cover borrowing, lending and capital expenditure levels and these are monitored on a monthly basis by the Finance Director.

6.2 In the Finance Director's report of February 2010, Prudential Indicators for 2010/11 were agreed.

6.3 Members have been advised previously that there was a significant change in the accounting treatment of the ELWA PFI scheme with the need for PFI assets and liabilities to be brought on to the balance sheet. This change in the requirement occurred after the Prudential Indicators limits for 2010/11 were set. Consequently in November 2010 as part of the consideration of the Treasury Management and Mid Year Strategy Review Members agreed revised Prudential Indicators.

6.4 Appendix A shows the performance against the revised indicators agreed in November 2010.

7. Conclusion

7.1 The Authority managed its treasury management arrangements in accordance with the strategy kept within its prudent indicators and all investment was carried out in accordance with the approved creditworthiness criteria.

8. Relevant Officer

Geoff Pearce Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3588

9. Appendices attached

Appendix A: Prudential Performance Indicators.

10. Background Papers

22 November 2010 – Treasury Management & Mid Year Strategy Review & Minute No. 2010/42.

27 June 2011 – Final Financial Outturn Report for 2010/11 & Minute No. 2011/7.

11. Legal Considerations.

None

12. Financial Considerations

As outlined in this report.

13. Performance Management Considerations

None.

14. Risk Management Considerations

Main objective of the investment strategy is the security of investments.

15. Follow-up Reports

Half yearly monitoring in 2011/12.

16. Websites and e-mail links for further information.

None

17. Glossery

CIPFA – Chartered Institute of Public Finance and Accountancy

ELWA – East London Waste Authority

PFI – Private Finance Initiative

PWLB – Public Works Loans Board

18. Approved by Management Board

12 September 2011

19. Confidentiality

Not applicable

TREASURY MANAGEMENT PRUDENTIAL INDICATORS - 2010/11 OUTTURN

<i>Authorised Limit for External Debt</i>	Limit 2010/11 £'000	Actual 2010/11 £'000
Borrowing	13,010	1,610
Other Long Term Liabilities	105,000	99,664
TOTAL	118,010	101,274

<i>Operational Boundary for External Debt</i>	Limit 2010/11 £'000	Actual 2010/11 £'000
Borrowing	5,000	1,610
Other Long Term Liabilities	105,000	99,664
TOTAL	110,000	101,274

ELWA has adopted the CIPFA code of Practice in Treasury Management in the Public Services as part of its Financial Standing Orders.

<i>Upper Limits on Interest Rate Exposure (based on net principal outstanding)</i>	Limit 2010/11 £m	Actual 2010/11 £m
Fixed Rate	8.0	1.6
Variable Rate	(29.0)	(17.1)

<i>Projected borrowing at fixed rates maturing in each period as percentage of total projected borrowing at fixed rates</i>			
	2010/11 Upper Limit	2010/11 Lower Limit	2010/11 Actual
Under 12 months	25%	0%	7.6%
12 months and within 24 months	40%	0%	0%
24 months and within 5 years	60%	0%	14.8%
5 years and within 10 years	80%	0%	28.0%
10 and within 20 years	100%	0%	34.1%
20 years and within 35 years	100%	0%	15.5%
35 years to 50 years	100%	0%	0%

<i>Upper Limit for Total Principal sums invested for more than 364 days</i>	Limit 2010/11 £m	Actual 2010/11 £m
Total	3.0	0.5m

AUTHORITY REPORT: BUDGETARY CONTROL TO 31 AUGUST 2011

1. Confidential Report

1.1 No.

2. Recommendations:

2.1 To note this report.

3. Purpose

3.1 This budgetary control report compares ELWA's actual expenditure for the period ended 31st August 2011 with the original revenue estimates approved in February 2011 taking into account the agreed carry forward from 2010/11. It is based on information supplied by Shanks East London, ELWA technical officers and the four Constituent Councils.

3.2 Budgetary control reports are presented for monitoring and control purposes.

3.3 Budgetary Control reports presented to Members will now include a column which shows the projected financial outturn at year-end. This provides additional management information on the overall financial projection with the outturn at year end having a potential impact on the levy and level of reserves.

4. Background

Revenue Estimates

4.1 Based on the profiled budget of £13,280,000 and the actual net expenditure on services of £13,020,000, the under spend for the period is £260,000 (see Appendix A). The main cause of this is the savings that have been made in the IWMS contract (paragraph 4.3). ELWA does however face some budget pressures, most notably in respect of commercial waste income.

4.2 Non-contractor costs such as employees, premises costs and third party payments are generally profiled evenly through the year. At this stage no variations against budget at year end are anticipated except a small overspend against premises costs (ELWA's new office).

4.3 The principal activity driver on ELWA's budget is the level of waste tonnage delivered from the constituent councils. The general trend during 2010/11 was that waste levels were below that expected but this is an area that remains susceptible to fluctuation and will need to continue to be closely monitored throughout the financial year. However, Members are aware that arrangements are now in place that require the public to show proof of residence at Reuse and Recycling Centres. Initial

analysis suggests a significant saving has already been made to date. ELWA officers need to continue to monitor their management information systems so as to be able to understand the ongoing impact of this initiative. While this work is continuing it has been assumed that for the remainder of the financial year that tonnages are in line with the ABSDP and on this basis a favourable year end variance of £500,000 is projected.

- 4.4 Commercial waste income is below profiled budget and at year end it is projected based on ELWA technical officer advice that there will be an under recovery of £215,000. This is due to a projected reduction in the amount of commercial waste delivered to ELWA by Havering and Redbridge and in particular Newham which has stopped its skip service.
- 4.5 ELWA's original Contingency sum for 2011/12 was £150,000. Members were advised at the last meeting that in February 2009 (minute 1638) it was agreed to provide additional transitional financial support to Redbridge to improve recycling performance as Redbridge was unable to benefit from the distribution of savings provided through the Optibag scheme. Most of the original contingency has therefore been allocated for this purpose and this is included in the recycling initiatives budget. In order to have a working contingency, it was agreed at your last meeting to carry forward £100,000 of the 2010/11 underspend into 2011/12 and this, together with £6,000 remaining from the original contingency was allocated as a resource in 2011/12 to cover potential budget pressures and unforeseen developments.
- 4.6 The pressure on the levy and the reserves over the next few years has been previously reported to Members. Given this it is important that robust monitoring of the financial position throughout the year remains in place and it is essential that remedial action can be swiftly taken on areas of over spend or insufficient income collection should they occur.

Prudential indicators

- 4.7 The Authority sets Prudential Indicators covering borrowing, lending and capital expenditure limits. These are monitored by the Finance Director on a monthly basis and the Authority remains within the limits set by the Prudential Indicators.

5. Conclusion

- 5.1 The net underspend for the period is £260,000 (projected end of year underspend £371,000) and this is due to reduced IWMS contract costs partly offset by other budget pressures. This together with the previously reported payment from the contractor in respect the agreement to dispose of its 'B' and 'C' shares will make a useful addition to the Authority's reserves but will not be sufficient in itself to avoid

large increases in the levy over the next few years.

6. Relevant officer:

Geoff Pearce, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3588

7. Appendices attached:

Appendix A: Budget Monitoring Statement to 31 August 2011

8. Background Papers:

7 February 2011 – Revenue & Capital Estimates and Levy 2011/12 Report & Minute No. 2010/57

12 February 2009 – IWMS Contract – Service Delivery Plan 2010/11 to 2014/15 (5 Year) (Implementation of the Joint Municipal Waste Management Strategy) – Confidential Report & Minute No. 2009/39

27 June 2011 – Budgetary Control to 30 April 2011 Report & Minute No. 2011/8

9. Legal Considerations:

None

10. Financial Considerations:

As outlined in the report.

11. Performance Management Considerations:

The financial position and projections should reflect service performance trends.

12. Risk Management Considerations:

Current position results in no change to present risk profile.

13. Follow-up Reports:

Budgetary Control Report, next meeting

14. Websites and e-mail links for further information:

None.

15. Glossary:

ABSDP = Annual Budget & Service Delivery Plan

ELWA = East London Waste Authority

IWMS = Integrated Waste Management Strategy

16. **Approved by Management Board:**

12 September 2011

17. **Confidentiality:**

Not applicable

BUDGETARY CONTROL STATEMENT TO 31 AUGUST 2011

	Budget 2011/12	Profiled Budget to 31.08.11	Total Actual to 31.08.11	Variance to 31.08.11	Project ed Outturn	Project ed Outturn Variance
	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE						
Employee and Support Services	530	221	221	0	530	0
Premises Related Expenditure	107	45	45	0	117	10
Transport Related Expenditure	5	2	1	-1	5	0
Supplies and Services						
Payments to Shanks.east London	54,033	13,955	13,606	-349	53,533	-500
Other (inc cost of Support Costs)	720	300	300	0	720	0
Third Party Payments						
Disposal Credits	50	0	0	0	50	0
Recycling Initiatives	354	144	144	0	354	0
Tonne Mileage	525	0	0	0	525	0
Rent payable – property leases	267	0	0	0	267	0
Capital Financing Costs	229	95	95	0	229	0
TOTAL GROSS EXPENDITURE	56,820	14,762	14,412	-350	56,330	-490
Income						
Commercial Waste Charges	-2,965	-1,235	-1,145	90	-2,750	215
Bank Interest Receivable	-275	-101	-101	0	-275	0
Other Income	-350	-146	-146	0	-350	0
TOTAL INCOME	-3,590	-1,482	-1,392	90	-3,375	215

Contingency Allocated	106	0	0	0	10	-96
NET EXPENDITURE ON SERVICES	53,336	13,280	13,020	-260	52,965	-371
10/11 underspend	-100	-100	-100	0	-100	0
PFI Grant Receivable	-3,991	-1,662	-1,662	0	-3,991	0
Transfer to PFI Contract Reserve	3,991	1,662	1,662	0	3,991	0
Levy Receivable	-	-18,645	-	0	-	0
Transfer from PFI Contract Reserve	44,749	18,645	18,645	0	44,749	0
Contribution from Reserves	-5,987	-2,495	-2,495	0	-5,987	0
REVENUE SURPLUS FOR PERIOD	-2,500	-1,042	-1,042	0	-2,500	0
	0	-9,002	-9,262	-260	-371	-371

AUTHORITY REPORT: CONTRACT MONITORING TO JULY 2011

1. Confidential Report

1.1 No

2. Recommendations:

2.1 Note this report, particularly:

- a) the improvement in contract recycling and diversion performance;
- b) the continued reduction in waste tonnages.

3. Purpose

3.1 To provide an update on the monitoring, outcomes and actions taken with regards to the management of the IWMS contract for the period to July 2011.

4. Contract Performance

4.1 The contract recycling performance for July exceeded the ABSDP profile and reached 31.1%. The increased levels in recycling were primarily due to the good performance of the Survival Bag MRF (enhanced by LBN separate collections of recyclates from residual waste), and although lower than profiled, significantly better outputs from the BioMRFs.

4.2 The improved performance of the BioMRFs is yielding higher levels of glass recovery and more importantly the issue with BioMRF fines material (as reported to Members at the last Authority meeting) has been resolved since June and is now being processed satisfactorily.

4.3 In addition to the improved recycling performance, the diversion from landfill performance for July remains above budget at 64.5%, which is 5% higher than profiled. This step up in performance can again be attributed to the improved performance of the BioMRFs and the higher recycling performance overall.

4.4 Contract waste tonnage for July was 37,274 tonnes, which is 4,380 tonnes below budget. This reduction in waste tonnage is a continuing trend and is significantly contributed to by the controls in place at the RRC sites which is reported elsewhere on the agenda.

Borough N192 performance

4.5 Although it is no longer a statutory requirement to submit N192 performance figures, the figures for July are summarised below.

N192	July 2011	2011/12 Cumulative
------	-----------	--------------------

LBBB	36%	34%
LBH	40%	36%
LBN	25%	23%
LBR	37%	35%
ELWA	35%	32%

5. Comparison of London Waste Authority Performance

5.1 Appendix A provides an overview of the waste arisings, recycling & composting performance and the volume of waste sent to landfill for the year 2010/11 using WDF data. When looking at the table it is advisable when making comparisons, to compare the ELWA boroughs to the unitary authorities as the RRC site tonnages are captured in the unitary figures as they are for ELWA boroughs.

5.2 The final 3 columns on the table compare ELWA and the constituent boroughs to the average performances of the other SJWDAs and Unitary authorities, the high level of waste sent for composting is the combination of green waste added to the fines from the BioMRFs.

6. Update on Bring Sites

6.1 ELWA officers, working with Shanks, have assessed the efficiency of the existing bring site collections system in light of the current contract with Shanks' sub-contractor Berryman coming to an end.

6.2 At present bring site tonnage data, provided by Berryman via Shanks on a monthly basis, is difficult to work from largely due to an unfriendly format and some reporting inconsistencies from the sub-contractor. While ELWA officers have confidence in the overall tonnage collected these inconsistencies cast doubt on the amounts apportioned to individual sites, which makes assessing their performance difficult and needs to be remedied.

- a) ELWA officers are addressing this with Shanks and have devised a new reporting format which shows in a clear way the month-by-month tonnage collected from each site. While still not 100% accurate, this data will allow borough officers to ascertain the most effective sites as well as to identify the poorly performing ones on a regular basis. From this a continuing rationalisation of the sites will be possible, which may involve removing or re-siting banks that are not proving effective.
- b) As well as monitoring the overall performance of each site, officers will be able to establish the tonnages of individual materials, providing further insight into the effect of bring site provision on kerbside collections and vice versa.

c) A system that records bin lifts is being evaluated by Shanks. If the system is implemented with the next contract, they will be able to monitor each time a particular bring site is emptied, which would highlight any instance of a vehicle deviating from its agreed route. This will provide greater confidence that all banks are being serviced to schedule and therefore in the integrity of the data produced.

6.3 ELWA officers will continue to liaise with Shanks in order to maximise the value of the next collections contract.

7. Conclusion

Contract recycling performance has improved significantly and if maintained may make up the shortfall seen earlier in the contract year.

Continued lower contract waste tonnages combined with increased diversion from landfill should provide the Authority with a budget saving at year end.

8. Relevant officer:

Mark Ash, Head of Operations / e-mail: mark.ash@eastlondonwaste.gov.uk / 020 8270 4997

9. Appendices attached:

Appendix A – Comparison of London Authority performances for waste collection and disposal.

10. Background Papers:

Annual Budget & Service Delivery Plan 2011/12.

11. Legal Considerations:

None

12. Financial Considerations:

12.1 This report is recommending that in respect of the IWMS contract Members note the improvement in performance in recycling, diversion and reduced waste tonnages in the period to July 2011.

12.2 Tonnage levels are the main cost driver of the IWMS contract. The reduced tonnages therefore have led to a financial saving for the Authority in this period. Elsewhere on the agenda is the budgetary control report to the period ended 31 August 2011 and the reduced tonnages have been reflected in a financial saving, in this period, of £500,000. As Members are aware documentation checks at RRC sites have been in place for most of this financial year and the impact of these in terms of reduced

tonnages is still being assessed. ELWA officers will need to maintain appropriate management information on these further information will be reported to Members as appropriate as part of future contract monitoring and budgetary control reports.

12.3 Improved contract recycling and diversion performance has financial benefits to the Authority in a reduced lower landfill tax liability.

13. Performance Management Considerations:

Contract recycling performance has improved significantly and if maintained may make up the shortfall seen earlier in the contract year.

14. Risk Management Considerations:

None

15. Previous Reports:

Previous contract monitoring reports can be found at each agenda.

16. Follow-up Reports:

None

17. Websites and e-mail links for further information:

None

18. Glossary:

ABSDP = Annual Budget & Service Delivery Plan

BioMRF = Biodegradable Materials Recycling Facility

ELWA = East London Waste Authority

IWMS = Integrated Waste Management Strategy

LATS = Landfill Allowance Trading Scheme

LBN = London Borough of Newham

NI192 = National Indicator (Household Waste Recycled or Composted)

SJWDA = Statutory Joint Waste Disposal Authority

WDF = Waste Data Flow

19. Approved by Management Board:

12 September 2011

20. Confidentiality:

Not applicable

Agenda Item 6 - Appendix A

Authority	Authority Type	Total Household Waste			Household Waste Sent For			Household Waste Sent To			% Household Waste Sent			Households In			Kg's Per Household			Diff from Average		
		Waste	Household Waste Sent For Dry Recycling	Household Waste Sent For Composting	Household Waste Sent For Landfill	Household Waste Sent To Landfill	Household Waste Sent To Dry Recycling	Household Waste Sent To Composting	Household Waste Sent To Landfill	Household Waste Sent To Dry Recycling	Household Waste Sent To Composting	Household Waste Sent To Landfill	Household Waste Sent To Dry Recycling	Household Waste Sent To Composting	Household Waste Sent To Landfill	Total Household Waste	Waste Sent For Dry Recycling	Waste Sent For Composting	Total Household Waste	Waste Sent For Dry Recycling	Waste Sent For Composting	
East London Waste Authority	Disposal	397317	63571	37262	186849	47%	16%	9%	373,977	1,062	0.170	0.100	120%	78%	106%							
North London Waste Authority	Disposal	675804	131263	65502	187956	28%	19%	10%	751,082	0.900	0.175	0.087										
West London Waste Authority	Disposal	598504	145154	88391	324211	54%	24%	15%	598,889	0.999	0.242	0.148										
Western Riverside Waste Authority	Disposal	320251	82368	7333	230450	72%	26%	2%	429,339	0.746	0.192	0.017										
Bexley LB	Unitary	97747	27198	22681	46153	47%	28%	23%	94,622	1.033	0.287	0.240										
Bromley LB	Unitary	126888	37756	18453	38707	31%	30%	15%	133,895	0.948	0.282	0.138										
Croydon LB	Unitary	129522	30191	13149	83563	65%	23%	10%	143,270	0.904	0.211	0.092										
Greenwich LB	Unitary	97872	19390	16293	5567	6%	20%	17%	101,618	0.963	0.191	0.160										
Lewisham LB	Unitary	109085	18841	805	6833	6%	17%	1%	115,861	0.942	0.163	0.007										
Merton LB	Unitary	71041	19380	6418	42938	60%	27%	9%	80,074	0.887	0.242	0.080										
Royal Borough of Kingston upon Thames	Unitary	58813	17526	10106	28444	48%	30%	17%	63,958	0.920	0.274	0.158										
Southwark LB	Unitary	109949	21047	6398	39744	36%	19%	6%	123,948	0.887	0.170	0.052										
Sutton LB	Unitary	77284	22130	6884	45813	59%	29%	9%	79,368	0.974	0.279	0.087										
Tower Hamlets LB	Unitary	65728	14702	1254	20667	31%	22%	2%	106,723	0.616	0.138	0.012										
Westminster City Council	Unitary	81600	19933	693	15359	19%	24%	1%	119,394	0.683	0.167	0.006										
Barking and Dagenham LB	Collection	84310	13052	10749			15%	13%	70,822	1.190	0.184	0.152	134%	84%	162%							
Barnet LB	Collection	147059	27540	20285			19%	14%	136,992	1.073	0.201	0.148										
Brent LB	Collection	106729	17065	18594			16%	17%	108,540	0.983	0.157	0.171										
Camden LB	Collection	76187	16749	7611			22%	10%	101,092	0.754	0.166	0.075										
Ealing LB	Collection	106978	29158	13920			27%	13%	126,490	0.846	0.231	0.110										
Enfield LB	Collection	111939	21791	14220			19%	13%	120,159	0.932	0.181	0.118										
Hackney LB	Collection	75569	14394	4148			19%	5%	100,145	0.755	0.144	0.041										
Hammersmith and Fulham LB	Collection	57202	15426	332			27%	1%	80,890	0.707	0.191	0.004										
Haringey LB	Collection	85865	17491	6066			20%	7%	101,258	0.848	0.173	0.060										
Harrow LB	Collection	87939	23767	20160			27%	23%	85,954	1.023	0.277	0.235										
Havering LB	Collection	104862	20310	11992			19%	11%	99,796	1.051	0.204	0.120	118%	93%	128%							
Hillingdon LB	Collection	104815	30325	14915			29%	14%	103,312	1.015	0.294	0.144										
Hounslow LB	Collection	93526	21543	10876			23%	12%	94,094	0.994	0.229	0.116										
Islington LB	Collection	64596	15394	4139			24%	6%	95,688	0.675	0.161	0.043										
Lambeth LB	Collection	84750	20959	3027			25%	4%	130,005	0.652	0.161	0.023										
Newham LB	Collection	110461	11497	4855			10%	4%	102,862	1.074	0.112	0.047	121%	51%	50%							
Redbridge LB	Collection	102958	18713	9666			18%	9%	100,497	1.024	0.186	0.096	116%	85%	103%							
Richmond upon Thames LB	Collection	76880	23080	9927			30%	13%	81,066	0.948	0.285	0.122										
Royal Borough of Kensington and Chelsea	Collection	55853	16895	917			30%	2%	86,365	0.647	0.196	0.011										
Waltham Forest LB	Collection	99583	17904	9033			18%	9%	97,517	1.021	0.184	0.093										
Wandsworth LB	Collection	96441	25447	339			26%	0%	132,079	0.730	0.193	0.003										
Average										0.887	0.218	0.094										

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AUTHORITY REPORT: REUSE & RECYCLING CENTRES – CONTROLS (RRC)

1. Confidential Report

1.1 No.

2. Recommendations:

2.1 Members are asked to note this report and:

- a) consider the suggested changes/updates to the RRC Protocol outlined in paragraphs 6.1, 6.2 and 6.4;
- b) receive further reports on the potential to introduce charges for restricted waste as outlined in paragraph 7.2.

3. Purpose

3.1 To report on the results to date of the change in access requirements at the RRCs and propose modifications to enhance the system.

4. Background

- 4.1 As part of a wider review of the IWMS contract, restricting free of charge access at the RRCs to ELWA residents only was identified by ELWA officers as a potential cost saving. Members instructed officers to implement a system requiring ELWA residents to provide proof of address within the ELWA region in order to access the sites free of charge.
- 4.2 From 09/05/11, ELWA residents were asked to show both a council tax bill and a driving license upon arriving at the RRC. During the first week of operation the requirement was reduced to one of the two named documents.
- 4.3 Site visitors from outside of the ELWA region could still access the RRCs but a standard charge was made depending on the nature of the vehicle; cars were charged a rate of £10 and vans £40. These charges apply to the type of vehicle rather than the type of waste – trade waste was still charged at trade waste rates.
- 4.4 An extension of the existing Restricted Waste Protocol was also proposed and implemented, to ensure all vans and cars with trailers accessed the sites via the weighbridge.
- 4.5 The new system was accompanied by an extensive and ongoing communications campaign.
- 4.6 An automated traffic count system was set up and tonnage monitoring was carried out to assess the impact of the changes.

5. Current position

5.1 The system is currently running as intended, with minor alterations:

- a) the requirement for one or the other named documents rather than both is still in place;
- b) other forms of ID are being accepted on a discretionary basis by site staff, such as resident's parking permits.

5.2 The anticipated drop in both tonnage processed through the sites and vehicle numbers has materialised, although from a significant initial drop both showed signs of increasing slightly.

- a) Appendix A shows, both for the individual RRCs and as a total, the monthly tonnages from April to July against the same period last year. For each site the tonnage dropped significantly after the system was introduced in May and continued to fall through June, typically steadying in July although the overall trend shows a continuing drop. As compared to the previous year, June and July (as the two complete months of operation) produced a 31.5% average drop in tonnage across the sites, amounting to 5,376 fewer tonnes processed. This equates to a contract cost saving of approximately £320,000 for those two months.
- b) Appendix B shows the results of the automated vehicle counts, which ceased at the end of June, for each site and as a total. There was a similar pattern for the sites of a sharp drop in traffic in the week the system was introduced followed by a brief but sharp increase on the Bank Holiday weekend at the end of May. After the Bank Holiday the traffic returned to a low level until mid-June when it began to slowly increase. Although the data stops at the end of June, ELWA officers have first hand and anecdotal evidence that traffic through the sites remains considerably lower than it was prior to the system's introduction.
- c) Appendix C shows the tonnages Shanks have processed as trade waste at the RRCs (excluding Chigwell Road which does not accept trade waste). To give an indication of how volatile these tonnages are, the data runs from April 2010 through to July 2011. Beyond surmising that Jenkins Lane clearly processes the highest tonnage and Gerpins Lane very little, it is difficult to say whether the new access requirements or the strengthened restricted waste protocol have had an effect on the trade waste processed.
- d) Appendix D gives an account of the number of vehicles that have paid to access the RRCs, presumably because they were bringing in waste from outside the ELWA region. The higher number in May suggests that more people were turning

up unaware of the changes in those early weeks and opting to pay, indicating a gradual spread of awareness.

e) With only two full months' worth of data to analyse, it is considered too soon to establish how the recycling rates at the sites have been affected by the changes. ELWA officers will monitor this as further data becomes available.

- 5.3 Complaints arose from the public as expected but did not amount to a significant number. The majority of calls taken by the helpline set up by Shanks were for clarification on the changes or from residents outside of ELWA unhappy that they now had to pay the charge. By the end of the first month these calls had become very infrequent and Shanks were able to close the dedicated helpline after six weeks (although calls can still be directed to their general helpline).
- 5.4 A small number of residents have been unable to provide either a council tax bill or a driving licence as proof of residence. In these cases the resident was required to sign a disclaimer with an explanation as to why they could not provide ID. They were then sent a letter from ELWA to be used at the RRCs in lieu of ID, once ELWA officers were satisfied that they were ELWA residents disposing of household waste. Only 19 letters have been issued to date.
- 5.5 Concerns about excessive queuing proved to be unfounded as during the first week (the busiest so far), no queue reached a stage where the system had to be suspended. Extra Shanks staff and ELWA officers were on hand to assist where necessary during those early stages but have not been required since.
- 5.6 There have been no reports of an increase of fly-tipping from any of the boroughs. ELWA officers will continue to monitor this as data becomes available.
- 5.7 A communications campaign accompanied the introduction of the changes, spanning the four Borough publications, local newspapers, websites and extensive leafleting, in addition to substantial signage at the RRCs.
- 5.8 Despite this, there appeared to be a widespread lack of awareness in the early weeks, leading to heavy usage of the disclaimer forms provided to those who did not have the relevant ID with them on arriving at site. However, roughly three months after the changes were made, the number of site users unaware of the need for ID has dramatically fallen. Approximately 5,000 forms were used in the first week alone; the most recent number at the time of reporting was less than 500 for the week. Nonetheless, this, coupled with the upward trend in site traffic in June, suggests that the planned second wave of communications before the Christmas period is warranted.

6. Next steps

- 6.1 The scope for abuse of the current system is widened by accepting alternatives to the named ID requirements. A return to allowing only a council tax bill or a driving license would re-enforce the controls and ensure a more straightforward process for site staff on the gate.
- 6.2 The use of the disclaimer form further compromises the integrity of the system as it allows access without the proper ID. This was intended as a measure to allow ELWA residents to access the sites in the event that they were unaware of the ID requirements and was not expected to be used indefinitely. In order to maximise the effectiveness of the system, use of the forms should be discontinued at the appropriate time. A second communications campaign would be a solid justification for doing so.
- 6.3 ELWA officers have used the vehicle count data to assess site traffic by day and hour. Discussions are being held with Shanks as to the benefits and practicality of amending site opening hours.
- 6.4 If changes are to be made to enhance the system, a second widespread communications campaign would be needed to deliver the message and act as a reminder. The different release frequencies of the borough publications (by all accounts the most effective contact method) mean that a concerted campaign is limited to quarterly junctures, the next of these occurring in December. An editorial describing the reasons for and successes of the system would help boost support for and justify the action.
 - a) The ELWA and borough websites would need to be updated, as would the signage and leaflets being given out at site.
 - b) Buying space in local newspapers again is a further option, although there is doubt over the value for money of doing this given the relatively low readership of these publications.
 - c) Borough officers have been asked to gauge the possibility of using next year's council tax packet as a further means of promoting the system.

7. Future Measures

- 7.1 Although the system is by and large having the desired effect, further measures could be considered to both shore up the existing restrictions and facilitate increased savings.
- 7.2 The Government is proposing changes to the Controlled Waste Regulations that may change the way waste disposal authorities can charge for certain types of waste. There is further scope for limiting the cost of waste processed at the RRCs by introducing a charge for any rubble, ceramics or tyres ('restricted waste'), operated

in the same way as the charge for non-ELWA residents i.e. one rate for cars, a higher rate for vans. Given that restricted waste tends to be dense and heavy a third rate for large vans would be necessary in order to prevent abuse of the charging structure. A charge would have the effect of both limiting the amount of waste tipped at the sites and covering, at least in part, the cost of disposing of the waste that does come in. ELWA could discuss with Shanks how such a system could be introduced at our sites.

7.3 An across the board, generic charging system would also eliminate the current difficulties experienced between the boroughs and Shanks in operating the Restricted Waste Protocol. At present, there is not a cohesive procedure across the boroughs for identifying acceptable amounts of restricted waste being tipped by any given vehicle. Often, vehicles are turned away by Shanks only to be given permission to tip by a borough due to a lack of verifiable information on that vehicle, causing agitation for all parties.

7.4 The table below shows the tonnage of restricted waste materials processed at all sites in 2010/11. Combined, this material represents a disposal cost of approximately £600,000 to ELWA. Potentially this full amount could be recouped through a charge, but even a modest contribution from residents would represent significant savings to the Authority.

Material	Tonnage
Rubble	8,501
Ceramics	1,222
Tyres	431

8. Conclusion

8.1 The new system has achieved what was expected of it to date, providing savings through lower waste processing costs at the RRCs. In order to maximise these savings, the system would benefit from re-enforcement of existing policies and the introduction of further restrictions:

- a) Charge for restricted waste.
- b) Allow only a council tax bill or driving licence as proof of residence
- c) End use of the disclaimer form and refuse entry to anyone without the required ID.
- d) Publicise the enhanced restrictions with a comprehensive communications campaign.

9. Relevant officer:

James Kirkham / e-mail: james.kirkham@eastlondonwaste.gov.uk / 07875 993 664

10. Appendices attached:

Appendix A – Monthly RRC tonnages

Appendix B – Vehicle counts

Appendix C – Shanks' trade waste tonnages

Appendix D – ELWA income

11. Background Papers:

27/06/11 – Contract Monitoring Report & Minute No.2011/10

12. Legal Considerations:

The implications of charging for restricted waste at the RRCs.

13. Financial Considerations:

This report is asking Members to consider changes to the current Protocol requirements required at RRC sites and to receive further reports on the potential for charging for restricted waste.

Members were advised at the last Authority meeting of the documentation checks in operation at RRC sites. This has led to a reduction in tonnage at the sites and the projected end of year financial benefit of this (£500,000) is reported as part of the budgetary control report elsewhere on this agenda. ELWA officers need to continue to monitor management information on this to identify what the long term effects on tonnages will be. Paragraph 6.4 proposed an additional communications campaign to be delivered to residents. The costs of both the earlier and the additional communication campaign would need to be contained within ELWA's overall resources.

Paragraph 4.3 identifies that site visitors outside the ELWA region have been charged to dispose of their waste at RRC sites and as at the end of July 2011 this has generated income of £1,400.

Paragraph 7 identifies that there are opportunities for additional charging for restricted waste items. Whilst any income streams helps in limiting levy increases, ELWA officers will need to undertake detailed business cases to ensure that the additional income generated is greater than the ongoing costs of administering any new schemes.

14. Risk Management Considerations:

None.

15. Follow-up Reports:

After a suitable evaluation period, a report will follow reflecting the outcome of Members' decisions.

16. Websites and e-mail links for further information:

None.

17. Glossary:

ELWA = East London Waste Authority

RRC = Reuse and Recycling Centre

IWMS = Integrated Waste Management Strategy

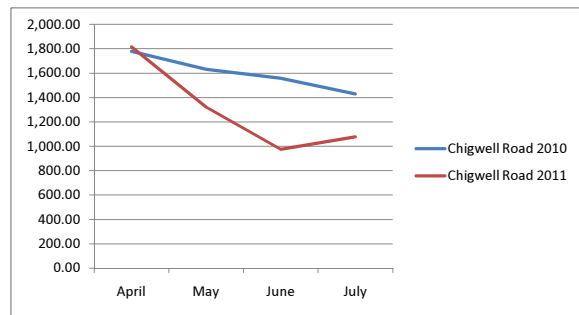
18. Approved by Management Board:

12 September 2011

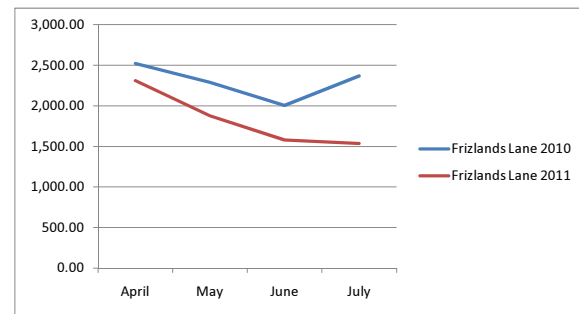
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Monthly tonnage comparison 2010 - 2011

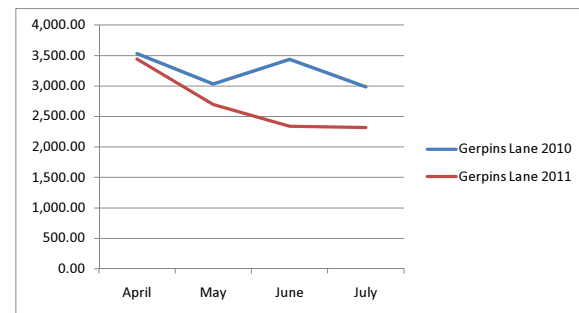
Tonnages	April	May	June	July
Chigwell Road 2010	1,779.14	1,632.16	1,558.22	1,429.78
Chigwell Road 2011	1,814.74	1,322.74	974.97	1,078.73
% drop	-2%	19%	37%	25%



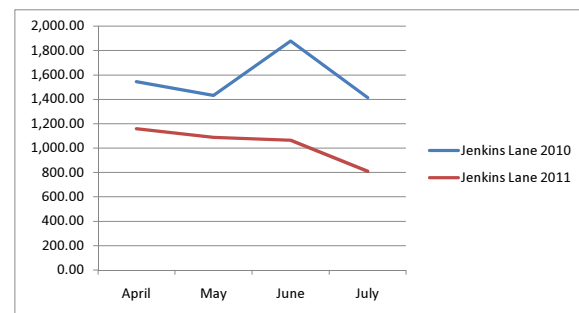
Tonnages	April	May	June	July
Frizlands Lane 2010	2,521.86	2,288.96	2,004.70	2,367.58
Frizlands Lane 2011	2,310.53	1,874.38	1,578.78	1,536.38
% drop	8%	18%	21%	35%



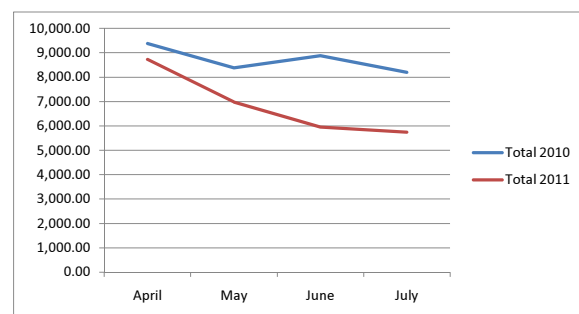
Tonnages	April	May	June	July
Gerpins Lane 2010	3,533.42	3,030.16	3,436.24	2,987.26
Gerpins Lane 2011	3,444.28	2,694.24	2,339.58	2,315.96
% drop	3%	11%	32%	22%



Tonnages	April	May	June	July
Jenkins Lane 2010	1,545.74	1,432.91	1,878.04	1,412.62
Jenkins Lane 2011	1,160.28	1,087.37	1,064.14	809.46
% drop	25%	24%	43%	43%

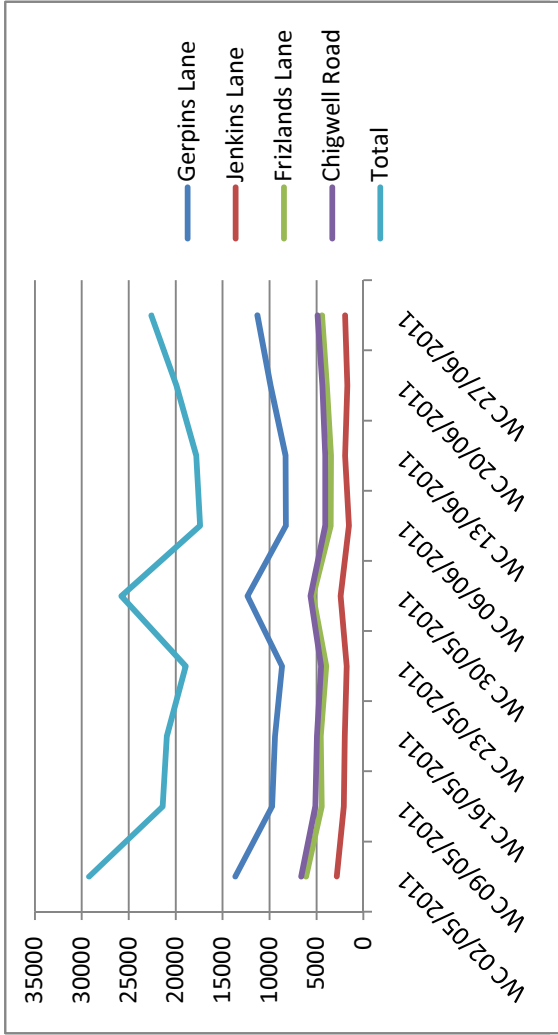


Tonnages	April	May	June	July
Total 2010	9,380.16	8,384.19	8,877.20	8,197.24
Total 2011	8,729.83	6,978.73	5,957.47	5,740.53
% drop	7%	17%	33%	30%



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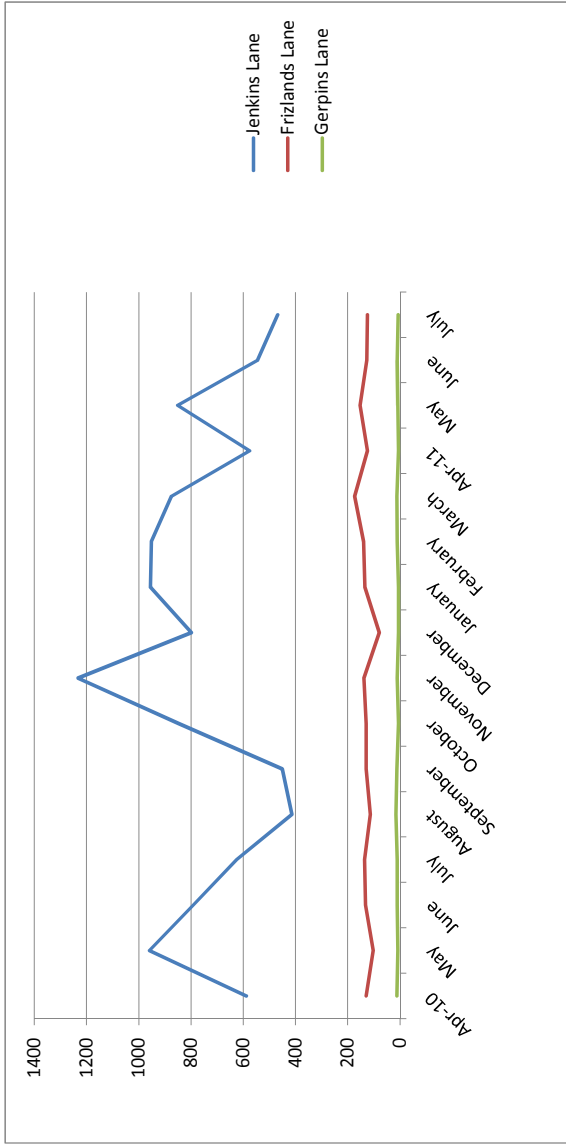
Vehicle Counts



Vehicle counts	Gerpins Lane	Jenkins Lane	Frizlands Lane	Chigwell Road	Total
WC 02/05/2011	13640	2838	6111	6621	29210
WC 09/05/2011	9724	2083	4445	5140	21392
WC 16/05/2011	9423	1991	4564	4974	20952
WC 23/05/2011	8664	1794	3970	4517	18945
WC 30/05/2011	12339	2436	5353	5655	25783
WC 06/06/2011	8258	1564	3482	4081	17385
WC 13/06/2011	8315	1949	3468	4074	17806
WC 20/06/2011	9916	1733	3903	4362	19914
WC 27/06/2011	11302	1967	4402	4905	22576

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Shanks' trade waste tonnages



Trade waste tonnage	Apr-10	May	June	July	August	September	October	November	December	Jan-11	February	March	Apr-11	May	June	July
Jenkins Lane	588	959	791	624	414	450	848	1232	799	956	952	874	575	851	545	468
Frizlands Lane	129	102	132	135	114	129	129	138	79	134	139	174	124	153	127	125
Gerpins Lane	12	8	10	11	15	12	6	10	5	6	11	12	6	8	10	7

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ELWA income

May			
Site name	Type	Count of Type	Sum of Charge
Jenkins Lane	Car	4	£40.00
	Van	2	£80.00
Gerpins Lane	Car	11	£110.00
Chigwell Road	Car	44	£440.00
	Van	1	£40.00
Frizlands Lane	Car	2	£20.00
	Van	1	£40.00
Grand Total		65	£770.00

June			
Site name	Type	Count of Type	Sum of Charge
Jenkins Lane	Car	3	£30.00
Gerpins Lane	Car	14	£140.00
Chigwell Road	Car	23	£230.00
	Van	1	£40.00
Frizlands Lane	Van	1	£40.00
Grand Total		42	£480.00

July			
Site name	Type	Count of Type	Sum of Charge
Jenkins Lane	Car	5	£50.00
	Van	2	£80.00
Gerpins Lane	Car	14	£140.00
	Van	1	£40.00
Chigwell Road	Car	14	£140.00
Grand Total		36	£450.00

Total	143	£1,700
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