EAST LONDON WASTE AUTHORITY
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

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PREFACE AND EXPLANATORY FORWARD

1. Preface

1.1 This publication presents the Authority's Accounts for the year ended 31 March 2014. 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.

1.2 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.

2. Explanatory Foreword

2.1 The Accounts for 2013/14 are set out on the following pages and consist of:

a) The Movement in Reserves Statement (MiRS) – This Statement sets out the movement on the different reserves held by the Authority. It analyses the increase or decrease in net worth of the Authority as a result of incurring expenses, gathering income and from movements in the fair value of the assets. It also analyses the movement between reserves in accordance with statutory provisions.

b) The Comprehensive Income and Expenditure Statement (CIES) – This Statement summarises the costs of the services provided by the Authority and how they are met from resources such as service income, government grants and the levy income.

c) The Balance Sheet – This records the Authority's year-end financial position. It shows the Authority's reserves, and its long and short term assets and liabilities.

d) The Cash Flow Statement – This summarises the flows of cash that have taken place into and out of the Authority's bank accounts over the financial year. It shows cash flow movement as a result of the Authority's operations, investing activities and financing decisions.

e) Notes to the Financial Statements – The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aid the understanding of the financial statements.

2.2 The Statement of Accounts for 2013/14 has been prepared on an International Financial Reporting Standards (IFRS) basis. The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Financial Reporting Advisory Board and the Government.

2.3 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

1. Introduction

1.1 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.

1.2 The Statement of Accounts on the following pages sets out the Authority's financial position for the year to 31 March 2014. Further information on the nature and purposes of the Authority's expenditure is contained in the annual Revenue and Capital Budgets.

2. Income and Expenditure Account

2.1 The Authority's budget for 2013/14 projected that there would be a net deficit of £4.213 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 budget with favourable variations in non contractor costs and recycling initiatives more than offsetting higher than budgeted waste tonnage. These underspends have had an impact on the final net revenue expenditure position. This is summarised in the table below.

	Budget	Actual
	£'000	£'000
Net Revenue Expenditure (inc. Contingency)	51,368	51,161
Levy Raised	-47,155	-47,155
Balance before accountancy adjustments	4,213	4,006

2.2 As a result of the accounting adjustments that are required to be made under IFRS, the outturn for the year as shown in the Comprehensive Income and Expenditure Statement is a deficit of £3.053 million. The table on page 5 provides a reconciliation between this net deficit figure and the final outturn position shown above of a £4.006 million deficit. Further detailed analysis can be seen in Note 20.

Reconciliation of the Accounting Adjustments required under IFRS

	Actual £'000	Actual £'000
Balance before accountancy adjustments (see Note 20**)**		**4,006**
Accountancy adjustments		-74
Balance of net expenditure to be financed by reserves		3,932
PFI contract accountancy adjustments (see Note 27):		
Service Charge	-7,592	
Lifecycle Asset Addition	-3,180	
Contingent Rent	-1,445	
Depreciation and Impairment of PFI assets	5,984	
Interest Payable on Finance Leases	5,354	-879
Deficit for the year after PFI adjustments		**3,053**
Movement between Revenue Reserve and Reserves		
Net Transfer from PFI Contract Reserve		-1,008
Transfer from Capital Adjustment Account		945
Earmarked Revenue Reserve		-2
Accumulated Absences Account		-2
Transfer to Pensions Reserve		-71
Net Effect on Revenue Reserve		**2,915**
Revenue Reserves Brought Forward		-8,482
Revenue Reserves Carried Forward		**-5,567**

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

3. Capital Programme/Borrowing Facilities

3.1 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.

3.2 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 2013/14.

4. ELWA Operations

4.1 ELWA transferred its principal operations and contracts to Shanks Waste Management Limited as part of the 25-year Integrated Waste Management Strategy (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.

5. Local Government Pension Scheme (LGPS)

5.1 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.

5.2 The results of the 2013 triennial actuarial valuation were used as part of the calculations for these accounts. The next valuation is due as at 31 March 2016.

5.3 As at 31 March 2014 the Authority's estimated liability for retirement benefits exceeded the value of assets by £1,111,000 (as at 31 March 2013 £821,000) when valued in accordance with the accounting standards. The increase in liability was due to the fair value of scheme assets not increasing in line with the funds obligation.

5.4 Under the Public Pensions Services Act 2013 changes have been made to the LGPS which have come into effect from 2014/15 onwards. From 1 April 2014, the scheme has moved from a 'final salary scheme' to a 'career average revalued earnings (CARE) scheme' with new contribution bands and rates.

6. Future Outlook

6.1 The future outlook for the Authority continues to be subject to a variety of uncertain factors including future decisions on landfill tax, the medium term direction of waste tonnage levels across the four constituent councils and inflation. Although the Authority was able to keep the overall levy below 2% in 2014/15 it is anticipated that higher levy increases will be required for 2015/16 and 2016/17. The setting of low/moderate levels of levy increase will require restricting overall waste tonnages as far as possible against a background of a projected increase in the ELWA population. The achievement of such levy increases will also depend on the success of the Authority in making significant savings in the current contract through negotiations with the contractor and waste minimisation policies. Although some progress has been made in this area continuous engagement with the contractor will be needed in the next two years to achieve the projected savings. Any significant levy increases in the future will be difficult to absorb for the constituent councils who will face continued expenditure constraints particularly after 2015/16.

7. Conclusion

7.1 I would like to thank all the ELWA staff and the relevant 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

30 September 2014

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. The Authority's Responsibilities

1.1 The Authority is required:

a) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Director.

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

c) To approve the Statement of Accounts.

2. The Managing Director's Responsibilities

2.1 The Managing Director is responsible for:

a) Maintaining effective financial controls and for securing the accuracy and integrity of financial information and systems operating within their department.

b) Complying with any procedural instructions issued by the Finance Director.

c) Preparing the Annual Governance Statement.

3. The Finance Director's Responsibilities

3.1 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, is required to give a true and fair view of the financial position of the Authority as at the 31 March 2014 and its income and expenditure for the year ending 31 March 2014.

3.2 In preparing this Statement of Accounts, the Finance Director has:

a) Selected suitable accounting policies and then applied them consistently;

b) Made judgements and estimates that were reasonable and prudent;

c) Complied with the Code of Practice.

3.3 The Finance Director has also:

a) Kept proper accounting records which were up to date;

b) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

4. Statement of The Finance Director

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 2014 and the Authority's financial position as at 31 March 2014.

G Pearce, BA, CPFA

Finance Director

30 September 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE EAST LONDON WASTE AUTHORITY (THE "AUTHORITY")

1. Report on the financial statements

Our opinion

1.1 In our opinion the financial statements, defined below:

a) give a true and fair view of the state of the Authority's affairs as at 31 March 2014 and of the Authority's income and expenditure and cash flows for the year then ended; and

b) have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

1.2 This opinion is to be read in the context of what we say in the remainder of this report.

2. What we have audited

2.1 The financial statements, which are prepared by East London Waste Authority, comprise:

a) the Balance Sheet as at 31 March 2014;

b) the Comprehensive Income and Expenditure Statement for the year then ended;

c) the Movement in Reserves Statement for the year then ended;

d) the Statement of Cash Flows for the year then ended;

e) the accounting policies; and

f) the notes to the financial statements, which include other explanatory information.

2.2 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 2013/14 supported by the CIPFA Service Reporting Code of Practice 2013/14.

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

3. What an audit of financial statements involves

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

a) whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;

b) the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and

c) the overall presentation of the financial statements.

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

4. Opinion on other matter prescribed by the Code of Audit Practice

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

5. Other matters on which we are required to report by exception

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

a) in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or

b) we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or

c) we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or

d) we exercise any other special powers of the auditor under the Audit Commission Act 1998.

6. Responsibilities for the financial statements and the audit

<u>Our responsibilities and those of the Responsible Financial Officer</u>

6.1 As explained more fully in the Statement of Responsibilities set out on page 7 the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

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

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

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

<u>Conclusion</u>

7.1 On the basis of our work, having regard to the guidance published by the Audit Commission in October 2013, we have no matters to report with respect to whether, 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 2014.

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

8.1 We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance issued by the Audit Commission in October 2013. We have considered the results of the following:

a) our review of the Annual Governance Statement;

b) the work of other relevant regulatory bodies or inspectorates, to the extent that the results of this work impact on our responsibilities at the Local Authority; and

c) our locally determined risk-based work.

9. Our responsibilities and those of the Authority

9.1 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.

9.2 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 any matters that prevent us being satisfied that the Authority has put in place such arrangements.

10. Certificate

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

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

30 September 2014

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

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

MOVEMENT IN RESERVES STATEMENT

1. 2013/14 Movement

1.1 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 the levy) and other reserves. The Surplus or 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.

	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 2013	**-400**	**-2,953**	**-2**	**-3,355**	**-8,482**	**-11,837**	**11,111**	**-2,680**	**821**	**2**	**9,254**	**-2,583**
Movement in Reserves during 2013/2014												
Deficit on the provision of service	0	0	0	**0**	3,053	**3,053**	0	0	0	0	**0**	**3,053**
Other Comprehensive Income and Expenditure	0	0	0	**0**	0	**0**	0	0	219	0	**219**	**219**
Total Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	3,053	**3,053**	**0**	**0**	**219**	**0**	**219**	**3,272**
Adjustment between accounting basis and funding basis under regulations (Note 6)	0	0	0	**0**	872	**872**	-945	0	71	2	**-872**	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**0**	**0**	**0**	**0**	**3,925**	**3,925**	**-945**	**0**	**290**	**2**	**-653**	**3,272**
Transfers to / from Earmarked Reserves (Note 7)	0	1,008	2	**1,010**	-1,010	**0**	0	0	0	0	**0**	**0**
Increase / Decrease in 2013/14	**0**	**1,008**	**2**	**1,010**	**2,915**	**3,925**	**-945**	**0**	**290**	**2**	**-653**	**3,272**
Balance at 31 March 2014 c/f	**-400**	**-1,945**	**0**	**-2,345**	**-5,567**	**-7,912**	**10,166**	**-2,680**	**1,111**	**4**	**8,601**	**689**

2. 2012/13 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 2012 carried forward	**-400**	**-5,668**	**-2**	**-6,070**	**-13,050**	**-19,120**	**15,466**	**-3,153**	**782**	**5**	**13,100**	**-6,020**
Movement in Reserves during 2012/13												
(Surplus) or Deficit on the provision of service	0	0	0	**0**	2,942	**2,942**	0	0	0	0	**0**	**2,942**
Other Comprehensive Income and Expenditure	0	0	0	**0**	0	**0**	0	473	22	0	**495**	**495**
Total Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**2,942**	**2,942**	**0**	**473**	**22**	**0**	**495**	**3,437**
Adjustment between accounting basis and funding basis under regulations (Note 6)	0	0	0	**0**	4,341	**4,341**	-4,355	0	17	-3	**-4,341**	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**0**	**0**	**0**	**0**	**7,283**	**7,283**	**-4,355**	**473**	**39**	**-3**	**-3,846**	**3,437**
Transfers to / From Earmarked Reserves (Note 7)	0	2,715	0	**2,715**	-2,715	**0**	0	0	0	0	**0**	**0**
Increase / Decrease in 2012/13	**0**	**2,715**	**0**	**2,715**	**4,568**	**7,283**	**-4,355**	**473**	**39**	**-3**	**-3,846**	**3,437**
Balance at 31 March 2013 carried forward	**-400**	**-2,953**	**-2**	**-3,355**	**-8,482**	**-11,837**	**11,111**	**-2,680**	**821**	**2**	**9,254**	**-2,583**

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.

		2012/13				2013/14
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
141		141	Supplies and Services	245		245
40,039		40,039	Service Charges (Note 27)	42,703		42,703
888		888	Employee and Support Services	713		713
135		135	Premises Related Expenditure	122		122
2		2	Transport Related Expenditure	3		3
5,397		5,397	Depreciation and Impairment of Fixed Assets (Note 9)	5,984		5,984
1,076		1,076	Third Party Payments	1,108		1,108
1,331	1,331	0	Optibag Savings passed to Boroughs	1,496	1,496	0
	3,264	-3,264	Commercial Waste Charges		2,744	-2,744
	4,036	-4,036	PFI and other Grants (Note 23)		3,991	-3,991
	814	-814	Other Income		718	-718
49,009	**9,445**	**39,564**	**Cost of Services**	**52,374**	**8,949**	**43,425**
8,347	220	8,127	Financing and investment income and Expenditure (Note 8)	6,979	196	6,783
57,356	**9,665**	**47,691**	**Net Operating Expenditure**	**59,353**	**9,145**	**50,208**
	44,749	-44,749	Income from Levy		47,155	-47,155
57,356	**54,414**	**2,942**	**(Surplus) or Deficit on provision of services**	**59,353**	**56,300**	**3,053**
		473	Surplus or deficit on revaluation of Property, plant and equipment assets (Note 9)			0
		22	Actuarial gains/losses on pension assets/Liabilities (Note 28)			219
		495	**Other Comprehensive Income and Expenditure**			**219**
		3,437	**Total Comprehensive Income and Expenditure**			**3,272**

BALANCE SHEET

The Balance Sheet shows the value as at the 31 March 2014 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 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'.

31 March 2013 £000		Notes	31 March 2014 £000
83,762	Property, Plant & Equipment	9	81,460
83,762	**Long Term Assets**		**81,460**
0	Assets Held for Sale	13	0
15,894	Short Term Investments	29	17,693
2,890	Short term Debtors	11	2,230
4,372	Cash and Cash Equivalents	12	0
23,156	**Current Assets**		**19,923**
-266	Short Term Borrowing	29	-26
-10,395	Short Term Creditors	14	-6,877
0	Cash and Cash Equivalents	12	-4,888
-10,661	**Current Liabilities**		**-11,791**
-1,251	Long Term Borrowing	29	-1,250
-91,602	PFI Finance Lease Liability	27	-87,920
-821	Pension Liability	28	-1,111
-93,674	**Long Term Liabilities**		**-90,281**
2,583	**Net Assets**		**-689**
11,837	Usable Reserves	15	7,912
-9,254	Unusable Reserves	16	-8,601
2,583	**Total Reserves**		**-689**

G Pearce, BA, CPFA
Finance Director
30 September 2014

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. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of levy and grant income or from the recipients of services provided by the authority. 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.

2012/13 £000		2013/14 £000
-2,942	Net surplus or (deficit) on the provision of services	-3,053
11,005	Adjustments to net surplus or deficit on the provision of services for non- cash movements	3,197
8,063	**Net cash flows from Operating Activities (Note 17)**	**144**
183	Investing Activities **(Note 18)**	-5,481
-3,937	Financing activities **(Note 19)**	-3,923
4,309	**Net increase and decrease in cash and cash equivalents**	**-9,260**
63	Cash and cash equivalents at the beginning of the reporting period	4,372
4,372	**Cash and cash equivalents at the end of the reporting period (Note 12)**	**-4,888**

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

1.1 The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* and the *Service Reporting Code of Practice 2013/14*, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

2.1 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 2014.

2.2 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.

3. Cash and Cash Equivalents

3.1 Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

3.2 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.

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

4.1 Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

4.2 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.

4.3 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.

4.4 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

<u>Benefits Payable during Employment</u>

5.1 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

5.2 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.

5.3 Where termination benefits involve the enhancement of pensions, statutory provisions require the Comprehensive Income and Expenditure Statement 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.

6. Pension Provision

6.1 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.

6.2 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.

6.3 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 Comprehensive Income and Expenditure Statement 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.

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

a) 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 £33,000 higher (£6,000 higher in 2012/13).

b) Pension costs have increased by £38,000. This is the result of pension interest costs being higher than expected returns on assets.

c) The liability in the balance sheet has increased and reported net worth of the Authority is now £1,111,000 (£821,000 in 2012/13).

d) An actuarial loss of £219,000 (£22,000 loss in 2012/13) is recorded on the Comprehensive Income and Expenditure Statement and reflected in the Balance Sheet liability. Actuarial gains and losses arise from changes to assumptions and the differences between expected and actual returns. Further details are shown in Note 28.

6.5 The International Accounting Standards Board published a final version of the revised IAS 19 standard which applies for the accounting period beginning 1 April 2013.

6.6 In summary, the main changes that affect the pension comprehensive income and expenditure charge are:

a) Removal of the expected return on assets, which has been replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, both are calculated with reference to the discount rate;

b) Some labelling changes, i.e. Current and past service costs , curtailments and settlements are listed under the heading 'Service Cost';

c) Administration expenses, previously deducted from actual and expected returns on assets, are now accounted for within the comprehensive income and expenditure charge.

7. Discretionary Benefits

7.1 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.

8. Financial Instruments

8.1 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 liabilities and assets.

<u>Financial Liabilities</u>

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

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

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

8.5 Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Revenue Reserve Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the

Comprehensive Income and Expenditure Statement to the net charge required against the Revenue Reserve Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

8.6 Financial assets are classified into two types:

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

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

9. Loans and Receivables

9.1 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.

9.2 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.

9.3 Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. Government Grants and Contributions

10.1 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.

11. Interests in Companies and Other Entities

11.1 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.

12. Leases

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

The Authority as Lessee

Finance Leases

12.2 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.

12.3 Lease payments are apportioned between:

a) A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

b) A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

12.4 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).

12.5 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 Revenue Reserve Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

12.6 Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the benefits received by the Authority.

The Authority as Lessor

Finance Leases

12.7 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 Net Operating Expenditure 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.

12.8 Lease rentals receivable are apportioned between:

a) A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

b) Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

12.9 The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Revenue Reserve Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Revenue Reserve 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 Revenue Reserve 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.

12.10 The written-off value of disposals is not a charge against the Levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Revenue Reserve Balance in the Movement in Reserves Statement.

Operating Leases

12.11 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 Net Operating Expenditure 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.

13. Property, Plant and Equipment

13.1 All expenditure on the acquisition, creation or enhancement of non-current 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 non-current assets which is charged direct to the Comprehensive Income and Expenditure Statement.

13.2 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.

13.3 Fixed assets related to the PFI Scheme 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 2013-14 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.

13.4 Fixed assets are revalued sufficiently regularly to ensure that their carrying value is not materially different from fair value but as a minimum every five years. 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).

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

13.6 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement and reversed out in the Movement in Reserves Statement.

14. Depreciation

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

a) Operational assets are depreciated on a straight-line basis over a maximum period of 25 years.

b) Newly acquired assets are not depreciated until the following year.

c) Depreciation is provided on assets in the year of disposal.

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

14.3 Revaluation gains are also depreciated, with an amount equal to the difference between current depreciation charged and the depreciation that would have been chargeable based on the historic cost of the assets. The difference is transferred from the Revaluation Reserve to the Capital Adjustment Account.

15. Component Accounting

15.1 IAS 16 – Property, Plant and Equipment (PPE) sets out the requirements for separate component depreciation of PPE assets that are significant in relation to the total asset cost.

15.2 The Authority will allocate the amount recognised in respect of an item of property, plant and equipment to its significant parts and depreciate separately each such part. For example, a property will be separated into its land and building component and depreciated separately.

15.3 A significant part of an item of PPE may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of the same item. Such parts may be grouped in determining the depreciation charge.

15.4 The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires all local authorities to establish an accounting policy for the componentisation of their assets and to apply that policy as assets are acquired, enhanced and revalued.

15.5 Authorities are required to implement component requirement prospectively with effect from 1 April 2010 and are applicable to:

a) Enhancement expenditure incurred,

b) Acquisition expenditure incurred, and

c) Revaluation carried out

15.6 The Authority will consider assets for componentisation upon revaluation. The principal asset that the Authority holds on its balance sheet relates to its PFI asset. The next planned revaluation of this asset is in 2014/15.

16. Disposals and Non-current Assets Held for Sale

16.1 When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to Net Operating Expenditure in the Comprehensive Income and Expenditure

Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

16.2 Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

16.3 Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, 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. Receipts from disposals (if any) are 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

16.4 Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Revenue Reserve Balance in the Movement in Reserves Statement.

16.5 The written-off value of disposals is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Revenue Reserve Balance in the Movement in Reserves Statement.

17. Private Finance Initiative (PFI) and Similar Contracts

17.1 PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

17.2 In December 2002, the Authority entered into a PFI contract.

17.3 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 Standard (IAS) 17.

17.4 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 Property, Plant and Equipment.

17.5 The annual amounts payable to the PFI operator are analysed into five elements:

a) The value of services received during the year, which is charged to the Comprehensive Income and Expenditure Statement.

b) 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 Comprehensive Income and Expenditure Statement.

c) Contingent rent, which relates to any increase in the amount to be paid for property arising during the contract. This is then debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

d) The payment towards the liability, which writes down the liability in the Balance Sheet.

e) Lifecycle replacement costs, when appropriate, a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

18. Reserves

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

18.2 The Revenue Reserve is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise.

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

18.4 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 2014. 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 Comprehensive Income and Expenditure Statement. Further information relating to the Net Pension Liability is shown in Note 28 to the Accounts.

18.5 The PFI Contract Reserve was 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 ensures 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.

18.6 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.

18.7 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.

18.8 The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2014.

19. Charges to Revenue

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

19.2 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 Comprehensive Income and Expenditure Statement and disclosed separately on the Movement in Reserves Statement.

20. Value Added Tax

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

21. Redemption of Debt

21.1 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.

22. Financial Relationship between the Authority and Constituent Councils

22.1 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.

23. Financial Relationships with Companies and other Organisations

23.1 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 Note 24 to the Accounts.

NOTES TO THE STATEMENT OF ACCOUNTS

1. Adoption of New Accounting Standards

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

1.1 The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 has introduced a number of changes to accounting policies which will be required from 1 April 2014 as follows:

1.2 IFRS 10: Consolidated Financial Statements. This standard introduces a new definition of control which is used to determine which entities are consolidated for the purpose of group accounts. The Authority has no material subsidiary and therefore IFRS 10 is not expected to have impact on the 2013/14 Accounts.

1.3 IFRS 11: Joint Arrangements: This standard addresses the accounting for a “joint arrangement”, which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. The Authority has no material joint venture arrangements.

1.4 IFRS 12: Disclosures of Involvement with other Entities: This is a consolidated disclosure standard requiring a range of disclosures about an entities interests in subsidiaries, joint arrangements, associates and unconsolidated “structured entities”.

1.5 IAS 27: Separate Financial Statements and IAS 28: Investments in Associates and Joint Ventures These standards have been amended to conform to the changes in IFRS 10, IFRS 11 and IFRS 12. As these amendments do not give rise to material changes in the financial statements, there is no impact as a result of changes to IAS 27 and IAS 28.

1.6 IAS 32: Financial Instruments – Presentation. The Code references to amended application guidance when offsetting a financial asset and a financial liability. As gains and losses are separately identified in the Comprehensive Income and Expenditure Account no further disclosure is required.

2. Critical Judgements in applying Accounting Policies

2.1 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.

2.2 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

3.1 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.

3.2 The items in the Authority’s Balance Sheet at 31 March 2014 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 retirement ages, mortality rates and expected returns on pension fund assets. A consulting actuary 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 £51,000. However, the assumptions interact in complex ways. The Authority's actuary uses their experience to make the necessary adjustments accordingly.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, 1 year's reduction in useful life would currently result in an increased depreciation of £499,000 per year.

4. Prior Period Adjustment

4.1 Prior period adjustments have been made to the Authority's 2012/13 published financial statements in relation to the following:

Changes to IAS 19 Accounting Standard

4.2 There have been a number of significant changes in relation to International Accounting Standard 19 (IAS 19) Employee Benefits. This has resulted in changes to accounting treatment for financial years commencing on or after 1 January 2013.

4.3 The main changes relate to:

Expected Return on Assets.

4.4 This figure relates to the return on pension scheme assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS 19. This has been replaced with an equivalent figure calculated using a discount rate derived from corporate bond indices, Merrill Lynch AA rated bond yield curve 25 year point.

Asset Disclosures

4.5 IAS 19 requires a much more detailed breakdown of the Pension Fund's assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. The disclosure included within the Authority's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash. As a result of the change some categories are split further.

Disclosure Presentation

4.6 In order to be consistent with the new requirements of IAS 19 the disclosures in relation to the Authority's defined benefit pension scheme have changed from those published in 2012/13. The intention of the changes to the accounting standard is that the presentation of information is easier for the user to understand.

4.7 The impact of these changes on the Authority's published core statements is shown in note 28. Where disclosures have been restated, the 2012/13 column on the disclosure table is headed 'Restated 2012/13'.

4.8 With regard to any impact on the Comprehensive Income and Expenditure Statement; under IAS 19 the 2012/13 pension cost would have increased by £27,000 but this adjustment has not been made on grounds of materiality. There is no impact on the Authority's Balance Sheet.

5. Events after the Balance Sheet date

5.1 The Statement of Accounts was authorised for issue by the Finance Director on 30 June 2014. 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 2014, the figures in the Statement of Accounts and notes have been adjusted in all material respects to reflect the impact of this information.

5.2 There are no events after the balance sheet date that require an adjustment to be made to the Statement of Accounts.

5.3 There was a fire at the Authority's Frog Island waste management facility on 4th August 2014. The facility is currently held in the accounts at a total value of £49,560,000.

5.4 As at the date of approval of the accounts it is estimated that it could be 12 months before the facility is operating again. In the meantime, waste is being redirected to other sites.

5.5 The financial impact of the fire will include the loss of royalty income and increased unitary payments as a result of reduced diversion. The PFI contractor has insurance cover in place but as at the date of approval of the accounts it is not possible to quantify the residual financial impact of the fire for the Authority in any detail.

6. Adjustment between accounting basis and funding basis under regulations

6.1 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.

2013/14

	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	-5,984				5,984
Statutory provision for the financing of capital investment	6863				-6,863
Other Capital financing charges	66				-66
Total Adjustments primarily involving the Capital Adjustment Account	**945**				**-945**
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 28**)**	-71				71
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	-2				2
Total Adjustments	**872**	**0**	**0**	**0**	**-872**

2012/13 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	-5,397				5,397
Statutory provision for the financing of capital investment	9,683				-9,683
Other Capital financing charges	69				-69
Total Adjustments primarily involving the Capital Adjustment Account	**4,355**				**-4,355**
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 28)	-17				17
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	**4,341**	**0**	**0**	**0**	**-4,341**

7. Transfers to/from Earmarked Reserves

7.1 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 2013/14.

	Balance at 1 April 2012 £000	Transfers Out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000
Revenue Reserve:							
PFI Contract Reserve	-5,668	6,706	-3,991	-2,953	4,999	-3,991	-1,945
Revenue Reserve Resource	-2	0	0	-2	0	2	0
Capital Reserve	-400	0	0	-400	0	0	-400
Total	**-6,070**	**6,706**	**-3,991**	**-3,355**	**4,999**	**-3,989**	**-2,345**

8. Financing and Investment Income and Expenditure

2012/13 £000		2013/14 £000
5,722	Interest payable and similar charges	5,496
11	Pensions interest cost and expected return on pensions assets	38
24	Impairment of Investment charged / (recovered) (see note 29)	-83
2,590	Contingent Rent	1,445
-220	Interest receivable and similar income	-113
8,127	**Total**	**6,783**

9. Property, Plant and Equipment

Movements on Balances

Movements in 2013/14:

	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 2013	94,200	16,927	111,127	110,725
Additions – Life Cycle costs	0	3,682	3,682	3,682
At 31 March 2014	94,200	20,609	114,809	114,407
Accumulated Depreciation and Impairment				
At 1 April 2013	23,942	3,423	27,365	27,365
Depreciation charge	4,906	1,078	5,984	5,984
At 31 March 2014	28,848	4,501	33,349	33,349
Net Book Value				
At 31 March 2013	70,258	13,504	83,762	83,360
At 31 March 2014	65,352	16,108	81,460	81,058

Comparative Movements in 2012/2013

	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 2012	94,073	15,845	109,918	109,643
Additions – Life Cycle costs	0	1,082	1,082	1,082
Revaluation decreases recognised in the Revaluation Reserve – Landfill Sites	-473	0	-473	0
Assets reclassified from Held for Sale	600	0	600	0
At 31 March 2013	94,200	16,927	111,127	110,725
Accumulated Depreciation and Impairment				
At 1 April 2012	19,280	2,688	21,968	21,968
Depreciation charge	4,662	735	5,397	5,397
At 31 March 2013	23,942	3,423	27,365	27,365
Net Book Value				
At 31 March 2012	74,793	13,157	87,950	87,675
At 31 March 2013	70,258	13,504	83,762	83,360

Revaluations and Additions

9.1 The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued sufficiently regularly and 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.

9.2 The Authority's four closed landfill sites were last valued in March 2012. One site was re-valued in March 2013 and its decrease in value was debited to the revaluation reserve.

9.3 Additions relate to PFI Life Cycle Costs. See Note 27.

Fixed Assets Fair Value Annual Comparison

	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
31 March 2012	74,793	13,157	87,950
31 March 2013	70,258	13,504	83,762
31 March 2014	65,352	16,108	81,460
Current Fair Value	65,352	16,108	81,460

10. Investments

10.1 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.

10.2 The estimated net current liabilities of Aveley Methane Limited as at 31 March 2014 were £266,000 (2012/13, £194,000). The estimated loss before taxation for the period ended 31 March 2014 was £72,000 (2012/13 £54,000 loss). The figures are based on unaudited Statement of Accounts.

10.3 Copies of the Statement of Accounts of Aveley Methane Limited can be obtained from Infinis, 1st Floor, 500 Pavillion Drive, Northampton Business Park, Northampton NN4 7YJ.

10.4 The Authority previously owned 100% of the share capital of ELWA Limited, its Local Authority Waste Disposal Company (LAWDC). On 23rd December 2002, as part of the IWMS/PFI Contract, the Authority transferred all of its equity shareholding to Shanks Waste Management Limited through their holding company ELWA Holdings Limited.

10.5 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 2014 were £10,457,000 (2012/13: Net liabilities £10,704,000). The profit after taxation for the year ended 31 March 2014 was £247,000 (2012/13: Loss after taxation £824,000). The 2013/14 figures are based on unaudited Statement of Accounts.

10.6 During 2010/11, Shanks Waste Management Limited sold 80% of its equity shareholding in ELWA Holdings Limited to the John Laing Group.

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

10.8 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 (2013/14) and therefore, there is no requirement to produce Group Accounts.

10.9 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 30 shows further details.

10.10 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 at that time to be between 70% and 80% of the claim including interest.

10.11 Heritable's residential mortgage book, which constituted the largest asset remaining in the Administration, was sold to a third party on 15th May 2013.

10.12 In its last bulletin dated September 2013, CIPFA's Local Authority Accounting Panel (LAAP) recommended that the estimate of the recoverable amount to be based on a total repayment of 94% of the claim, which has been received to 31 March 2014 and that no further dividends of material value are assumed to be paid.

11. Debtors

	31 March 2013 £000	31 March 2014 £000
Central Government Bodies	650	857
Other Local Authorities	1,440	701
Other entities and individuals	800	672
Total	2,890	2,230

12. Cash and Cash Equivalents

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

	31 March 2013 £000	31 March 2014 £000
Bank current accounts	0	-4,895
Short term deposits	4,372	7
Total Cash and Cash Equivalents	4,372	-4,888

13. Assets Held for Sale

	Non Current 31 March 2013 £000	Non Current 31 March 2014 £000
Balance outstanding at start of year	600	0
Assets declassified as held for sale:		
• Property, Plant and Equipment	-600	0
Balance outstanding at year end	0	0

14. Creditors

	31 March 2013 £000	31 March 2014 £000
Central Government Bodies	5	5
Other Local Authorities	946	129
Other entities and individuals	9,444	6,743
Total	10,395	6,877

15. Usable Reserves

15.1 Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement, with further analysis in notes 6 and 7.

16. Unusable Reserves

31 March 2013 £000		31 March 2014 £000
-2,680	Revaluation Reserve	-2,680
11,111	Capital Adjustment Account	10,166
821	Pensions Reserve	1,111
2	Accumulated Absences Account	4
9,254	Total Unusable Reserves	8,601

Revaluation Reserve

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

a) Revalued downwards or impaired and the gains are lost;

b) Used in the provision of services and the gains are consumed through depreciation, or

c) Disposed of and the gains are realised.

16.2 The Reserve was created in 2009/10 and contains revaluation gains accumulated since 1 April 2007. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £000		2013/14 £000
-3,153	Balance at 1 April	-2,680
	Non-current assets not posted to the Provision of Services:	
0	Upward revaluation of assets	0
473	Downward revaluation of assets and impairment losses	0
-2,680	Balance at 31 March	-2,680

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs 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 subsequent costs. 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, the Capital Adjustment Account shows a debit balance at this point in the PFI contract term.

2012/13 £000		2013/14 £000
15,466	Balance at 1 April	11,111
	Capital financing applied in the year:	
5,397	Reversal of Charges for depreciation and impairment of non-current assets	5,984
-9,683	Statutory provision for the financing of capital investment	-6,863
-69	Other capital financing charges	-66
11,111	Balance at 31 March	10,166

Pension Reserve

16.3 The Pension 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.

2012/13 £000		2013/14 £000
782	Balance at 1 April	821
22	Actuarial (gains) or losses on pensions assets and liabilities	219
17	Employer's pensions contributions and direct payments to pensionable payable in the year	71
821	Balance at 31 March	1,111

Accumulated Absences Account

16.4 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.

2012/13 £000		2013/14 £000
5	Balance at 1 April	2
-3	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	2
2	Balance at 31 March	4

17. Cash Flow Statement – Operating Activities

17.1 The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
	The cash flows for operating activities include the following items	
167	Interest Received	114
-5,722	Interest Paid	-5,496
-5,555	Net Interest	-5,382

17.2 Cash Flow for Operating Activities:

2012/13 £000		2013/14 £000
-2,942	Net Surplus or (Deficit) on the Provision of Services	-3,053
	Adjustments to net surplus or deficit on the provision of services for the following non cash movements	
5,397	Depreciation	5,984
4,931	Increase/(Decrease) in Creditors	-3,518
660	(Increase)/Decrease in Debtors	660
17	Actuarial adjustments on pension assets/liabilities	71
0	Other non cash transactions	0
11,005		3,197
8,063	Net cash flows from operating activities	144

18. Cash Flow Statement – Investing Activities

2012/13 £000		2013/14 £000
-1,082	Purchase of property, plant and equipment	-3,682
1,265	Net movement in short-term investments	-1,799
183	Net cash flows from investing activities	-5,481

19. Cash Flow Statement – Financing Activities

2012/13 £000		2013/14 £000
-3,937	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	-3,682
0	Repayments of short term and long term borrowing	-241
-3,937	Net cash flows from financing activities	-3,923

20. Amounts reported for resource allocation decisions

20.1 The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting 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:

a) 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)

b) 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.

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

Income and Expenditure	2012/13 £000	2013/14 £000
Fees, charges & other service income	-4,174	-5,072
Total Income	**-4,174**	**-5,072**
Employee expenses	544	348
Other services expenses	55,143	59,876
Total Expenditure	**55,687**	**60,224**
Net Expenditure	**51,513**	**55,152**
PFI Grant Received	-3,991	-3,991
Levy Received	-44,749	-47,155
Net expenditure in the Authority Analysis	**2,773**	**4,006**

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

20.3 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.

	2012/13 £000	2013/14 £000
Expenditure shown in the Authority Outturn Report	**51,513**	**55,152**
Grant and Levy Received	**-48,740**	**-51,146**
Net expenditure in the Authority Analysis	2,773	4,006
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	47,988	48,724
	50,761	52,730
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-11,197	-9,305
Cost of Services in Comprehensive Income and Expenditure Statement	**39,564**	**43,425**

Reconciliation to Subjective Analysis

20.4 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.

2013/14

	Authority Analysis	Amounts not reported to Management for decision making	Amounts not included in comprehensive income & expenditure statement	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-4,958	0	0	**-4,958**	0	**-4,958**
Interest and investment income	-114	0	114	**0**	-196	**-196**
Income from Levy	-47,155	0	47,155	**0**	-47,155	**-47,155**
Government grants and contribution	-3,991	0	0	**-3,991**	0	**-3,991**
Total Income	**-56,218**	**0**	**47,269**	**-8,949**	**-47,351**	**-56,300**
Employee and Support Services expenses	676	37	0	**713**	0	**713**
Other service expenses	59,406	42,703	-56,432	**45,677**	0	**45,677**
Fixed Assets depreciation and impairment	0	5,984	0	**5,984**	0	**5,984**
Interest payments, pension costs and impairment of financial assets	142	0	-142	**0**	6,979	**6,979**
Total Expenditure	**60,224**	**48,724**	**-56,574**	**52,374**	**6,979**	**59,353**
Surplus or deficit in the provision of services	**4,006**	**48,724**	**-9,305**	**43,425**	**-40,372**	**3,053**

2012/13 Comparative Figures

	Authority Analysis	Amounts not reported to Management for decision making	Amounts not included in comprehensive income & expenditure statement	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-3,954	-1,500	0	**-5,409**	0	**-5,409**
Interest and investment income	-220	0	220	**0**	-220	**-220**
Income from Levy	-44,749	0	44,749	**0**	-44,749	**-44,749**
Government grants and contribution	-3,991	0	0	**-4,036**	0	**-4,036**
Total Income	**-52,914**	**-1,500**	**44,969**	**-9,445**	**-44,969**	**-54,414**
Employee and Support Services expenses	880	8	0	**888**	0	**888**
Other service expenses	54,663	44,083	-56,022	**42,724**	0	**42,724**
Fixed Assets depreciation and impairment	0	5,397	0	**5,397**	0	**5,397**
Interest payments, pension costs and impairment of financial assets	144	0	-144	**0**	8,347	**8,347**
Total Expenditure	**55,687**	**49,488**	**-56,166**	**49,009**	**8,347**	**57,356**
Surplus or deficit in the provision of services	**2,773**	**47,988**	**-11,197**	**39,564**	**-36,622**	**2,942**

21. Officers' Remuneration

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

	Remuneration £	Pension Contribution £	Total £
Acting Managing Director	89,848	14,881	104,729
	89,848	14,881	104,729

21.2 The above remuneration includes exit costs of £nil (2012/13 *£94,996).

2012/13 Comparative Figures

	Remuneration £	Pension Contribution £	Total £
Managing Director	*186,246	14,940	201,186
Head of Operations	76,449	12,485	88,934
Contract Manager	54,444	8,749	63,193
	317,139	36,174	353,313

21.3 In addition to the employee's and employer's pension contributions deducted in regard to each pensionable ELWA employee, the London Pensions Fund Authority (LPFA) levy a further charge on employers based on their valuation of the pension fund. This additional charge of £16,000 for 2013/14 (2012/13 £16,000) cannot be attributed to any particular officer and is declared here for reasons of transparency.

21.4 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	2012/13 Number of employees	2013/14 Number of employees
£50,000 - £54,999	1	
£70,000 - £74,999		
£75,000 - £79,999	1	
£85,000 - £89,999		1
£90,000- £94,999		
£185,000- £189,999	1	
	3	**1**

22. External Audit Costs

22.1 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:

	2012/13 £000	2013/14 £000
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor for the year – accounts.	18	18
Total	18	18

23. Grant Income

23.1 The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2013/14:

	2012/13 £000	2013/14 £000
PFI/Waste Infrastructure Capital Grant (WICG)	3,991	3,991
WRAP Grant	45	0
Total	4,036	3,991

23.2 For PFI/WICG grant details refer to notes 24.2 and 27.

23.3 The Waste and Resources Action Programme (WRAP) is a government funded not-for-profit company. Its objective is to increase recycling by providing advice, support and initiatives to businesses, local authorities and the community. The grant received in 2012/13 provided funding for the 'Love food hate waste campaign', a waste minimisation activity.

24. Related Party Transactions

24.1 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.

24.2 The Department for Environment, Food and Rural Affairs award the PFI Grant which has now been renamed the Waste Infrastructure Capital Grant. Further details are in Note 27.

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

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

	2012/13		2013/14	
	Expenditure £'000	Income £'000	Expenditure £'000	Income £'000
Barking & Dagenham	1,054	-8,788	1,247	-9,460
Havering	883	-11,619	916	-12,400
Newham	800	-14,412	855	-14,191
Redbridge	415	-12,596	387	-13,692
Aveley Methane Limited	0	0	0	0
ELWA Limited	53,411	-2,141	53,960	-2,212

24.5 Income received from the boroughs relates mainly to the levy raised and charges for commercial waste disposal. Expenditure is for tonne mileage costs, recycling initiatives, rent payable for property leases and service level agreements for administrative and financial services provided. Further details can be found in the Authority's budget monitoring report which forms part of the agenda at the Authority's statutory meetings.

Members of the Authority and Chief Officers

24.6 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

Acting Managing Director, Mark Ash:	Director of Aveley Methane Limited.
Councillor S Kelly:	Director of ELWA Limited.
Finance Director, Geoff Pearce:	Director of Finance & Resources, London Borough of Redbridge.
Monitoring Officer, Eldred Taylor-Camara:	Legal Group Manager (Partnership & Strategic Procurement), London Borough of Barking & Dagenham.

25. Operating Leases

25.1 The Authority has acquired its civic amenity and recycling sites by entering into operating leases with the four boroughs. Each lease is to the year 2027 with rent reviews taking place every 5 years. The last rent review was during 2012/13 with effect from 1 April 2013. Based upon current figures, the minimum lease payments due in future years are:

	2012/13 £000	2013/14 £000
Up to one year	317	317
Two to Five Years	1,266	1,266
Six Years to end of lease	3,165	2,849
	4,748	4,432

25.2 The expenditure charged to the Third Party Payment line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £316,500 (2012/13 £254,500).

26. Capital Expenditure and Capital Financing

26.1 Capital expenditure additions of £3,682,000 relate to PFI Lifecycle costs as referred to in note 27. This was financed by revenue through the unitary payment.

26.2 The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2012/13 £000	2013/14 £000
Opening Capital Financing Requirement	96,700	92,695
Capital Investment:		
Property, Plant & Equipment	1,082	3,682
Sources of Finance:		
Direct Revenue Contributions	-1,082	-3,682
Minimum Revenue Provision	-4,005	-3,750
Closing Capital Financing Requirement	92,695	88,945
Explanation of movements in year:		
Assets acquired under PFI Contract	1,082	3,682
Decrease in underlying need for borrowing	-5,087	-7,432
Decrease in Capital Financing Requirement	-4,005	-3,750

27. 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 design, 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.

27.1 The assets used to provide the service are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9.

27.2 The Government will provide PFI grant funding based upon a Notional Credit Approval of £47 million, equivalent to approximately £85 million over 25 years. The Government advised in 2010/11 that the annual PFI grant would 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.

27.3 The main impact of this is in the short term in that for the three years from 2011/12 the Authority received additional PFI grant of approximately £870,000 as follows:

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

27.4 The Code of Practice 2013/14 requires that PFI schemes are accounted for in a manner that is consistent with the adaptation of IFRIC 12 'Service Concession Arrangements' contained in the government's Financial Reporting Manual (FReM). The contract complies with these criteria, and the relevant accounting guidance has been applied as outlined in the Authority's Accounting Policies, detailed on page 23.

Future Contractual Obligations

27.5 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 2014 (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 2014/15	36,658	4,386	5,122	46,166
Payable within 2 to 5 years	149,590	21,139	17,541	188,270
Payable within 6 to 10 years	203,203	30,716	14,529	248,448
Payable within 11 to 15 years	159,408	31,679	4,143	195,230
Payable within 16 to 20 years	0	0	0	0
Total	548,859	87,920	41,335	678,114

27.6 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.

PFI Finance Liability

	2012/13 £000	2013/14 £000
Balance outstanding at start of the year	95,539	91,602
Payments during the year	-3,937	-3,682
Balance outstanding at year-end	91,602	87,920

Unitary Charge

27.7 As per accounting requirements for PFI schemes referred to in note 27.4, the Unitary Charge payment to the contractor has to reflect all the charges relating to the PFI contract for that year. The Accounting Standard requires that the service, interest, capital, lifecycle and contingent rent elements of the Unitary Charge are separated as shown in the table below, with the service, interest, rent and lifecycle elements being charged to the Comprehensive Income and Expenditure Statement.

	2012/13 £'000	2013/14 £'000
Payments to Shanks East London	53,411	56,364
Capital Repayment	-3,937	-3,682
Interest Payable	-5,579	-5,354
Life Cycle Costs	-1,266	-3,180
Contingent Rent	-2,590	-1,445
Service Charges	**40,039**	**42,703**

27.8 Lifecycle costs of £3,682,000 were incurred during the year by the PFI contractor of which £502,000 had been prepaid in 2012/13 leaving a balance of £3,180,000 to be charged to the Unitary Payment.

28. Defined Benefit Pension Schemes

Transaction Relating to Post Employment Benefits

28.1 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 that is required to be made 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.

28.2 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:

	Restated 2012/13 £000	2013/14 £000
Comprehensive Income and Expenditure Statement		
Cost of Services, employee & support services:		
Service Cost	68	82
Financing and Investment Income and Expenditure:		
Net Interest Expense	35	35
Administration Expenses	3	3
Total Post Employment Benefit charged to the Surplus or Deficit on the provision of Services	**106**	**120**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets	-172	17
Other actuarial (gains)/losses	0	-21
Change in financial assumptions	168	42
Change in demographic assumptions	0	39
Experience (gain)/loss on defined benefit obligation	0	142
Total Re-measurements	**-4**	**219**
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**102**	**339**
Movement in Reserve Statement		
Reversal of net charges made to the Surplus or Deficit on the provision of Services for post-employment benefits in accordance with the code	4	-219
Actual amount charged against the Revenue Reserve Balance for pensions in the year	-44	-71
Employer's contributions payable to scheme	**62**	**49**

28.3 The underlying assets and liabilities attributable to the Authority with the London Pensions Fund Authority (LPFA) as at 31 March 2014 are as follows:

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

	Funded Liabilities Local Government Pension Scheme	
	2012/13 £000	2013/14 £000
Opening Balance at 1 April	2,512	2,808
Current Service Cost	68	82
Interest Cost	114	120
Contributions by scheme participants	20	22
Actuarial gains and losses from changes in demographic assumptions	0	39
Actuarial gains and losses from changes in financial assumptions	168	42
Experience (gains)/losses	0	142
Benefits paid	-74	-175
Closing Balance at 31 March	**2,808**	**3,080**

Reconciliation of the movements in the fair value of scheme (plan) assets:

	Funded Assets Local Government Pension Scheme Restated 2012/13 £000	2013/14 £000
Opening fair value of scheme assets	1,730	1,987
Interest Income	80	85
Return on plan assets less interest	172	-17
Other actuarial gains and (losses)	0	21
Administration Expenses	-3	-3
Employer contributions	62	49
Contributions by scheme participants	20	22
Benefits paid	-74	-175
Closing fair value of scheme assets	**1,987**	**1,969**

28.4 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.

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

Assets	2012/13 %	2012/13 £000	2013/14 %	2013/14 £000
Equities	73	1,450	53	1,043
LDI/Cash-flow matching	0	0	6	118
Target Return Portfolio	10	199	30	591
Alternative Assets	15	298	0	0
Infrastructure	0	0	4	79
Commodities	0	0	1	20
Property	0	0	3	59
Cash	2	40	3	59
Total	**100**	**1,987**	**100**	**1,969**

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

28.7 The actual return on scheme assets in the year was £68,000 (2012/13 £252,000 restated).

28.8 For the 2013/14 accounting year, the expected return and the interest cost have been replaced with a single net interest cost, which effectively sets the expected return equal to the IAS 19 discount rate.

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Funded Liabilities Local Government Pension Scheme	
	2012/13	2013/14
	£000	£000
Present value of the defined benefit obligation	2,808	3,080
Fair value of plan assets	-1,987	-1,969
Net liability arising from defined benefit obligation	**821**	**1,111**

28.10 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 2014 consisted of four active members, one deferred pensioner and two pensioners.

28.11 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 £1,111,000 (£821,000 2012/13) 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.

28.12 The projected employer contributions for the year to 31 March 2015 are £78,000.

Basis for Estimating Assets and Liabilities

28.13 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 2013, and adjusting for known membership and scheme changes where applicable.

28.14 The principal assumptions used by the LPFA actuary have been:

	2012/13	2013/14
Long term expected rate of return on assets in the scheme	5.9%	4.0%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	23.1	23.3
Women	25.2	26.1
Longevity at 65 for future pensioners:		
Men	25.0	25.6
Women	27.1	28.3
Financial Assumptions:		
Rate of Inflation RPI (CPI)	3.4% (2.6%)	3.5% (2.7%)
Rate of increase in salaries	4.3%	4.5%
Rate of increase in pensions	2.6%	2.7%
Rate for discounting scheme liabilities	4.4%	4.4%
Take up of option to convert annual pension into retirement lump sum	0	0

28.15 The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The sensitivity analyses in the following table have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis

	Impact on the Defined Benefit Obligation in the Scheme – based on £3,080 (2013/14)	
	Increase in Assumption by 0.1%	**Decrease in Assumption by 0.1%**
Adjustment to:		
- discount rate	3,030	3,131
- long term salary increase	3,083	3,077
- pension increases and deferred revaluation	3,129	3,032
- mortality age rating assumption	2,984	3,176

29. Financial Instruments

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

	Long-Term		Current	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Cash at Bank				
Loans and Receivables (note 12)	0	0	4,372	-4,888
Total Cash at Bank	0	0	4,372	-4,888
Investments				
Loans and receivables	0	0	15,894	17,693
Total Investments	0	0	15,894	17,693
Debtors				
Loans and receivables	0	0	2,890	2,230
Total Debtors (note 11)	0	0	2,890	2,230
Borrowings				
Financial liabilities at amortised cost	-1,251	-1,250	-266	-26
Total Borrowings	-1,251	-1,250	-266	-26
PFI and finance lease liabilities	-91,602	-87,920	0	0
Total other long term liabilities	-91,602	-87,920	0	0
Creditors				
Financial Liabilities at amortised cost	0	0	-10,395	-6,877
Total Creditors (note 14)	0	0	-10,395	-6,877

Income, Expense, Gains and Losses

	2012/13 Restated					2013/14				
	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 (note 8)	5,722	0	0	0	5,722	5,496	0	0	0	5,496
Contingent Rent	2,590	0	0	0	2,590	1,445	0	0	0	1,445
Impairment losses/(gain) (note 8)	0	24	0	0	24	0	-83	0	0	-83
Pension Interest & expected return on pension assets (note 8)	11	0	0	0	11	38	0	0	0	38
Total expense in Surplus or Deficit on the Provision of Services	**8,323**	**24**	**0**	**0**	**8,347**	**6,979**	**-83**	**0**	**0**	**6,896**
Interest Income (note 8)	0	-220	0	0	-220	0	-113	0	0	-113
Total income in Surplus or Deficit on the Provision of Services	**0**	**-220**	**0**	**0**	**-220**	**0**	**-113**	**0**	**0**	**-113**
Net loss / (gain) for the year	**8,323**	**-196**	**0**	**0**	**8,127**	**6,979**	**-196**	**0**	**0**	**6,783**

Fair Values of Assets and Liabilities

29.2 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, making the following assumptions:

a) Estimated ranges of interest rates at 31 March 2014 are 1.84% to 4.24% for loans from the PWLB.

b) No early repayment or impairment is recognised.

c) Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

29.3 The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Liabilities				
Long-term creditors				
PFI Liabilities	91,602	91,602	87,920	87,920
Public Works Loan Board	1,251	2,390	1,250	2,165
Short-term creditors				
Public Works Loan Board	266	266	26	26
Creditors (note 14)	10,395	10,395	6,877	6,877
Cash at bank	0	0	4,888	4,888
Loans and Receivables				
Short-term debtors				
Debtors (note 11)	2,890	2,890	2,230	2,230
Cash at bank	4,372	4,372	0	0
Cash Investments	15,894	15,894	17,693	17,693
Total Short –term debtors	23,156	23,156	19,923	19,923

29.4 The fair value of outstanding long term debts as at 31 March 2014 is £2.2 million. (31 March 2013 £2.4 million). This is higher than the book value due to 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.

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

29.6 As at 31st March 2014 the Authority had not entered into any financial guarantees.

30. Nature and Extent of Risks arising from Financial Instruments

Overall Procedures for Managing Risk

30.1 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:

a) By formally adopting the requirements of the Code of Practice.

b) By approving annually in advance Prudential Indicators for the following three years limiting:

(1) The Authority's overall borrowing.

(2) Maximum and minimum exposure to fixed and variable interest rates.

(3) Maximum and minimum debt repayment profile.

(4) Maximum annual exposure to investments maturing beyond a year.

30.2 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.

30.3 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.

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

a) Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.

b) Liquidity Risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

c) 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.

d) 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

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

Credit risk arising from deposits with Banks and Financial Institutions

30.6 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.

30.7 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 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.

30.8 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:

a) UK Part Nationalised Banks.

b) Building Societies with assets in excess of £3 billion.

c) AAA rated Money Market Funds.

d) UK Government (Debt Management Office).

e) Other Local Authorities.

30.9 The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £17.693 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 2014 that this was likely to crystallise.

30.10 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 2013/14 Treasury Management Strategy** **%**	**% Of Total Investment as at 31 March 2014** **%**
UK Government and Local Authorities	100	0
UK Banks- Specified	100	40
Money Market Funds	75	43
Building Societies - Specified	50	0
Total Unspecified Investments	50	0
Non UK Banks - Specified	25	17

30.11 The asset class percentages are well within the Upper limits prescribed in the Authority's Treasury Management Strategy for 2013/14.

30.12 The boundary is set at £2 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.

30.13 In previous years the above breakdown had included the remaining recoverable deposit of Heritable Bank which was placed into administration in 2008/09 (see Note 10).

30.14 The original deposit was £1 million. There was an impairment reversal for 2013/14 of £82,565 (see Notes 8 & 29), with the total impairment of the investment from 2008/09 to 2013/14 totalling £185,698. Principal recovered totals £814,302 and £177,335 interest has been received. In its last bulletin dated September 2013, the Local Authority Accounting Panel (LAAP) recommended that the estimate of the recoverable amount to be based on a total repayment of 94% of the claim and that no further dividends of material value are assumed to be paid.

30.15 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

30.16 There has been no provision for bad debtors as 31 March 2014 (£nil provision 31 March 2013), as all outstanding debtors are expected to pay.

30.17 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.

30.18 Invoiced payments for services are either required in advance or due at the time the service is provided. As at 31 March 2014, approximately £1,000 (£698,000 as at 31 March 2013) is due to the Authority from its trade 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:

Invoiced Payments for Services	**31 March 2013 £000**	**31 March 2014 £000**
Three months or less	582	1
Four to six months	116	0
Seven months to one year	0	0
One year and over	0	0
	698	1

Liquidity Risk

30.19 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.

30.20 The Authority has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer- term funds and acts as lender of last resort to authorities. Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. As at 31 March 2014, all of the Authority's outstanding loans were with PWLB.

30.21 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.

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

a) The setting of Prudential Indicators, associated strategies and practices;

b) The cash flow management procedures;

c) The use of deposits and call funds.

Refinancing and Maturity Risk

30.23 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:

a) Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt.

b) 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.

c) On a short-term basis internal balances are available to finance should market interest rates be unfavourable at the time of refinancing.

30.24 The maturity analysis for borrowing is as follows:

Renewal Period	Market Loans Outstanding as at 31st March 2014 £000's	Limit of projected Fixed rate Borrowing %	% of Total Borrowing 31st March 2014 %	% of Total Borrowing 31st March 2013 %
Less than one Year	26	35	2	17
Between one and two years	0	45	0	0
Between two and five years	0	60	0	0
Between five and ten years	450	80	35	30
More than 10 Years	800	100	63	53
Total	1,276		100	100

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

Market Risk

30.26 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:

a) Borrowings at fixed rates – the fair value of the liabilities will fall.

b) Investments at fixed rates – the fair value of the assets will fall.

c) Borrowing at variable rates – the interest expense charged to the Surplus and Deficit on the provision of services will rise.

d) Investments at variable rates – the interest income credited to the Surplus and Deficit on the Provision of Services will rise.

30.27 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.

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

a) Setting a maximum for Authority's borrowings at variable rates. For 2013/14 all the Authority's borrowings were at fixed rates.

b) Prudent borrowing and repayments arrangements, by limiting the net annual repayment of debt to the outstanding debt.

30.29 The Authority, through the London Borough 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.

30.30 According to this assessment strategy, at 31 March 2014, 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	178

30.31 As at 31 March 2014 the Authority holds no variable interest rate investments or borrowings as they are all fixed rates. Therefore there is no predicted impact for this on the Comprehensive Income and Expenditure Statement.

30.32 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 29 – Fair Values of Assets and Liabilities.

ANNUAL GOVERNANCE STATEMENT

1. Introduction

1.1 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 2011 as amended.

2. Scope of responsibility

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

2.2 In discharging these obligations, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

3. The purpose of the Governance Framework

3.1 The Governance Framework comprises of the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to and engages with 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.

3.2 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.

3.3 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.

4. Vision and Purpose

4.1 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.

4.2 The Integrated Waste Management Strategy (IWMS) sets out the Authority's strategic direction. It shows the integrated planning process that links the Strategy, Vision, Aims and Priorities. It 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.

4.3 The Integrated Waste Management Strategy underpins the annual service delivery plans that are agreed by ELWA and the Contractor. These are required under the IWMS

Contract, which was established in 2002, at the commencement of the 25 year waste contract. These requirements are:

a) 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 Management (SWM) to meet ELWA's requirements.

b) 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.

c) The Annual Budget and Service Delivery Plan (ABSDP) follow a similar format to the other SDPs but provide 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. The ABSDP is considered prior to the commencement of the relevant financial year to which it relates. This ensures that the levy report in February can fully reflect the likely expenditure commitments arising from the Contract.

4.4 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.

4.5 It is recognised that the Authority cannot achieve its vision alone. It needs to work in partnership with its four Constituent Councils, 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.

5. Performance Management and Reporting

5.1 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.

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

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

a) A corporately defined process that ensures that Plans are linked to strategic aims and that performance statements and other published information are accurate and reliable;

b) Mechanisms whereby performance is reported to Members and Officers in Authority meetings, Management Board, Operational Management Team and Contract Monitoring Group. Such performance reporting includes not only regular financial monitoring and contract monitoring but also on progress on the contract renegotiations.

5.4 A performance management system is now in place for all Authority Officers. This ensures each member of staff has clear and measurable objectives that are ultimately aligned to the strategic objectives of the Authority.

6. Authority Constitution

6.1 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.

6.2 Emerging changes to our governance structure, including the constitution, are presented at Authority meetings for approval. A copy of the 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. In addition, clear rules regarding contractual and tendering matters and land acquisition and disposals are outlined within the Constitution. Alongside these are financial regulations relating to income and expenditure and financial authority limits.

7. Codes of Conduct

7.1 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 adopt a Code of Conduct for its Members. However, the Members are bound by their respective Council Codes when they act in their official capacity for ELWA.

8. Risk Management

8.1 The Authority has embedded risk management processes throughout its structure. The Corporate Risk Register is agreed and reviewed by the ELWA Management Board and Authority Members on a regular basis.

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

8.3 Risk identification and management processes are also in place for projects, partnerships and contracts.

9. Compliance with policies, laws and regulations

9.1 The Constitution sets out the legal framework for making decisions and publishing them.

9.2 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 the 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.

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

10. Counter Fraud including Whistle-blowing

10.1 The Authority has an agreed Anti-Fraud & Corruption Strategy and Whistleblowing procedure embedded in the Constitution. Two key components that support the Strategy are:

a) Whistle blowing arrangements that are available to the general public, employees, contractors. Our Constituent Councils have their own whistleblowing procedures.

b) Delivering a programme of anti-fraud training and guidance, including a Fraud Response Plan to instil a culture and awareness that fraud will not be tolerated.

10.2 Work continued to take place in 2013/14 to identify the best way in which information is made available and visible on the Authority's website. The current website for the Authority went live in 2012 and continued to be developed and maintained in 2013/14. The website is used to engage directly with the community on waste disposal and reduction matters.

11. Complaints process

11.1 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.

11.2 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.

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

11.4 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.

12. Training and development

12.1 Members receive a briefing 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.

12.2 Training and development of staff continues via professional associations, committee reports, conferences, seminars, courses run by Constituent Councils, on-line tuition and bespoke courses and liaison with the appropriate central government department. These are related to the demands of new legislation and operational practices.

13. Communication and engagement

13.1 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 addition, the Authority and the Constituent Councils have combined with the contractor to implement a Communications Strategy to drive through improvements in waste management performance.

13.2 User satisfaction surveys provide services with feedback on Authority performance, used to shape service delivery and policy.

14. Partnerships

14.1 The most significant partnerships for the Authority are with its four Constituent Boroughs and through the IWMS Contract with Shanks Waste Management and John Laing Investments Limited that make up ELWA Limited.

14.2 There are sound governance arrangements in place for partnerships. They are implemented via regular formal meetings with Shanks Waste Management including those at ELWA Limited and regular formal meetings with the Boroughs including those at the ELWA Management Board, Operational Management Team and Contract Monitoring group.

15. Review of effectiveness

15.1 ELWA has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Managing Director has the responsibility for the maintenance and development of the internal control environment. The framework for this is in the Constitution and support is provided by the regular review process carried out by internal audit, external audit and other review agencies.

15.2 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.

16. Role of the Finance Director

16.1 In statute, the Chief Financial Officer (CFO) is the organisation's senior executive who is charged with leading and directing financial strategy and administration, occupying a pivotal role, both for external stakeholders and within the Management Board. At ELWA, this role is held by the Finance Director. The Authority fully complies with the requirements and principles as set out in the CIPFA Statement on the Role of the Chief Financial Officer.

17. Internal Audit

17.1 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.

17.2 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.

18. External Audit

18.1 The Authority's external Auditor, PricewaterhouseCoopers LLP (PwC), has an annual audit plan in place that is risk based and focuses on undertaking areas of work that enables them to fulfil their duties in providing an opinion on the Authority's financial statements and whether or not we have sound arrangements in place to deliver value for money. This value for money conclusion is based on two criteria: that the organisation has proper arrangements in place for securing financial resilience and that the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

19. Governance and internal control issues requiring improvement and outcome of 2013/14 action plan

19.1 There were two key actions arising from the 2013/14 action plan and these are detailed below.

<u>Contract Management / Contract Monitoring</u>

19.2 ELWA Management have taken part in a contract management review. The review is designed to help ELWA maximise the value from the PFI contract and to identify areas for improvement in the management of this complex and high value contract. Procedures continued to be reviewed within the resources of both ELWA and the Constituent Councils with the aim of improving contract monitoring.

<u>Business Continuity Planning</u>

19.3 During 2013/14 a new Business Continuity Plan was written in liaison with Internal Audit.

19.4 The Authority's Business Continuity Plan was tested to ensure ELWA is able to continue functioning in the event of a significant risk or incident occurring.

Signed:

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Mark Ash (Acting Managing Director)

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Cllr. Ian Corbett (Chair) Date:

20. Annual Governance Statement Action Plan 2014/15

20.1 The actions planned for 2014/15 are detailed below:

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
1	Contract Management	Ongoing review of contract monitoring procedures. Further assessment of the revised parameters of the joint monitoring regime (ELWA /Constituent Councils). Possible introduction of Automatic Number Plate Recognition system, assessment of its effectiveness.	Ongoing in 2014/15	Managing Director
2	Business Continuity Planning	Test the Authority's Business Continuity Plan and review whether actions and controls effectively enable ELWA to continue functioning in the event of a significant risk or incident occurring.	2014/15	Managing Director
3	Contract renegotiation	A review of the impact of contract renegotiation savings already achieved eg ending of Railhead, 14/15 communication arrangements	April 2014 to March 2015	Managing Director
4	Staffing structure	New staffing structure has been in place since September 2013. Need for continuous review of new arrangements including the impact of the reduced staffing resource	2014/15	Managing Director

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.

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 Levy 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 dependent 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.

Debtors

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

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. Deprecation 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 arm's 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.

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.

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 Reserve

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

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

ABSDP	Annual Budget and Service Delivery Plan
AGS	Annual Governance Statement
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government Department
ELWA	East London Waste Authority
FIAA	Financial Instruments Adjustments Account
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IWMS	Integrated Waste Management Strategy
LAAP	Local Authority Accounting Panel
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
MRP	Minimum Revenue Provision
OSDP	Overall Service Delivery Plan
PFI	Private Finance Initiative
PWLB	Public Works Loans Board
SDP	Service Delivery Plan
SeRCOP	Service Reporting Code of Practice