East London Waste Authority

NOTICE OF ANNUAL GENERAL MEETING

Monday, 29 June 2018
CEME Centre, Marsh Way, Rainham, Essex, RM13 8EU – 9.30 am.

Members
Councillor Dorothy Akwaboah, Councillor James Asser, Councillor Sheila Bain, Councillor Robert Benham, Councillor Syed Ghani, Councillor Osman Dervish, Councillor John Howard and Councillor Rachel Tripp

Andrew Lappage
Managing Director

Tel: 020 8724 5614
E-mail: andrew.lappage@eastlondonwaste.gov.uk

AGENDA

For Decision: 1. Membership and Appointment of Chair, Vice Chair & ELWA Limited ‘A’ Director for the Year 2018/19. (pages 1-4).

   In accordance with the Constitution, Members will be invited to make nominations and conduct the vote for the positions of Chair and Vice Chair of the Authority and ‘A’ Director of ELWA Limited.

For Information: 2. Apologies for absence.

For Information: 3. Declaration of Members Interest.

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

For Decision: 4. Minutes – To agree the minutes of the Authority meeting held on 05 February 2018 and authorise the Chair to sign the same. (pages 5-12)

For Decision: 5. Minutes – To agree the minutes of the Extraordinary General Meeting on 08 March 2018 and authorise the Chair to sign the same. (pages 13-14)


For Decision: 8. Annual Governance Statement 2017/18 (pages 25-36)

   External Auditors from KPMG will be in attendance for this and the next item.
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<td>Appendix C is not available and will be circulated under separate</td>
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<td>cover marked Supplementary 1 for which the Chair will be asked to</td>
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<td>decide if it can be considered at the meeting as a matter of urgency</td>
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<td>under the provisions of Section 100B (4) (b) of the Local</td>
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<td>Government Act.</td>
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<td>For Decision:</td>
<td>10. Internal Audit Progress Report 2017/18, Audit Plan 2018/19 and</td>
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<td>Planned Audit Coverage to March 2023. (pages 137 - 146)</td>
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<td>For Information:</td>
<td>11. Constitution Update (pages 147 - 150)</td>
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<td>For Information:</td>
<td>13. Preparations for Future Wastes Management Arrangements (pages</td>
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<td>155 - 162).</td>
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<td>For Information:</td>
<td>14. Consultation on Governance of Environmental Law Post-Brexit</td>
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<td>(pages 163 - 168)</td>
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<td>For Information:</td>
<td>15. Date of next meeting: Monday 17 September 2018.</td>
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<td>Members are asked to note the date of the next Authority meeting.</td>
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<td>For Decision:</td>
<td>16. Any other public items which the Chair decides are urgent.</td>
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<td>For Decision:</td>
<td>17. To consider whether it would be appropriate to pass a resolution</td>
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<td>pursuant to Section 100A (4) of the Local Government Act 1972. To</td>
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<td>consider whether it would be appropriate to pass a resolution to</td>
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<td>exclude the public and press from the remainder of the meeting due</td>
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<td>to the nature of the business to be transacted.</td>
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**Confidential Business**

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

| For Information: | 18. Aveley Methane Ltd (pages 169 - 172) |
|                  | This report has been restricted to Members and specific officers only. |
| For Information: | 19. ELWA Limited 02/05/18 Board Agenda (pages 173 - 214) |
|                  | This report has been restricted to Members and specific officers only. |
| For Information: | 20. Any other confidential or exempt items which the Chair decides are urgent. |
AUTHORITY REPORT: MEMBERSHIP AND APPOINTMENT OF CHAIR, VICE CHAIR AND ELWA LIMITED “A” DIRECTOR FOR THE YEAR 2018/19

1. Confidential Report
1.1 No.

2. Recommendation:
2.1 Members are asked to:
   a) note the change in the composition of ELWA’s membership and the appointments made in accordance with the Constituent Councils’ internal procedures and ELWA’s Constitution as set out at paragraph 4.2 of the report;
   b) agree the appointments of the ELWA Chair and Vice Chair and ELWA Limited “A” Director and delegate Authority to the Managing Director, in consultation with the Chair, to appoint an Alternate “A” Director for the year 2018/19;
   c) authorise officers to prepare letters of thanks to outgoing Members.

3. Purpose
3.1 To note the appointment of Members for the municipal year 2018/19 and authorise officers to prepare letters of thanks to outgoing Members.
3.2 To agree the appointments of Chair, Vice Chair and “A” Director for ELWA Limited for the year 2018/19.

4. New Membership
4.1 The Constitution is the corporate governance document by which ELWA operates and paragraphs 4.1 Part A and 3.2, Part B, of the Constitution set out the process for member appointments to ELWA.
4.2 The London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge have each given notice to ELWA of their appointments for the year 2018/19 as follows:

<table>
<thead>
<tr>
<th>London Borough</th>
<th>Previous Representative</th>
<th>Current Representative</th>
<th>Confirmed</th>
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<tbody>
<tr>
<td>Barking &amp; Dagenham</td>
<td>Councillor Lynda Rice, Councillor Jeff Wade</td>
<td>Councillor Dorothy Akwaboah, Councillor Syed Ghani</td>
<td>07/06/18</td>
</tr>
<tr>
<td>Havering</td>
<td>Councillor Osman Dervish, Councillor Steven Kelly (‘A’ Director)</td>
<td>Councillor Robert Benham, Councillor Osman Dervish</td>
<td>04/06/18</td>
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<tr>
<td>Newham</td>
<td>Councillor Ken Clark (Chair), Councillor Patrick Murphy</td>
<td>Councillor James Asser, Councillor Rachel Tripp</td>
<td>12/06/18</td>
</tr>
<tr>
<td>Redbridge</td>
<td>Councillor Sheila Bain (Vice Chair), Councillor John Howard</td>
<td>Councillor Sheila Bain, Councillor John Howard</td>
<td>30/05/18</td>
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5. Appointment of Chair, Vice Chair and ELWA Limited “A” Director

5.1 The ELWA Constitution is the corporate governance document by which ELWA operates. Article 1 of Part B of the Constitution sets out the election process for ELWA Member positions.

5.2 Under the Constitution, appointments to the position of Chair and, Vice-Chair are the first business to be decided upon at ELWA’s Annual meeting (AGM). It is also the practice to appoint the “A” Director to ELWA Ltd at the AGM.

5.3 Appointments to the positions of Chair and Vice-Chair are to be made by the Authority by resolution passed by a majority of the Members of the Authority present at the Annual General Meeting, provided at least one Member from each of the three Constituent Councils votes in favour.

5.4 The Constitution further provides that in making the appointments to the positions of Chair and Vice Chair, the Authority shall endeavour as best as possible to ensure that the positions of Chair and Vice Chair are not occupied in any one year by both Member representatives of the same Constituent Council.

5.5 The positions of Chair and Vice Chair are generally held for one year, but office holders are eligible to be re-appointed for periods of up to two years each.

5.6 Further, the Constitution at Section A (paragraph 1.2(ii)) also provides for the appointment of a person to the post of “A” Shareholder Director (A Director) of ELWA Ltd (the Contractor). There are no restrictions as to who the Authority may appoint to this role. Cllr Kelly was formerly appointed “A” Director and resigned on 02 May 2018. Most meetings of ELWA Limited require the presence of the A Director, in order for a meeting to be quorate. The Articles of Association of ELWA Limited make provision for ELWA to appoint an Alternate (substitute) Director for the A Director in the event that the A Director is unable to attend meetings. This person could be a waste professional (possibly retired) or an experienced non-executive director, for whom appropriate remuneration may be required.

6. Member Induction

6.1 New Members will be provided with an Induction Pack and will be given an opportunity, to visit the key waste facilities at Frog Island with Officers immediately after the meeting (returning and continuing Members are also welcome to participate in the waste facility tour.).

7. Relevant officer:

7.1 Suzan Yildiz, Monitoring Officer & Legal Adviser: e-mail: Suzan.Yildiz@BDTLegal.org.uk / 0208 227 5364

8. Appendices attached:

8.1 None.

9. Background Papers:

9.1 None.

10. Legal Considerations:

10.1 S.31 of the Local Government Act 1985 makes provision for a Council to terminate and replace their nominated members to a joint authority such as ELWA. Under the Act, a Constituent Council to a joint authority may at any time terminate the appointment of
a person appointed by it to a joint authority and appoint another member of the council in his/her place. Where a Constituent Council exercises its powers of replacement it must give notice of the new appointment and of the termination of the previous appointment to the authority to which those appointments were made.

10.2 This report confirms the appointments of Members from the Constituent Councils to ELWA as notified to the Authority, subject where appropriate, to formal confirmation following formal Constituent Council ratification.

10.3 This report was prepared by the Monitoring Officer and Legal Adviser to the Authority and other legal or constitutional implications have been incorporated in the body of the report.

11. Financial Considerations:

11.1 None.

12. Performance Management Considerations:

12.1 None.

13. Risk Management Considerations:

13.1 Members should be aware of potential conflicts of interests and declare any such interests when undertaking ELWA business.

14. Equalities considerations:

14.1 ELWA Members are elected by their ward constituents through democratic elections and appointed to ELWA by their respective Councils in accordance with their constitutions. Therefore, equality impacts are not considered to arise from the member appointment process or the matters covered in this report.

15. Follow-up Reports:

15.1 Annual.

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

16.1 http://eastlondonwaste.gov.uk/east-london-waste-authority/

17. Glossary:

Contractor=ELWA Limited
ELWA / Authority= East London Waste Authority
LBBD  = London Borough of Barking & Dagenham
LBH   = London Borough of Havering
LBN   = London Borough of Newham
LBR   = London Borough of Redbridge

18. Reviewed by Management Board:

18.1 15 June 2017

19. Confidentiality:

19.1 Not applicable
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AUTHORITY MINUTES: MONDAY 05 FEBRUARY 2018 (10.05 TO 11.30)

Present:

Councillor K Clark (Chair), Councillor S Bain (Vice Chair), Councillor J Howard, Councillor S Kelly, Councillor L Rice and Councillor J Wade.

57. Apologies for Absence

The Members received an apology for absence from Councillor O Dervish.

58. Declaration of Members’ Interests

There were none declared.

59. Minutes of previous meeting (11 September 2017)

Members confirmed as true and accurate the minutes of the meeting held on 20 November 2017. The Chair was authorised to sign the same.

60. External Audit

Members received the Finance Director’s report and attached External Auditor’s Audit Plan for the period 1 April 2017 to 31 March 2018, to include the 2017/18 final accounts.

Jess Heath, External Auditor, KPMG attended the meeting and presented commentary and detail on the External Audit Plan 2017/17. The Audit Plan headlined two main responsibilities, the Financial Statement and Value for Money Audits.

Members attention was drawn to the focus of the audit at page 4, management override of controls, Page 5 the Authority’s significant audit risks - Valuation of land, buildings and PFI assets, PFI Liability, PFI service charge expenditure and related disclosures and page 6, Pension liability. It was stated on page 7 that materiality had been set for planning purposes at £1.2m in line with the Levy last year. The approach to value for money was set out at page 8. Page 10 identified the anticipated audit fee of £18,270.

The Auditors confirmed that they will report back to the Authority on any major issues arising from the audit.

The Chair thanked the External Auditor and she left the meeting.

Members noted and agreed the report.

61. Budget Control & Contract Monitoring to 31 December 2017

Members received the regular joint report of the Finance Director and Interim Managing Director together with the three Appendices.

The current expenditure on services outturn position, shown at Appendix A, is an underspend of £1.756m to date. The overall forecast outturn is projected to be £1.716m under budget. Contract tonnage was down eight of nine months on budget forecast and contractor payments were forecast to be underspent by £0.938m at year end due to fluctuating tonnages. December’s tonnage figure at 32,460t, which was 834 tonnes less than that for December 2016. Members were advised that other Waste Disposal Authorities in London were in a similar position having reported that tonnages were either the same as the previous year or slightly lower.

The recycling performance, year to date, figure of 24.6% meant that the recycling target would not be achieved.
It was reported that the diversion rate at 93.09% for December was very good news as the main aim of our Contract was diversion of waste from landfill and therefore, reputationally, this was important.

**Members noted** the report and forecast outturn and **delegated authority** to the Finance Director to agree the 2017/18 outturn.

62. **Treasury Management 2017/18 and Prudential Code Indicators 2018/19 to 2020/21:**


The Finance Director provided a brief explanation of the statutory regulations and processes leading to the report. Members’ attention was particularly drawn to the £1.250m Public Works Loan Board borrowing made when interest rates were high at 10%. Refinancing had been considered but found not to be cost effective since interest rates were much lower now but would be reconsidered at the stage when the Authority would need to raise funds for the future strategy.

She raised the prospect of interest rates and explained that interest rates had gone up by 2.5% following the EU Referendum and that Brexit and the US Elections had impacted interest rates. She mentioned fluctuating risks impacting the PWLB borrowing as including a Chinese downturn and its impact on emerging market countries and a weak capitalisation of some European banks. The prediction was that interest rates would increase.

It was recommended that new borrowing for 2018/19 be set at £0.400m to be used only if needed and with Members approval. £0.100m would be held in capital reserves.

Paragraph 10 contained minimum revenue provision statement and paragraph 11 the annual investment strategy. The table in paragraph 13 identified the types of banks and maximum percentages the Authority could invest in remained unchanged. Paragraph 17 identified that Member training had been requested and scheduled for 18 September 2018. Paragraph 18 contained a summary of the 2018/19 investment strategy.

One Member was keen to explore the content of paragraph 6.3 with finance officers. His contention was that bond yields had been rising and equity bonds had gone down. It was his belief that none could impact on the PWLB rate. There was a general feel that the market would go in the opposite direction and that quantitative easing would stop. Officers responded that this market was volatile and that they took advice from their treasury management officers weekly and that this market was difficult to predict and in the next mid-year report this position could be revised.

**Members agreed** the borrowing strategy for 2018/19 as set out in paragraph 8, the Minimum revenue provision Policy Statement for 2018/19 as set out in paragraph 10, the annual investment strategy for 2018/19 as set out in paragraphs 11 to 15 and summarised in paragraph 18, the treasury management policy statement as set out in Appendix A and the prudential indicators for treasury management as set out in paragraph 18.

63. **Review of Corporate Risk Register:**

Members received the Interim Managing Director’s report, appendices and commentary advising that the risk register was necessary to inform strategic and operational decisions. The register was split into two categories, corporate and operational risks and although reviewed annually it is updated as and when changes in the Authority’s risks profile are identified.
In commentary she advised that overall, ELWA took a very cautious approach to managing risk. This was a standard Risk Register that identified all risks, scored them for likelihood and impact and plans developed to ensure the risks are appropriately mitigated to reduce the likelihood and impact. The Authority formally reviews all operational and corporate risks annually so that the risks identified here are the same as in previous years except for some minor changes.

Members attention was drawn to the detailed corporate risks and responses identified as C1 to C13 at Appendix B which related to the relationship with the Contractor and the requirement for sound controls and sufficient funding to meet the Authority’s obligations. These risks were thought to be manageable. C13 residual waste treatment arrangements not in place when needed was previously about the current contract but it is Renewi’s responsibility to have arrangements in place and they have proven their ability to manage the Authority’s residual waste even with a facility fire. The Board was content that all risks had been identified and adequate mitigations were in place. In terms of future strategy for treatment of waste, the Authority has a Strategy Programme Plan that has identified the steps required to have arrangements in place by 2027.

Members were advised that the Aveley Methane Ltd risk had been removed upon termination of ELWA’s interest in the joint venture and that Officers would now be able to remove the £500k liability from the balance sheet. Some income was being received from the new proposal.

Members enquired about the risks relating to the other Closed Landfill sites and why they were not mentioned. Officers advised that this had been captured under C13 but agreed that it was unclear. For clarity in future, the closed landfill sites would be identified separately. In addition, Members enquired about the costs of keeping the sites open. The Interim Managing Director advised that Officers would look at this but, in terms of the future strategy, it was included in the management plan and budget. She explained that Officers were continuing to explore opportunities for these pieces of land. Officers will review the corporate level risk in this connection.

Members sought clarification as to the risks relating to the insurance dispute and although covered by the risk assessment, it was agreed that this could be identified more clearly in the body of the report. Officers would take this forward. Members were advised that insurance cover was in place in respect of Renewi contractual requirements. The Finance Director confirmed that there were sufficient reserves to cover the cost of any improvement works.

Members agreed the revised corporate risk register.

64. Annual Budget & Service Delivery Plan 2018/19:

Members received the report of the Interim Managing Director advising that Officers had concerns relating to some aspects of the Annual Budget & Service Delivery Plan (ABSDP) and were unable to recommend to the Authority that it gives approval to the documents as drafted. The report advised that to formally reject the plans could disrupt discussions and trigger unfavourable dispute resolution procedure. Officers were still engaging with the Contractor (ELWA Ltd) to ensure final documents reflect the IWMS Contract requirements including a recycling improvement plan to move towards contract targets.

The Interim Managing Director advised that the Integrated Waste Management Services Contract required Renewi (formerly Shanks) to produce an annual plan (para 4.4 refers) which enabled them to predict tonnage so that the Authority can plan the level of expenditure needed and enable a levy to be set (para 4.8 refers)

Members attention was drawn to paragraph 4.7 which identified that Officers had been unable to recommend to the Authority for the last 4 years that the ABSDP should be approved. In the previous year it had been recommended that the Plan be rejected so that the Authority could obtain the attention of both the Operator and ELWA Limited over contractual failure relating to recycling targets and other issues such as insurance costs.
Paragraph 5.3 notes that Renewi forecast for increased tonnage of 452,803 but Officers considered that this figure does not take into consideration housing growth. After consultation with the Board and the Constituent Councils, Officers recommend a figure of 469,000 tonnes as being more appropriate to allow for growth.

Paragraph 5.4 indicates the contentious issue which is still Renewi’s failure to achieve 33% recycling. They are forecasting 30% for next year which would be their highest level achieved. Regrettably there are no financial penalties in the contract for noncompliance. The Interim Managing Director has requested Renewi to produce an improvement plan that leads to the delivery of 33% in 2019/20. Discussion took place regarding mattress trials.

Paragraph 5.9 shows diversion from landfill at 90%. This is expected to continue to improve as the Operator forecasts 91.76% during 2018-19. The Interim Managing Director is encouraging them to increase this to 95% if possible as reputationally it is good for ELWA.

The Interim Managing Director stated that the ABSDP doesn’t meet contractual target on recycling but there were realistic projections in the Plan and therefore Members were being asked to note the Plan rather than approve it.

The ‘A’ Director commented that he believed the working relationship between the parties had improved.

Members considered a proposal that the Interim Managing Director ask representatives of Renewi to provide a short presentation at a future Authority meeting (following any new appointments) and coupled with a site visit with a view to further strengthening communications/relationships.

**Members noted** items (a-c) of paragraph 2.1 in the report, namely, that:

a) Officers continue to have concerns relating to some aspects of the details of the submitted Annual Budget and Service Delivery Plan (ABSDP) 2018-19 and officers are therefore not able to recommend that the Authority gives approval of these documents as currently drafted;

b) it is not necessary for the Authority to formally reject the Plans at this stage as to do so could disrupt the discussions and trigger the Dispute Resolution Procedure (DRP) which is unlikely to be favourable to the Authority; and

c) Officers are continuing to engage with ELWA Limited (the Contractor) regarding these plans to ensure that the final documents reflect the Integrated Waste Management Services (IWMS) Contract requirements including a recycling improvement plan to move towards Contract targets. Officers were not able to recommend that the Authority gave approval of the ABSDP documents as currently drafted.

**65. Revenue & Capital Budget and Levy 2018/19:**

Members received the Finance Director’s report and appendices asking them to agree the 2018/19 budget, recycled and other commercial and industrial waste charges, the levy and percentage increase, the constituent councils’ individual percentage increases, the risk analysis of the budget and policy on reserves, to include the creation of a business risk reserve and the continuation of existing arrangements for the payment of the levy and commercial and other waste charges.

In commentary the Finance Director reminded Members that at their November meeting an increase of 5.45% had been put forward in the Medium Term Financial Strategy (MTFS). This figure had now been reduced to 5.25% ranging from 4.17% to 6.45%. Items impacting the levy included tonnages, insurance costs, reserves, salaries and inflation.
The Finance Director advised that tonnage projections for 2018/19 had been updated to 469,000t with 15,000t pa increase over the next four years, attributed to population growth and Band D properties as shown in Appendix D. The salaries budget had been increased to take account of the recruitment of Managing Director and proposed staffing structure. £100,000 would be maintained in the capital reserve for legal & financial professional fees and support services. The general revenue reserve would be kept at £3m over the five years period, the strategy reserve would be built up to reach a predicted £16.148m by 2022/23. It was anticipated that some of the strategy reserve would be spent as the future strategy came to fruition. A business risk reserve of £1m was to be created. The budget for insurance costs is to be increased by £600,000 in 2018/19 and then by 5% in 2019/2020 and 10% thereafter. It was reported that the budget control report to December had projected an underspend at year end for 2017/18 of £1.716m and should this outcome be achieved it would be put into Reserves. There had been a marginal increase in commercial waste income.

Members received an update on the latest insurance position regarding liability.

One Member questioned whether the population/household projection figures at Appendix D for LB Havering were correct. It was his contention that there would be a 100% shortfall in the figures over the five years and that the Authority was underbudgeting.

Discussion took place around the consultation in respect of the London Plan and the need to consider targets. The Finance Director, Interim Managing Director and technical officers would discuss. Officers were asked to produce a table containing target worst case scenarios and present a further report.

Members agreed:

d) the revenue budget for 2018/19, totalling £66.586m as set out in Appendix A to the report;

e) the charges for commercial and industrial waste for 2018/19:
   (i) Commercial & Industrial Waste – recycled £84 per tonne; and
   (ii) Commercial & Industrial Waste – other £155 per tonne;

f) that on the basis of (a) and (b) above, ELWA determined its levy for 2018/19 in the sum of £64.770m, an average increase of 5.25%;

g) on the basis of the agreed formula for apportioning the levy, that the levies for the constituent councils with percentage increases are as follows:

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<thead>
<tr>
<th>Constituent Council</th>
<th>£m</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barking and Dagenham</td>
<td>12.138</td>
<td>4.17</td>
</tr>
<tr>
<td>Havering</td>
<td>15.887</td>
<td>6.45</td>
</tr>
<tr>
<td>Newham</td>
<td>19.004</td>
<td>5.30</td>
</tr>
<tr>
<td>Redbridge</td>
<td>17.741</td>
<td>4.87</td>
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h) the risk analysis of the budget and the policy on reserves including the creation of a Business Risk reserve; and

i) the continuation of existing arrangements for the payment of the levy, commercial and other waste charges.
66. London Borough of Barking & Dagenham’s (LBBD) Green Garden Waste & Service

In accordance with Minute 46/2017, Members received a presentation from Councillor Rice. It included the background to waste in Barking & Dagenham, the rationale for a move from free to chargeable green garden waste service, the consultation process, the new green garden waste service, details of subscription to the service and cost to the resident over a two years period, promotion of the service, the lessons learnt, the effect of the service on household waste and their 2018 review plans. Copies of the presentation and resident(s) consultation cards were made available to Members.

A Member enquired as to whether there had been an increase in the Frizlands Lane green garden waste tonnage. The reply received was that overall waste tonnage at Frizlands Lane had gone up but Councillor Rice thought that green garden waste collected during the period had gone down. Another Councillor reported that anecdotal usage evidence showed that it had increased.

Discussion took place regarding the financial modelling.

An explanation was provided regarding the recovery of costs via the levy and ownership of the waste.

The Chair thanked Councillor Rice for her presentation and congratulated her on a good personal initiative.

67. Date of Next Meeting:

Members noted the date of Friday 29 June as the date for their next meeting which would be the Annual General Meeting.

68. Any other public items

There were none.

69. Private Business

Members resolved to exclude any members of the public and press from the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraphs 1, 3, 4 and 8 respectively of part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

70. Aveley Methane Ltd (AML) – Termination & New Proposal

Members received the joint report of the Interim Managing Director, Head of Strategic Development and Contract Manager informing them of the termination of the Aveley Methane Joint Venture and advising on the execution of an Option Agreement relating to a new development project at the Aveley 1 Closed Landfill site.

The Interim Managing Director advised that, in line with Members agreement to the Heads of Terms in November (Minute 54/2017), the termination of the Aveley Methane Ltd Joint Venture was achieved on a cost neutral basis, relieving ELWA of any risk to the £0.500m on the ELWA balance sheet. Members attention was drawn to paragraph 6.1 in which it states that ELWA Officers had negotiated a reduced term of eighteen years from the twenty-seven years that AML originally wanted. Additionally, a higher rental and profit share if AML made excess profits.

This new lease was now in place and ELWA had received the options fee and legal costs. Aveley Methane Ltd are keen to start work and therefore ELWA could receive the first years rent on top for 2018/19.

The Interim Managing Director offered thanks to the ELWA team for their extra efforts over December and January to achieve this outcome.

Members noted the report.
71. Managing Director Recruitment Process

Members received the Interim Managing Director’s report setting out the revised timetable and request for Members to convene an Authority meeting at the end of February to appoint to the post of Managing Director.

The Interim Managing Director provided an update, stating that it was expected that Officers would now interview candidates during the morning of 28 February, followed by Members & Officers interviews in the afternoon. Ratification of any appointment would be carried out at an Authority meeting to be called in early March.

The Interim Managing Director advised that her short list of candidates was believed to be strong having some good technical applicants.

72. ELWA Limited – 30 January 2018 Board Agenda

Members received the confidential Agenda pack circulated for information only. They also received commentary from the Interim Managing Director that, at the ELWA Limited Board Meeting on Thursday 1 February, she and the ‘A’ Director raised the usual contractual matters such as non-delivery of the recycling performance, that they were not recommending Members approve the Annual Budget & Service Delivery Plan, the signing off of the side agreement that was with Operator for final agreement. She also advised that there would a change of ‘A’ Director after the May elections. Following discussion, it was agreed that the next meeting of the ELWA Limited Board would take place before the May Election so that the current ‘A’ Director was able to complete the term for this municipal year.

The Chair thanked Councillor Kelly for his valued contribution to the Authority over the past eleven years and in his capacity as ELWA Chair and ELWA Ltd ‘A’ Director.

A small presentation was made to Councillor Kelly on behalf of the Members and Officers in appreciation for his long service with the Authority and as the ‘A’ Director of ELWA Limited. Councillor Kelly’s thanks were received.

Minutes agreed as a true record.

Chair: 
Date: 

AUTHORITY MINUTES: THURSDAY 08 MARCH 2018 (10.05 TO 11.30) (EGM)

Present:
Councillor K Clark (Chair), Councillor S Bain (Vice Chair), Councillor O Dervish, Councillor S Kelly, Councillor L Rice and Councillor J Wade.

73. Apologies for Absence
The Members received an apology for absence from Councillor J Howard and Councillor P Murphy.

74. Declaration of Members’ Interests
There were none declared.

75. Minutes of previous meeting (05 February 2018)
Members agreed to defer acceptance of the Minutes of their meeting held on 5 February 2018 until the next Authority meeting.

76. Date of Next Meeting
Members noted the date of Friday 29 June (Annual General Meeting) as the date for their next meeting.

77. Any other public items
There were none.

78. Private Business
Members resolved to exclude any public and press from the remainder of the meeting by reason of the nature of the business to be discussed includes information relating to individuals, negotiations related to labour relations between the Authority and its employee(s) and the subject of an obligation to confidentiality and therefore exempt from publication by virtue of paragraphs 1, 3, 4, 8 respectively of part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

79. Management Arrangements - Appointment of Managing Director
Members received the Acting Interim Managing Director’s report and commentary on the recruitment exercise for the position of Managing Director on a permanent basis. It was considered that the results of a successful recruitment campaign had delivered a preferred candidate who possessed the necessary skills and experience to successfully undertake the duties of the post and who would be able to drive the service forward to meet future challenges. The candidate put forward to Members for formal appointment in line with the Constitution Part D3: Employment Rules (paragraph 2.1) was Mr Andrew Lappage.

Members agreed to exclude ELWA staff from the meeting for this and the following item.

Having been invited into the room and introductions made, Mr Lappage proceeded with his presentation. Members took the opportunity to put questions to him about his experience and presentation before he was asked to step outside of the room.

Following discussion and due consideration, Members unanimously agreed the appointment of Mr Lappage as Managing Director/Head of Paid Service of the Authority on agreed terms and a start date to be determined. Mr Lappage was invited back into the meeting and congratulated on his appointment. He then left the room for the next item.
80. Management Arrangements - Appointment of Interim Managing Director

Members received the Finance Director’s report containing the recommendation that Members agree the decision of the Finance Director and others to appoint Justin Jupp to the post of Interim Managing Director to provide interim cover until the newly appointed Managing Director/Head of Paid Service was able to take up office with the Authority.

Mr Jupp was invited into the meeting and provided a short briefing on his experience and involvement (as a LB Newham officer) with ELWA since 2010.

Members sought clarification from HR & Legal Officers on Mr Jupp’s references before making the unanimous appointment of Mr Jupp to the interim post on the terms set out in the report.

The Chair advised that the Authority needed to look to increase staff capacity to meet the challenges ahead.

ELWA staff were invited back into the meeting.

81. Other Urgent Business

There was none.

The meeting closed.

Minutes agreed as a true record.

Chair:  

Date:  

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AUTHORITY REPORT: NOMINATIONS UNDER SECTION 41 OF THE LOCAL GOVERNMENT ACT 1985

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 In accordance with Section 41 of the Local Government Act 1985, the Authority is required to nominate from its membership, one Member from each of the Constituent Councils, to answer questions on behalf of the Authority, put by other Members of the Constituent Councils in the course of council proceedings, pertaining to the discharge of the Authority’s functions for the year 2016/17.

3. Purpose

3.1 To seek nominations from ELWA as to which Members shall be responsible for answering questions on behalf of ELWA at their respective Constituent Council proceedings.

4. Background

4.1 Section 41 of the Local Government Act 1985 requires that, as a statutory Waste Disposal Authority, ELWA should make arrangements (whether by standing orders or otherwise) for enabling questions on the discharge of the functions of a joint authority to be put in the course of the proceedings of any Constituent Council by members of that Council. The protocol is for the nominated member of each Constituent Council, who is also a Member of the Authority, to answer questions put by other elected members of the Constituent Council in relation to the discharge of waste functions by the Waste Disposal Authority. This means that ELWA, as a joint authority, must nominate from its membership, a Member from each of the four Constituent Councils as the person who will, on behalf of ELWA, answer questions put by other members of the relevant Constituent Council in the course of their council proceedings, pertaining to the discharge of ELWA’s functions. This is a mandatory statutory requirement.

4.2 The usual practice has been for ELWA to nominate ELWA Members who are the respective council’s lead Member or lead for Environment/Waste matters to answer questions on behalf of ELWA or in relation to the discharge of its waste functions. Members may wish to consider continuing that practice. Alternatively, members who lead another relevant or related portfolio for their constituent councils would also be suited.

5. Relevant officer:

5.1 Suzan Yildiz, Monitoring Officer & Legal Adviser: e-mail: Suzan.Yildiz@lbld.gov.uk / 0208 227 5364

6. Appendices attached:

6.1 None.

7. Background papers:

7.1 None.
8. **Legal considerations:**

8.1 This report is necessary to ensure that the Authority complies with its statutory requirements concerning transparency and accountability in relation to questions in relation to waste functions under S41 of the Local Government Act 1985. The main report has addressed the relevant legal implications and there are no additional legal issues to mention.

9. **Financial considerations:**

9.1 There are no additional financial implications for ELWA arising from the recommendation in this report.

10. **Performance management considerations:**

10.1 None.

11. **Risk management considerations:**

11.1 None.

12. **Equalities considerations:**

12.1 The equalities impact assessment identified no matters of concern.

13. **Follow-up reports:**

13.1 None.

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


16. **Glossary:**

Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge

ELWA / the Authority = East London Waste Authority

17. **Reviewed by management board**

17.1 15 June 2018.

18. **Confidentiality:**

18.1 Not applicable.
AUTHORITY REPORT: FINAL FINANCIAL OUTFURN POSITION AND CONTRACT MONITORING REVIEW FOR THE YEAR 2017/18

1. Confidential Report
1.1 No.

2. Recommendation:
2.1 To note the 2017/18 Outturn.

3. Purpose
3.1 This budgetary control report compares ELWA’s actual expenditure for the period ended 31 March 2018 with the original revenue budget approved in February 2017. It is based on information supplied by Renewi UK Services Limited (the Operator), officers of the four Constituent Councils, and the Authority’s own information.

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

3.3 This report also provides the Integrated Waste Management Services (IWMS) Contract performance to support the financial information for the year 2017/18.

4. Background

Revenue Budget

4.1 ELWA’s financial position was a £4.385m underspend comprising of lower waste disposal tonnages and insurance premium than budgeted, additional income and the contingency budget not utilised. The underspend will be transferred to reserves shown later in this report in addition to the budgeted contribution of £1.350m during 2017/18. ELWA therefore reported a balanced outturn position for 2017/18.

4.2 The underspend has increased significantly since the February Authority report of £1.716m underspend in part due to the waste disposal tonnages being lower than profiled most of the year. ELWA’s healthier financial performance also materialised from increased commercial waste income from Constituent Councils, a one off contractual position with regards to 2016/17 to ELWA for an excess profit payment and the annual reconciliation statement and the release of a provision no longer required.

4.3 The net under spend of £4.385m is based on the annual budget of £63.561m for net expenditure on services and the actual net expenditure on services of £59.176m. (see Appendix A).

4.4 The principal activity driver on ELWA’s budget is the level of waste tonnage delivered from the Constituent Councils. Based on these council returns and officer analysis of historic waste patterns and potential population growth and economic recovery the 2017/18 budget and levy setting process assumed 469,000 tonnes. Actual tonnages for year were 444,004 which is 5.3% below budget. This year the tonnages have been lower than profiled for most of the year resulting in an under spend of £1.819m in respect of the Operator payment. Waste tonnages vary due to a number of factors such as householder recycling behaviour and changes by companies in packaging their goods as well as the matters above in predicting forecasts and trends.

4.5 Insurance in the waste market in recent years has seen the insurance premiums increase. Following a fire at the Authority’s Mechanical Biological Treatment (MBT) facility on Frog Island in 2014, the contract insurance renewal premium includes conditions that may be required to be met that may result in financial implications in undertaking the work if necessary. However, the budgeted premium was less than budgeted for resulting in an under spend of £0.679m.
4.6 The current diversion agreement incentivises the Operator to divert from landfill as much waste as possible and thus passes the risk of diversion performance onto the Operator. Consequently, diversion performance no longer affects the cost of the contract to ELWA with cost pressures determined by tonnage levels. The rate of diversion for 2017/18 was 92.65% against a contract target of 67.00%. This was the highest annual Diversion performance to date and is anticipated that this performance will be maintained into 2018/19.

4.7 There are minor variations on non-operator employee costs, premises costs and supplies and services resulting in an over spend of £0.021m.

4.8 Interest receivable has over recovered by £0.039m. This is mainly due to an increase in the Bank of England base rate from November 2017.

4.9 Commercial waste income has increased to £0.424m above the budget of £2.509m. This has improved since the February Authority report based on December financial information as only the first quarter had been verified and billed to the Constituent Councils at that time. The following three quarters have fluctuated per quarter but have remained better than the budget set.

4.10 Other income includes £0.252m income relating to the contract 2016/17 final reconciliation and £0.321m additional contract income. Both these sums have contributed towards the under spend for the year.

4.11 Other income also includes the release of a provision in respect of Aveley Methane Limited of £0.250m as it was no longer required following a report to the February Authority meeting titled Aveley Methane Limited – Termination and New Proposal.

4.12 ELWA has not needed to utilise the contingency budget of £0.500m during the financial year, having contained most costs within or under budget. This amount therefore shows as an underspend.

5. Reserves

5.1 ELWA maintain several reserves to meet specific purposes as follows:

a) Revenue reserve – This reserve is set aside to ensure that ELWA can operate as a going concern and meet any unplanned or unavoidable costs. The current budget strategy is to maintain this balance at £3.000m.

b) Strategy reserve – Members have agreed the policy of holding a strategy reserve to cover the costs arising out of the development and planning for post 2027 waste disposal arrangements.

c) Business Risk reserve – As part of setting the budget for 2018/19, Members agreed to create a business risk reserve of £1.000m to provide coverage for risks such as those included on ELWA’s risk register. This has received a £1.000m contribution following a review of the 2017/18 financial position.

d) Capital reserve – The main purpose of the capital reserve is for potential future costs for protection of the public for Aveley to enable expenditure to be financed without the need to borrow or use capital receipts.

5.2 The table below shows the final position of the reserves for 2017/18 and the next five years. The February Authority report saw the predicted underspend of £1.716m transferring into the Strategy reserve. However, given the underspend of £4.385m, £1.000m of this underspend will set up the Business Risk reserve after evaluating risks and notes on the Statement of Accounts, and the residual balance of £3.385m will be placed in the Strategy reserve. The profile of strategy expenditure will start to be developed later in the year.
### Summary Budget

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### 6. Prudential Indicators

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

### 7. Contract Monitoring

**Contract Tonnage**

7.1 The 2017/18 year-end tonnage at the closure of the accounts was 444,004t, 4,321t less than 2016/17.

7.2 Work is continuing to understand what caused this reduction as tonnage would be expected to increase year on year in line with housing growth. Officers received reports of similar lower than expected tonnages from colleagues at other London Waste Authorities mid-way through the year which indicated that this is a wider occurrence rather than resulting, at least not entirely, from any local actions. End of year positions will be sought from those colleagues to establish whether lower tonnage patterns lasted throughout the year to assist in future waste profiling.
Contract Performance

7.3 Recycling began the year reasonably well but not strongly enough to offset the consistently lower performing autumn and winter months, ending the year on 23.68%.

7.4 Much of this can be put down to limited garden waste inputs which represent a significant proportion of the overall recycling tonnage. In part this was due to the introduction of chargeable garden waste collections in LB Redbridge, but they were certainly not the only borough to experience a downturn. We also experienced a colder winter than in recent years which further depressed performance.

7.5 Recycling per Constituent Council has remained steady.

| Constituent Council Recycling (NI192) |
|-------------------------------|----------------|----------------|-------------|-------------|
| YTD                           | LBBD | LBH | LBN | LBR |
| 26.5%                         | 40%  | 15.5%| 24.6% |
7.6 Contract Diversion ended the year at 92.65% against a target of 67%. This was the highest annual Diversion performance to date. There was continuous improvement through the year, allowing for a slight and expected drop in December/January, and it is anticipated that this performance will be maintained into 2018/19.

![Recycling & Diversion - 2017/18](image)

**Contract Monitoring**

7.7 All sites have continued to operate to specification through the year with no major changes or shut downs.

7.8 ELWA and Constituent Council officers continue to monitor Renewi’s performance against contractual targets.

**Communications**

7.9 Keep Britain Tidy continue to host classes at the Education Centre at Jenkins Lane and visit schools promoting the Reduce, Reuse, Recycle message on behalf of ELWA and the Constituent Councils.

**8. Conclusion**

8.1 Tonnage trends, non-household income and insurance costs remain the primary drivers on delivering resources within budget. An under spend of £1.716m was reported in February 2018 based on actuals to 31 December 2017. The position has continued to improve as outlined earlier in this report.

8.2 The improved 2017/18 financial position for the Authority since setting the budget and levy for 2018/19 enables the Strategy reserve and Business Risk reserve to be increased. The profile of strategy expenditure will start to be developed during 2018/19 and is a key factor in determining the level of Strategy reserve to be built up to fund the Authority’s approach to covering the costs arising out of the future development and planning for post 2027 waste disposal arrangements.

8.3 The Authority remains confident in future years that there is a clear strategy in continuing to deliver its vision to provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value.
9. Relevant officer:

Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 870 83813 and Andrew Lappage, Managing Director / e-mail: Andrew.Lappage@eastlondonwaste.gov.uk / 020 8724 5614

10. Appendices attached:

10.1 Appendix A: Budget Monitoring Statement to 31 March 2018

11. Background papers:

06 February 2017 - Revenue & Capital Estimates and Levy 2017/18 Report & Minute No.49/2017

05 February 2018 - Budget Control & Contract Monitoring to 31 December 2018 Report & draft Minute No. 61/2017

12. Legal considerations:

12.1 This report is brought to Members in accordance with the Authority’s requirements in relation to the review and reporting of financial and non-financial performance (Section D, Constitution, paragraphs 17 and 18), detailing actual and forecast performance against targets. The report is to be noted, rather than for decision, and no further implications arise other than those detailed in the report.

13. Financial considerations:

13.1 As outlined in the main body of the report.

14. Performance management considerations:

14.1 The financial position and projections should reflect service performance trends.

15. Risk management considerations:

15.1 ELWA has regularly reviewed strategic and operational risks throughout the year, assessing and adjusting for financial implications as they arise. The reserves and strategy to continue to build up the Strategy reserve in future years recognising the costs associated with planning and development of post 2027 waste disposal arrangements.

16. Equalities considerations:

16.1 None.

17. Follow-up reports:

17.1 None.

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

18.1 http://eastlondonwaste.gov.uk/east-london-waste-authority/

19. Glossary:

ABSDP = Annual Budget & Service Delivery Plan

Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham & Redbridge

ELWA/the Authority = East London Waste Authority

IWMS = Integrated Waste Management Services contract
MTFS = Medium Term Financial Strategy
The Operator = Renewi UK Services Limited (formerly Shanks Waste Management Ltd)

20. **Reviewed by Management Board**
20.1 15 June 2018.

21. **Confidentiality:**
21.1 Not Applicable.
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AUTHORITY REPORT: ANNUAL GOVERNANCE STATEMENT 2017/18

1. Confidential Report
1.1 No.

2. Recommendation:
2.1 Members are asked to;
   a) approve the Annual Governance Statement; and
   b) note that the Annual Governance Statement forms part of the approval of the Statement of Accounts for 2017/18

3. Purpose
3.1 This report sets out the draft Annual Governance Statement for 2017/18 as required by the Accounts and Audit Regulations 2015 in accordance with the Chartered Institute for Public Finance & Accountancy (CIPFA) / Solace Delivering Good Governance in Local Government 2016.

4. Background
4.1 The East Waste London Authority (ELWA) is required to prepare an Annual Governance Statement and have it approved by the Authority. This statement must be signed by the ELWA Managing Director and Authority Chair prior to the signing of the accounts.

4.2 The statement covers both the Authority’s governance arrangements as well as internal control issues. This statement should enable stakeholders to have substantial assurance that decisions are properly made and public money is being properly spent on citizens’ behalf.

4.3 The statement sets out the systems and processes, culture and values, by which the Authority and its activities are directed, governed and controlled, and through which it accounts to and engages with the community. An effective governance framework enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

5. Annual Governance Statement 2017/18
5.1 The Annual Governance Statement is attached in Appendix A and was signed off on 1 June 2018. There are no matters of concern identified within the statement to bring to attention in this report. Governance arrangements and internal controls have been in place throughout 2017/18 in accordance with the Authority’s governance framework and in accordance with the CIPFA / Solace Delivering Good Governance in Local Government 2016. The action plan contained within the statement includes the following two areas to develop further during 2018/19:
   a) Contract Monitoring performance with Constituent councils and with the contractor; and
   b) Corporate governance – business continuity

6. Conclusion
6.1 ELWA’s Annual Governance Statement has been prepared and signed off in accordance with regulations. There are no matters of concern identified in relation to governance arrangements and internal control issues.
7. **Relevant officer:**

Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 870 83813

8. **Appendices attached:**

8.1 Appendix A: Annual Governance Statement 2017/18

9. **Background papers:**

29/06/18 – Final Financial Outturn Position and Contract Monitoring Review for the year 2017/18

10. **Legal considerations:**

10.1 The Local Audit and Accountability Act 2014 (the ‘2014 Act’) requires that the Authority as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the ‘Regulations). Regulation 9 sets out a timetable and requires certification by the Authority’s responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution. This report is prepared in compliance with that obligation. Furthermore Specified relevant local authorities¹ are required under Regulation 6(1) (b) to prepare an Annual Governance Statement (‘AGS’).

Governance is defined by CIPFA / SOLACE² as:

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

and

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

10.2 The Regulations require the AGS be approved by a resolution of a Committee of the Authority. Following approval the Authority must publish the statement of accounts, the AGS as approved and a narrative statement by the Authority on its financial performance, and economy, efficiency and effectiveness in the use of it’s resources over the financial year.

11. **Financial considerations:**

11.1 None.

12. **Performance management considerations:**

12.1 None.

13. **Risk management considerations:**

13.1 None.

14. **Equalities considerations:**

14.1 None.

¹ See Section 2 and Schedule 2 of the Accounts and Audit Regulations 2015

² CIPFA SOLACE Delivering Good Governance in Local Government Framework 2016 Edition
15. Follow-up reports:
15.1 None.

16. Websites and e-mail links for further information:
16.1 http://eastlondonwaste.gov.uk/east-london-waste-authority/

17. Glossary:
CIPFA = Charted Institute for Public Finance & Accountancy
ELWA/the Authority = East London Waste Authority

18. Reviewed by Management Board
18.1 29 June 2018.

19. Confidentiality:
19.1 Not Applicable.
ANNUAL GOVERNANCE STATEMENT

1. Introduction

1.1 Each year the East London Waste Authority (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 substantial 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 2015.

2. Scope of responsibility

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

2.2 In discharging these obligations, the Authority is required by Regulation 5 of the Accounts and Audit Regulations 2015 to put 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 and evaluating the effectiveness of the Authority’s overall governance and risk management arrangements, by taking into account public sector auditing standards.

3. The purpose of the Governance Framework

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

3.2 The system of internal control is a significant and ongoing part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks connected with failure to achieve policies, aims and objectives, but effective internal systems of control can provide substantial, albeit not absolute assurance, of the effectiveness of the Authority’s policies, aims and objectives. 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 Code has been incorporated into the Authority’s Constitution as a single point of reference for the Authority’s framework for its Governance arrangements.
4. Vision and Purpose

4.1 The Authority is responsible for the disposal of waste collected by the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge. The boroughs have a combined population of over one million people living in over 410,000 households, and each are responsible for the collection of household waste in their areas for disposal by the Authority of over 440,000 tonnes.

4.2 The Authority Strategy has the vision “To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value”. The Strategy is now undergoing review to ensure that it continues to align with the current Joint Waste Development Plan 2012 to 2021 and the post 2027 waste disposal arrangements and will require approval by the Authority in accordance with governance arrangements.

4.3 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 and a range of performance indicators assists in the monitoring of activity. The Authority is considering its future waste strategy in light of the Joint Waste Plan including technical options and sites for delivery of waste facilities in line with the waste hierarchy. The Integrated Waste Management Strategy will be reviewed and updated to reflect the Authority’s evolving strategic aims.

4.4 The Integrated Waste Management Strategy underpins the annual service delivery plans (Plans) that are agreed by the Authority and the Contractor. These are required under the IWMS Contract, which was entered into in 2002, at the commencement of the 25 years 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 the Operator (Renewi UK Services Limited to meet the Authority’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) follows a similar format to the other SDPs but provide a greater level of detail, particularly in respect of financial matters. 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 takes the ABSDP into account and can fully reflect the likely expenditure commitments arising from the Contract. The ABSDP process also affords opportunity for the Constituent Councils to provide input into the proposed plans to take into account any planned service changes or requirements in the coming financial year.

4.5 The Authority can apply various penalties under its IWMS contract if these Plans, once approved, are not adhered to and met. In exceptional circumstances, the Authority could terminate the Contract.
4.6 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.

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 discussed and reported throughout all levels of the organisation and those of its partners, in particular 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 progress on the contract review and achievement of efficiencies.

6. **Authority Constitution**

6.1 The Constitution sets out the governance and decision making arrangements of the Authority, including 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 ELWA’s finances and resources effectively.

6.2 Emerging changes to ELWA’s governance structure, including the Constitution, are presented at Authority meetings for approval. The Constitution is currently undergoing review and an updated version is expected to be adopted at an Authority meeting in 2018. This includes a clear reference to the scheme of delegation, which outlines who is authorised to make particular decisions and the remit of those decisions. In addition, clear rules regarding contractual and tendering matters and dealings with land 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 The Constitution (Part E) deals with the Codes of Conduct for Members and Employees. Each of the Authority’s four Constituent Councils has adopted the mandatory provisions of the Model Code and Redbridge Council has included local provisions into its Code of Conduct. The Authority is not required to adopt a Code of Conduct for its Members as it is not included in the list of authorities required to do so by the Local Government Act 2000. Therefore, Authority’s Members are bound by their respective Council Codes when they act in their official capacity for the Authority.
8. Risk Management

8.1 The Authority has embedded risk management processes throughout its structure. The Corporate Risk Register which deals with both strategic and operational risks is agreed and reviewed by the Management Board and Authority Members on a regular basis.

8.2 Financial, operational and legal 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. The Authority has the following statutory officers; Head of Paid Service – Managing Director, Section 73 officer (Local Government Act 1985), and Monitoring Officer – Legal Adviser each of whom has the power to refer matters to the Authority where a breach of regulation is possible or suspected. These officers form part of the Management Board. None of these officers have been required to use their powers during the year.

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

10. Counter Fraud including Whistle-blowing

10.1 The Authority has an agreed Anti-Fraud and 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, and contractors. The ELWA 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 The current website for the Authority went live in 2017 following a review and development process. The website is used to engage directly with the community on waste reduction, reuse and recycling and disposal 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. The Authority’s 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 if a corporate complaint has not been satisfactorily resolved and maladministration could arise. 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 the Authority 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 Plan to guide improvements in waste management performance.

14. Partnerships

14.1 The most significant partnerships for the Authority are with its four Constituent Councils and through the IWMS Contract with Renewi UK Services Limited (formerly Shanks Waste Management Ltd) 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 Renewi UK Services Limited (formerly Shanks Waste Management Ltd) and include those with ELWA Limited. There are also regular formal meetings with the Councils including those at the Management Board, Operational Management Team and Contract Monitoring group.

15. Review of effectiveness

15.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control, albeit this is treated as an ongoing process. The Managing Director has the responsibility for the maintenance and development of the internal control environment. A new Managing Director was appointed in the latter part of 2017/18. During the recruitment period, the position was covered by two interims to ensure the continuity in governance arrangements and the continued delivery of respective roles and responsibilities of the post. 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. Actions required are set out in sections 19 and 20 of
this Statement. Overall, the governance arrangements are regarded as fit for purpose
in accordance with the Authority’s governance framework.

16. **Role of the Finance Director**

16.1 The Chief Financial Officer (CFO) fulfils the statutory requirements of the Local
Government Act 1985 and is the organisation’s senior executive charged with leading
and directing financial strategy and administration and assisting the Head of Paid
Service to discharge their corporate responsibilities. This is a pivotal role, both for
external stakeholders and within the Management Board. At the Authority, this role is
held by the Finance Director. The Authority fully complies with the governance
requirements and principles as set out in the CIPFA Statement on the Role of the Chief
Financial Officer in Local Government (2016).

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. 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 Section 73
Officer, following consultation with the Management Board and External Audit as part of
the annual planning process.

17.2 The Senior Internal Audit Manager 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 Head of Audit 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 at the time of the audit of the 2017/18 accounts is
KPMG. KPMG 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 ELWA has a sound
arrangements in place to deliver value for money. This value for money conclusion is
based on one overall criterion: that in all significant respects, the audited body had
proper arrangements to ensure it took properly informed decisions and deployed
resources to achieve planned and sustainable outcomes for taxpayers and local people.
This overall criterion is supported by three sub criteria relating to: informed decision
making; sustainable resource deployment; and working with partners and other third
parties.
19. Governance and internal control issues requiring improvement and outcome of 2017/18 action plan

19.1 There were two key actions arising from the 2017/18 action plan and these are detailed below.

Contract Management and Service Level Performance

19.2 Since the previous audit there have been continued improvements made on the monitoring programmes for each of the Constituent Councils that are generally effective although some inconsistent reporting formats remain between the four Constituent Councils and this remains an area to develop in the action plan 2018/19. ELWA and all of the Constituent Councils have undertaken regular visits to the Reuse & Recycling Centres (RRC) to carry out monitoring checks and site inspections.

19.3 Renewi’s self-monitoring still contained gaps within their performance monitoring return although performance reductions appeared to have been correctly applied. Residential checks were being carried out to verify that all site users were resident within one of the four boroughs.

19.4 Another action was for the Authority and Renewi UK Services Limited (formerly Shanks Waste Management Ltd) to work with the Automatic Number Plate Recognition (ANPR) System provider to address weaknesses in the system. The ANPR system is currently being mobilised and the follow-up audit will take place in 2018/19.

19.5 The processes and controls in place for the agreement of the contract invoices, the weighbridge operations and for management information were all found to be effective in the audit conducted in 2017/18.

Reduce Risk of Fly-tipping at Authority Sites

The previously noted security risks on landfill sites with potential break in and fly-tipping have been addressed through a number of initiatives as recommended. ELWA has two directly employed staff that perform security and a monitoring function at the relevant sites. Physical barriers in the form of a two metres high earth bund deter access to the specific sites. Following careful consideration CCTV was not installed but ELWA does maintain excellent communication and engagement with external stakeholders to ensure that intelligence is provided about possible fly-tipper movements.


20.1 The actions planned for 2018/19 are detailed below:

<table>
<thead>
<tr>
<th>Number</th>
<th>Area to develop</th>
<th>Ongoing Action</th>
<th>Timescales</th>
<th>Lead Officer</th>
</tr>
</thead>
</table>
| 1      | Contract Monitoring performance with Constituent councils and with the | a) Revised performance proformas and monitoring timings to be agreed and delivered by Constituent Councils.  
b) Renewi’s health & safety arrangements should minimise identified risks. | Time date 30 September 2018      | Contract Manager     |
<table>
<thead>
<tr>
<th></th>
<th>contractor</th>
<th>c) The implementation of a relevant maintenance programme is recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Corporate Governance – Business Continuity (2525)</td>
<td>ELWA should embed a testing regime within its business continuity arrangements that also includes obtaining assurance from its partner organisations that they can continue to provide ELWA with the required systems and service in the event of an incident. ELWA should utilise the action plan within the risk registers to manage its residual risks. ELWA should establish its risk appetite to guide its approach to risk. The Constitution should be reviewed, updated and annotated with the document review date. Any errors or inconsistencies should be amended as part of the review.</td>
</tr>
</tbody>
</table>

Signed:

Andrew Lappage (Managing Director)

Cllr. Ken Clark (Chair)

Date:
AUTHORITY REPORT: STATEMENT OF ACCOUNTS & AUDITOR’S REPORT 2017/18

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 Members are asked to;

a) note the Auditor’s ISA 260 2017/18 report;

b) approve the Audited Statement of Accounts for the financial year 2017/18; and

c) approve the letter of representation

3. Purpose

3.1 The Statement of Accounts presents the financial position of the Authority for 2017/18. Authority Members approve the Statement of Accounts and consider the report of the External Auditors.

4. Background

4.1 For the financial year 2017/18, the Accounts and Audit (England) Regulations 2015 places a requirement on the Authority for the draft Statement of Accounts to be prepared and signed by the Finance Director by 31 May and for the final Accounts to be approved by Authority Members and published by the 31 July.

4.2 The External Auditors are required to communicate any relevant matters following the audit via an Annual Report (ISA 260) to those charged with governance, being the Authority Members. The report, attached at Appendix A, summarises the main external auditor findings and recommendations arising from the 2017/18 Accounts. It also reports on work undertaken relating to the use of resources, internal controls and risk of fraud.

4.3 Each year a letter of representation is to be provided to the auditors in respect of the audit of the accounts. The letter sets out the responsibilities for the preparation of the financial statements and the basis of the representations made.


5.1 It is expected that the External Auditors, KPMG will give an unqualified opinion and certificate on the Accounts. The Accounts can be seen in Appendix B.

5.2 The 2017/18 financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

5.3 Members are reminded that it is the responsibility of the ‘responsible financial officer’ to sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the end of the financial year. However, Members are still required to formally approve the audited financial statements.

5.4 The Accounts and Audit Regulations 2015 require that the Authority must approve the audited Statement of Accounts and Annual Governance Statement no later than the 31 July in the financial year immediately following the financial year of the Statement of Accounts. A separate report is being considered at the same Authority meeting on 29 June 2018 with regards to the Annual Governance Statement for 2017/18.
5.5 The draft Statement of Accounts and Annual Governance Statement have been signed off. Members are therefore being asked to approve the audited Statement of Accounts, which is in advance of the deadline of 31 July.

5.6 The financial position as outlined in the Statement of Accounts is the same as the Final Financial Outturn Position and Contract Monitoring Review for the year 2017/18 report presented to the Authority meeting in June 2018.

6. **Auditors Attendance**

6.1 The Statement of Accounts has been subject to audit by the Authority’s external auditors KPMG. KPMG have issued an unqualified audit opinion on the financial statements of the Authority.

6.2 It is a requirement that following the audit the external auditors will provide a report to the Authority – the ISA 260 which will report significant findings from the audit prior to giving the audit opinion. The auditors will attend the meeting to present their report and answer questions.

7. **Letter of Representation**

7.1 Each year a letter of representation is required to be provided to the Auditors in respect of the audit of the accounts. The draft letter sets out the responsibilities for the preparation of the Authority’s Financial Statements and the basis of the representations made. The draft management representation letter is included in the Statement of Accounts - Appendix C.

8. **Conclusion**

8.1 The audit of ELWA’s accounts has been completed in advance of the 31 July deadline. There is expected to be an unqualified opinion.

9. **Relevant officer:**

Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 870 83813

10. **Appendices attached:**

10.1 Appendix A: External Audit Report 2017/18

10.2 Appendix B: Statement of Accounts for 2017/18

10.3 Appendix C: Draft letter of Representation (to follow)

11. **Background papers:**

29/06/18 – Final Financial Outturn Position and Contract Monitoring Review for the year 2017/18

12. **Legal considerations:**

12.1 The Local Audit and Accountability Act 2014 (the '2014 Act') requires that the Authority as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the 'Regulations'). Regulation 9 sets out a timetable and requires certification by the Authority’s responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution. This report is prepared in compliance with that obligation.

12.2 Following approval the Authority must publish no later than 30 July 2018 the statement of accounts, the AGS as approved and a narrative statement by the Authority on its financial
performance, and economy, efficiency and effectiveness in the use of its resources over the financial year.

12.1 None.

13. Financial considerations:
13.1 None.

14. Performance management considerations:
14.1 None.

15. Risk management considerations:
15.1 None.

16. Equalities considerations:
16.1 None.

17. Follow-up reports:
17.1 None.

18. Websites and e-mail links for further information:
18.1 http://eastlondonwaste.gov.uk/east-london-waste-authority/

19. Glossary:
CIPFA = Chartered Institute of Public Finance and Accountancy
ELWA/the Authority = East London Waste Authority

20. Reviewed by Management Board
20.1 15 June 2018.

21. Confidentiality:
21.1 Not Applicable.
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This report is addressed to East London Waste Authority (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA’s website (www.psaa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.
Important notice

This report is presented in accordance with our PSAA engagement. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to East London Waste Authority (the Authority) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Authority. External auditors do not act as a substitute for the Authority’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

Purpose of this report: This Report is made to the Authority in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland) and other matters coming to our attention during our audit work that we consider might be of interest and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report or for the opinions we have formed in respect of this Report.

Limitations on work performed: This Report is separate from our audit opinion and does not provide an additional opinion on the Authority’s financial statements nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Authority meeting. The following work is ongoing:

— WGA
Section One

Summary

Financial statements audit – see section 2 for further details

Subject to all outstanding queries and procedures being satisfactorily resolved we intend to issue an unqualified audit opinion on the Authority's financial statements for the deadline of 31 July 2018, following the Authority adopting them and receipt of the management representations letter.

We have completed our audit of the financial statements. We have read the Narrative Report and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences, explained in section 2 and appendix 2.
- We agreed presentational changes to the accounts with Finance, mainly related to compliance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- We have not asked management to provide any management representations in addition to our routine requests.
- We will report that your AGS complies with delivering Good Governance guidance issued by CIPFA / SOLACE in April 2016.
- We reviewed the narrative report and have no matters to raise with you.
- We did not receive any queries or objections from local electors this year.

We are now in the completion stage of the audit and anticipate issuing our completion certificate on 4 July 2018. We intend to issue our 2017/18 Annual Audit Letter in August 2018.

Value for money – see section 3 for further details

Based on the findings of our work, we have concluded that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion for the year ended of 31 March 2018.
**Section One**

**Summary**

### Other matters

ISA 260 requires us to communicate to you by exception ‘audit matters of governance interest that arise from the audit of the financial statements’ which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor’s professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions / objections, opening balances, etc.).

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report. In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority’s 2017/18 financial statements.

There were no prior year recommendations. We have made no new recommendations as a result of our 2017/18 work.
Section Two

Financial statements audit

We audit your financial statements by undertaking the following:

<table>
<thead>
<tr>
<th>Work Performed</th>
<th>Accounts production stage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Business understanding:</strong> review your operations</td>
<td>Before: ✓ During: ✓ After: –</td>
</tr>
<tr>
<td><strong>2. Controls:</strong> assess the control framework</td>
<td>Before: ✓ During: – After: –</td>
</tr>
<tr>
<td><strong>3. Prepared by Client Request (PBC):</strong> issue our prepared by client request</td>
<td>Before: ✓ During: – After: –</td>
</tr>
<tr>
<td><strong>4. Accounting standards:</strong> agree the impact of any new accounting standards</td>
<td>Before: ✓ During: ✓ After: –</td>
</tr>
<tr>
<td><strong>5. Accounts production:</strong> review the accounts production process</td>
<td>Before: ✓ During: ✓ After: ✓</td>
</tr>
<tr>
<td><strong>6. Testing:</strong> test and confirm material or significant balances and disclosures</td>
<td>Before: – During: ✓ After: ✓</td>
</tr>
<tr>
<td><strong>7. Representations and opinions:</strong> seek and provide representations before issuing our opinions</td>
<td>Before: ✓ During: ✓ After: ✓</td>
</tr>
</tbody>
</table>

We have completed the first six stages and report our key findings below:

1. **Business understanding**
   - In our 2017/18 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We provide an update on each of the risks identified later in this section.

2. **Assessment of the control environment**
   - We assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We have made no recommendations for 2017/18. We reviewed work undertaken by your internal auditors, in accordance with ISA 610 and used the findings to inform our work. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit.

3. **Prepared by client request (PBC)**
   - We produced the PBC to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Principal Accountant and this was issued as a final document to the finance team. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.
## Section Two

### Financial statements audit

**4. Accounts Production**

We received complete draft accounts by 31 May 2018 in accordance with the deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The Authority incorporated measures into its closedown plan to manage this complex process. The Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to yearend to proactively address issues. We consider that the overall process for the preparation of your financial statements is adequate. We consider the Authority’s accounting practices to be appropriate.

We thank Finance for their cooperation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.

**5. Testing**

We have summarised the findings from our testing of significant risks and areas of judgement in the financial statements on the following pages. During the audit we identified only presentational items which have been adjusted as they have no material effect on the financial statements.

**6. Representations**

You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Finance Director on 21 June 2018. We draw attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us.
Section Two

Financial statements audit

ISA 260 requires us to communicate to you by exception ‘audit matters of governance interest that arise from the audit of the financial statements’ which include:

— Significant difficulties encountered during the audit;
— Significant matters arising from the audit that were discussed, or subject to correspondence with Management;
— Other matters, if arising from the audit that, in the auditor’s professional judgment, are significant to the oversight of the financial reporting process; and
— Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, opening balances, public interest reporting, questions/objections, etc.).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority’s 2017/18 financial statements.

To ensure that we provide a comprehensive summary of our work, we have over the next pages set out:

• The results of the procedures we performed over valuation of land, buildings and PFI assets which was identified as significant risks within our audit plan and which will form a part of our audit opinion;
• The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
• Our view of the level of prudence applied to key balances in the financial statements.
### Authority significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

<table>
<thead>
<tr>
<th>SIGNIFICANT audit risk</th>
<th>Account balances effected</th>
<th>Summary of findings</th>
</tr>
</thead>
</table>
| Valuation of land and buildings and PFI assets                                         | Property, Plant and Equipment £96.9m, PY £100.7m | The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority revalues all land and buildings on a five year cycle. As a result of this individual assets are not be revalued for four years.  
This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.  
We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.  
In addition, we assessed the indicators considered by the Authority’s valuers in order to determine whether these indicate that fair values had moved materially over that time.  
We assessed the valuer’s qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used including testing the underlying data and assumptions.  
As a result of this work we determined that the carrying value of assets does not materially differ from the year end fair value. |
Section Two
Financial statements audit

Authority other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

<table>
<thead>
<tr>
<th>Other areas of audit focus</th>
<th>Account balances effected</th>
<th>Summary of findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension assets and liabilities</td>
<td>Pension liability, £1.7m, PY £1.6m</td>
<td>The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of London Pension Fund Authority (LPFA), which had its last triennial valuation as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. The valuation of the Local Government Pension Scheme relies on assumptions, most notably around the actuarial assumptions and methodology which results in the Authority’s overall valuation. There are financial and demographic assumptions in the calculation of the valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements. As part of our work we reviewed the controls that the Authority has over the information sent to the actuary, Barnet Waddingham, including the Authority’s process and controls with respect to the assumptions used in the valuation. We evaluated the competency, objectivity and independence of Barnet Waddingham. We reviewed the appropriateness of the key assumptions in the valuation and compared them to expected ranges. We reviewed the methodology applied in the valuation by Barnet Waddingham. We reviewed the overall actuarial valuation and considered the disclosure implications in the financial statements. In order to determine whether the net pension liability has been appropriately accounted for we considered the valuation of pension assets. We have relied on the external audit of the Pension Fund to gain assurance over the overall value of fund assets. We then liaised with the actuary to understand how these assets are allocated across participating bodies and re-performed this allocation. We have no matters to bring to your attention following the completion of this work.</td>
</tr>
</tbody>
</table>
### Section Two

**Financial statements audit**

<table>
<thead>
<tr>
<th>Other areas of audit focus</th>
<th>Account balances effected</th>
<th>Summary of findings</th>
</tr>
</thead>
</table>
| PFI Liability, PFI service charge expenditure and related disclosure | PFI Liability: £67.8m, PY £73.0m | Our audit work focused on the appropriateness of the PFI model and its accuracy. We reviewed the arrangements to continue to account for and disclose the PFI scheme in line with the audited PFI model. Our testing included:  
  - review of the PFI model for changes since the prior year and ensuring that there has been consistency in its application;  
  - review of the PFI disclosures for consistency with the audited PFI model and whether these are accurate and complete in line with CIPFA Code; and  
  - substantively sample testing PFI service charge expenditure, agreeing 100% of the service charge expenditure to invoices.  
We have no matters to report as a result of our work. |
### Section Two

#### Financial statements audit

<table>
<thead>
<tr>
<th>Risks that ISAs require us to assess in all cases</th>
<th>Why</th>
<th>Our findings from the audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud risk from revenue recognition</td>
<td>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</td>
<td>In our External Audit Plan 2017/18 we reported that we do not consider this to be a significant risk for waste authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</td>
</tr>
</tbody>
</table>
| Fraud risk from management override of controls   | Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk.  
In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.  
We have not identified any specific additional risks of management override relating to this audit. | There are no matters arising from this work that we need to bring to your attention. |
Section Two

Financial statements audit

Narrative report of the Authority

We have reviewed the Authority’s narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Queries from local electors

We did not receive any questions or objections from members of the public this year.

Audit certificate

In order for us to issue an audit certificate, we are required to have completed all our responsibilities relating to the financial year. We are not in a position to issue our audit certificate with the audit opinion as:

- HM Treasury has recently issued its guidance for completing the WGA and issued the consolidation packs that authorities need to complete. The deadline for the Authority to prepare the consolidation pack is 15 June 2018 with an audit deadline of 31 August 2018. We aim to complete the work ahead of the deadline.

We have not received any objections to the accounts from local electors, therefore we expect to issue our audit certificate in 4 July 2018 following completion of the above.

Whole of Government Accounts (WGA)

We reviewed your WGA consolidation pack and there are no issues to report. We anticipate issuing an unqualified consistency report.

Audit fees

Our fee for the audit was £18,270 excluding VAT (£18,270 excluding VAT in 2016/17). This fee was in line with that highlighted in our audit plan approved by the Authority on January 2018.

We have not performed any non-audit work at the Authority this year.
Section Three
Value for money

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor’s judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body’s arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk as summarised below:

We did not identify any significant VFM risks. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.
The assessment of what is material is a matter of professional judgment and includes consideration of three aspects:

- Material errors by **value** are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements;

- Errors which are material by **nature** may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff; and

- Errors that are material by **context** are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2017/18.

Materiality for the Authority’s accounts was set at £1.2 million which equates to around 2% of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

**Reporting to Authority**

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Authority any misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £60k.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Authority to assist it in fulfilling its governance responsibilities.
Appendix 2

Audit differences

Unadjusted audit differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Authority with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Authority, details of all adjustments greater than £60K are shown below.

There are no unadjusted audit differences.

Presentational adjustments

We identified presentational adjustments required to ensure that the Authority’s financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). Whilst the majority of these adjustments were not significant, we identified one adjustment of a more significant nature and details of these are provided in the following table. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

<table>
<thead>
<tr>
<th>#</th>
<th>Basis of audit difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Remuneration for interim managing director was disclosed as £7,650 based on estimate in the absence of invoice at year-end. Actual invoices were received post year end totalling £6,534. The Senior Officers' Remuneration Note has been adjusted accordingly.</td>
</tr>
</tbody>
</table>
ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF EAST LONDON WASTE AUTHORITY

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

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited’s (PSAA’s) Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses: general procedures to safeguard independence and objectivity; breaches of applicable ethical standards; independence and objectivity considerations relating to the provision of non-audit services; and independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews. We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

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

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

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

KPMG LLP
Appendix 4
Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework:

- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

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

- Commitment to technical excellence and quality service delivery
- Recruitment, development and assignment of appropriately qualified personnel
- Performance of effective and efficient audits
- Clear standards and robust audit tools
- Commitment to continuous improvement
- Association with the right clients

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

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

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

Commitment to continuous improvement – Association with the right clients

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NARRATIVE REPORT

1. Preface

1.1 The narrative report is a statement of an authority’s financial performance and demonstration of value for money of the use of its resources over the previous financial year. All public authorities in England are required to provide a narrative report with the Statement of Accounts (Accounts) under the Accounts and Audit Regulations 2016.

1.2 This publication presents the Authority’s Accounts for the year ended 31 March 2018. 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.

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

2. Key Financial Statements

2.1 The Statement of Accounts for 2017/18 sets out the Authority’s income and expenditure for the financial year ending 31 March 2018 along with a number of supplementary statements and disclosure notes. The financial statements have been prepared in accordance with the CIPFA’S code of practice and the International Financial Reporting Standards. The key financial statements and disclosure notes contained in the Statement of Accounts for 2017/18 are as follow:

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 Expenditure and Funding Analysis – This statement shows how annual expenditure is used and funded from resources in the Authority’s Budgetary Control Report and reconciles it with the Comprehensive Income and Expenditure Statement, which shows those resources consumed or earned in accordance with generally accepted accounting practices.

d) 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.

e) 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.

f) 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.
AN INTRODUCTION TO EAST LONDON WASTE AUTHORITY (ELWA)

1. Organisational Overview and External Environment
1.1 The East London Waste Authority (ELWA, also referred to as the Authority) was created by regulations made under the Local Government Act 1985. From 1 April 1986, ELWA assumed responsibility for the disposal of waste arising in the area covered by the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge. The boroughs have a combined population of over one million people living in over 410,000 households, and each are responsible for the collection of household waste in their areas for disposal by the Authority of over 440,000 tonnes.

1.2 The Authority strategy has the vision ‘To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value’. The Authority’s Joint Waste Development Plan contains further information on the organisation’s strategic objectives, policies and future requirements. This can be found on the ELWA website at http://eastlondonwaste.gov.uk/elwas-strategy/.

1.3 The Authority also seeks to bring about greater awareness of the environmental impact of waste through leaflet campaigns relating to Reduce, Reuse and Recycle and the Recycle for your Community Schools Programme.

1.4 The Statement of Accounts sets out the Authority’s financial position for the year to 31 March 2018. Further information on the nature and purposes of the Authority’s expenditure is contained in the annual Revenue and Capital Budgets and the Budget Control monitoring reports which can be accessed on the ELWA website, http://eastlondonwaste.gov.uk/publications-and-reports/.

2. Governance
2.1 The Annual Governance Statement accompanying the Statement of Accounts (Appendix A) covers both the Authority’s governance arrangements as well as internal control issues. The Managing Director has the responsibility for the maintenance and development of the internal control environment. A new Managing Director was appointed in the latter part of 2017/18. During the recruitment period, the position was covered by two interims to ensure the continuity in governance arrangements and the continued delivery of respective roles and responsibilities of the post.

3. Performance
3.1 The principal activity driver on the ELWA’s budget is the level of waste tonnage delivered from the four London Boroughs (Constituent Councils). Based on these council returns and officer analysis of historic patterns and potential growth and economic recovery the 2017/18 budget and levy setting process assumed waste disposal of 469,000 tonnes. Actual tonnages for the year were 444,004. This year the tonnages have been lower than profiled for most of the year resulting in an underspend of £1.819m in respect of the operator payment. Waste tonnages vary due to a number of factors such as householder recycling behaviour and changes by companies in packaging their goods as well as the matters above in predicting forecasts and trends.

3.2 Insurance in the waste market in recent years has seen the insurance premiums increase. Following a fire at the Authority’s Mechanical Biological Treatment (MBT) facility on Frog Island in 2014, the contract insurance renewal premium includes conditions that may be required to be met that may result in financial implications in undertaking the work if necessary.

3.3 ELWA’s healthier financial performance also materialised from increased commercial waste income from Constituent Councils, a one off contractual position with regards to
2016/17 to ELWA for an excess profit payment and the annual reconciliation statement and the release of a provision no longer required.

3.4 Recycling began the year reasonably well just above the indicative Annual Budget and Service Delivery Plan target at 26%, but not strongly enough to offset the consistently lower performing autumn and winter months, ending the year on 23.68%.

3.5 The current diversion agreement incentivises the operator to divert from landfill as much waste as possible and thus passes the risk of diversion performance onto the operator. Consequently, diversion performance no longer affects the cost of the contract to ELWA with cost pressures determined by tonnage levels. The rate of diversion for 2017/18 was 92.65% against a contract target of 67.00% This was the highest annual Diversion performance to date and is anticipated that this performance will be maintained into 2018/19.

4. **Income and Expenditure Account**

The Authority set a balanced budget for 2017/18 in accordance with government legislation. The budget set included a contribution to reserves to meet the 2016/17 overspend and a further contribution to the Strategy Reserve and building up to maintaining a Revenue Reserve at £3.000m. The improved financial performance of the Authority has been outlined in the previous section.

<table>
<thead>
<tr>
<th>Authority Budget Monitoring Statement to 31 March 2018</th>
<th>Budget £000</th>
<th>Actual £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Expenditure on Services</td>
<td>63,561</td>
<td>59,176</td>
</tr>
<tr>
<td>PFI Grant</td>
<td>(3,991)</td>
<td>(3,991)</td>
</tr>
<tr>
<td>Levy Raised</td>
<td>(61,542)</td>
<td>(61,542)</td>
</tr>
<tr>
<td><strong>Net revenue outturn before accountancy adjustments &amp; contribution from reserves</strong></td>
<td>(1,972)</td>
<td>(6,357)</td>
</tr>
<tr>
<td>Budgeted Contribution to Reserves – 2016/17 budgeted overspend</td>
<td>622</td>
<td>622</td>
</tr>
<tr>
<td>Budgeted Contribution to Reserves</td>
<td>1,350</td>
<td>5,735</td>
</tr>
<tr>
<td><strong>Revenue balance for the period</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

4.1 As a result of the accounting adjustments that are required to be made under International Financial Reporting Standards (IFRS), the under spend for the year as shown in the Comprehensive Income and Expenditure Statement is a surplus of £7.201m. The table on page 7 provides a reconciliation between this net surplus figure and the final financial position shown above of a £6.357m surplus before contributions to reserves. Further detailed analysis can be seen in the Expenditure and Funding Analysis on page 17 and Note 18.

5. **Reserves Strategy**

5.1 The Authority maintains reserves to meet specific purposes and is a vital part of its financial management arrangements that cushion the impact of uneven cash flows, avoid unnecessary temporary borrowing and cushion the impact of unexpected events or emergencies including its approach to covering the costs arising out of the future development and planning for post 2027 waste disposal arrangements.
5.2 The Authority has agreed to set aside a minimum level of normal operational revenue balances based on an analysis of risk and its longer term strategy. Both reserve balances and risk are regularly reviewed as part of the budget and levy setting process and Medium Term Financial Strategy.

5.3 Further details can be found in the 2017/18 Levy report (6 February 2017) and the 2018/19 Levy Report (5 February 2018). Both reports are available at: http://eastlondonwaste.gov.uk/meetings

5.4 The table below shows the final position of the reserves for 2017/18 and the next five financial years. The table includes future anticipated contributions into the Strategy reserve to build up the reserve to covering the costs arising out of the future development and planning for post 2027 waste disposal arrangements. Additional contributions have been allocated to reserves on the following basis:

a) Creation of a Business Risk reserve of £1.000m after evaluating risks and notes to the Statement of Accounts;

b) The residual balance of £3.385m into the Strategy reserve. The profile of strategy expenditure will start to be developed during 2018/19;

c) Maintaining the Revenue reserve balance at £3.000m.

<table>
<thead>
<tr>
<th>Summary Budget</th>
<th>2017/18 £m</th>
<th>2018/19 £m</th>
<th>2019/20 £m</th>
<th>2020/21 £m</th>
<th>2021/22 £m</th>
<th>2022/23 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy Reserve</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Strategy spend</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>In year movement :</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- MTFS</td>
<td>1.972</td>
<td>1.175</td>
<td>2.500</td>
<td>2.500</td>
<td>2.500</td>
<td>2.500</td>
</tr>
<tr>
<td>- Contribution</td>
<td>3.385</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance</td>
<td>6.642</td>
<td>7.817</td>
<td>10.317</td>
<td>12.817</td>
<td>15.317</td>
<td>17.817</td>
</tr>
</tbody>
</table>

| **Revenue Reserve** |            |            |            |            |            |            |
| Opening balance | 3.000      | 3.000      | 3.000      | 3.000      | 3.000      | 3.000      |
| In year movement | -          | -          | -          | -          | -          | -          |
| Closing balance | 3.000      | 3.000      | 3.000      | 3.000      | 3.000      | 3.000      |

| **Business Risk Reserve** |            |            |            |            |            |            |
| Opening balance | -          | 1.000      | 2.000      | 2.000      | 2.000      | 2.000      |
| In year movement |            |            |            |            |            |            |
| - MTFS | 1.000      | -          | -          | -          | -          | -          |
| - Contribution | 1.000      | -          | -          | -          | -          | -          |
| Closing balance | 1.000      | 2.000      | 2.000      | 2.000      | 2.000      | 2.000      |

| **Capital Reserve** |            |            |            |            |            |            |
| Opening balance | 0.100      | 0.100      | 0.100      | 0.100      | 0.100      | 0.100      |
| In year movement | -          | -          | -          | -          | -          | -          |
| Closing balance | 0.100      | 0.100      | 0.100      | 0.100      | 0.100      | 0.100      |
5.5 Reconciliation of the Accounting Adjustments required under IFRS.

<table>
<thead>
<tr>
<th></th>
<th>Actual £000</th>
<th>Actual £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance before accountancy adjustments</strong></td>
<td></td>
<td>(6,357)</td>
</tr>
<tr>
<td>Accountancy adjustments</td>
<td></td>
<td>(280)</td>
</tr>
<tr>
<td><strong>Balance of net expenditure to be financed by reserves</strong></td>
<td></td>
<td>(6,637)</td>
</tr>
<tr>
<td><strong>PFI contract accountancy adjustments</strong> (see Note 25):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Charge</td>
<td>(5,298)</td>
<td></td>
</tr>
<tr>
<td>Lifecycle Asset Addition</td>
<td>(1,426)</td>
<td></td>
</tr>
<tr>
<td>Contingent Rent</td>
<td>(4,153)</td>
<td></td>
</tr>
<tr>
<td>Depreciation and Impairment of PFI assets</td>
<td>6,084</td>
<td></td>
</tr>
<tr>
<td>Interest Payable on Finance Leases</td>
<td>4,229</td>
<td>(564)</td>
</tr>
<tr>
<td><strong>Surplus for the year after PFI adjustments</strong></td>
<td></td>
<td>(7,201)</td>
</tr>
<tr>
<td><strong>Movement between Revenue Reserve and Other Reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from Capital Adjustment Account</td>
<td>897</td>
<td></td>
</tr>
<tr>
<td>Accumulated Absences Account</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Transfer to Pensions Reserve</td>
<td>(53)</td>
<td></td>
</tr>
<tr>
<td>Business Risk Reserve</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Strategy Reserve Transfer</td>
<td>5,357</td>
<td>7,201</td>
</tr>
<tr>
<td><strong>Net Effect on Revenue Reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Reserve Brought Forward</td>
<td>(3,000)</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue Reserve Carried Forward</strong></td>
<td></td>
<td>(3,000)</td>
</tr>
</tbody>
</table>

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

6. Capital Programme/Borrowing Facilities
6.1 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.

6.2 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 additional borrowing was required during 2017/18.

7. ELWA Operations
7.1 ELWA transferred its principal operations and contracts to Renewi UK Services Ltd (previously known as 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 direct operational responsibilities have been in relation to its closed landfill sites. Following the sale of Hall Farm in 2015, the authority is now responsible for three sites.

8. **Local Government Pension Scheme (LGPS)**

8.1 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.

8.2 The results of the 2016 triennial actuarial valuation were used as part of the calculations for these accounts. The next valuation is due as at 31 March 2019.

8.3 As at 31 March 2018 the Authority’s estimated liability for retirement benefits exceeded the value of assets by £1.570m (as at 31 March 2017 £1.663m) when valued in accordance with the accounting standards. The decrease in liability was due to the increase in the fair value of the fund’s assets being greater than the increase in the present value of the scheme’s obligation.

8.4 Following the Public Pensions Services Act 2013 from 1 April 2014 the LGPS scheme became a career average revalued earnings’ (CARE) scheme with new contribution bands and rates.

9. **Future Outlook, Risks and Opportunities**

9.1 The Authority remains confident in future years that there is a clear strategy in continuing to deliver its vision to provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value. The current five year Medium Term Financial Strategy to 2022/23 considers the major influences and activity drivers outlined earlier in this report and regularly reviews risks whilst also considering the financial constraints on local authorities seeing continued reductions in local government funding.

9.2 The average levy increase per year between 2018/19 and 2022/23 range from 5.25% and 5.94% being a more smooth profile than the previous Medium Term Financial Strategy and aims to bring more stability to Constituent Council budget planning.

9.3 The improved 2017/18 financial position for the Authority since setting the budget and levy for 2018/19 enables the Strategy Reserve and Business Risk Reserve to be increased. The profile of strategy expenditure will start to be developed during 2018/19 and is a key factor in determining the level of Strategy reserve to be built up to fund the Authority’s approach to covering the costs arising out of the future development and planning for post 2027 waste disposal arrangements.

9.4 The Authority will continue to work with the operator to find further ways to substantially reduce costs and with the Constituent Councils to reduce tonnages. Over the past few years, despite growth in housing and population, waste disposal tonnages have not increased but remained broadly static.

10. **Conclusion**

10.1 The Statement of Accounts provides a detailed and comprehensive picture of the Authority’s performance for 2017/18, as required by statute.

10.2 I would like to thank the ELWA staff, finance staff and the relevant staff and colleagues in the four Constituent Councils who have helped to prepare this document.
10.3 A thorough understanding of the Authority’s financial position is essential in the light of the financial challenges that it faces. I hope that Members of the Authority, residents of the constituent councils and other readers find this document useful.

Maria G Christofi, BA (Hons), FCCA, CPFA
Finance Director
___ June 2018
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. The Authority’s Responsibilities
1.1 The Authority is required to:
   a) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Director.
   b) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
   c) 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 Council’s Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.
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 2018 and the Authority’s financial position as at 31 March 2018.

Maria G Christofi, BA (Hons), FCCA, CPFA
Finance Director
___ June 2018
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF EAST LONDON WASTE AUTHORITY

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of East London Waste Authority ('the Authority') for the year ended 31 March 2018 which comprise the Authority Comprehensive Income and Expenditure Statement(s), the Authority Balance Sheet, the Authority Movement in Reserves Statement, the Authority Cash Flow Statement and the related notes, including the accounting policies in note 1.

1.1 In our opinion the financial statements:

a) give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority’s expenditure and income for the year then ended; and

b) have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

1.2 We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

1.3 We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

1.4 The Finance Director is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

1.5 Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Finance Director’s responsibilities

1.6 As explained more fully in the statement set out on page 10, the Finance Director is responsible for: the preparation of the Authority’s financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free
from material misstatement, whether due to fraud or error; assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor’s responsibilities

1.7 Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

1.8 A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities

2. REPORT ON OTHER LEGAL AND REGULATORY MATTERS

2.1 Report on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

2.2 On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, East London Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

2.3 Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

2.4 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.

2.5 We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

2.6 We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether East London Waste Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East London Waste Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

2.7 The Code of Audit Practice requires us to report to you if:
a) any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;

b) any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;

c) an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

d) an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;

e) an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

2.8 We have nothing to report in these respects.

3. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

3.1 This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of East London Waste Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Neil Hewitson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

__ June 2018
MOVEMENT IN RESERVES STATEMENT

1. 2017/18 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 on page 16 shows the true economic cost of providing the Authority’s service, more details of which are shown in the Comprehensive Income and Expenditure Statement.

<table>
<thead>
<tr>
<th></th>
<th>Revenue Reserve Balance</th>
<th>Strategy Reserve</th>
<th>Business Risk Reserve (Revenue Contributions)</th>
<th>Total Usable Reserves</th>
<th>Capital Adjustment Account</th>
<th>Revaluation Reserve</th>
<th>Pension Reserve</th>
<th>Accumulated Absences Account</th>
<th>Usable Reserves</th>
<th>Total Authority Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 31 March 2017</td>
<td>(3,000)</td>
<td>(1,285)</td>
<td>- (100)</td>
<td>8,459 (32,521)</td>
<td>1,663</td>
<td>3 (22,396)</td>
<td></td>
<td></td>
<td></td>
<td>(26,781)</td>
</tr>
<tr>
<td>Movement in Reserves during 2017/2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Comprehensive Income and Expenditure</td>
<td>(7,201)</td>
<td></td>
<td></td>
<td>- (7,201)</td>
<td>- (363)</td>
<td>(146)</td>
<td>- (509)</td>
<td></td>
<td></td>
<td>(7,710)</td>
</tr>
<tr>
<td>Adjustment between accounting basis and funding basis under regulations (Note 5)</td>
<td>7,201</td>
<td>(5,357)</td>
<td>(1,000)</td>
<td>- 844</td>
<td>(1,777)</td>
<td>880</td>
<td>53</td>
<td>- (844)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease / (Increase) in 2017/18</td>
<td>- (5,357)</td>
<td>(1,000)</td>
<td>- (6,357)</td>
<td>(1,777)</td>
<td>517</td>
<td>(93)</td>
<td>- (1,353)</td>
<td></td>
<td></td>
<td>(7,710)</td>
</tr>
<tr>
<td>Balance at 31 March 2018 carried forward</td>
<td>(3,000)</td>
<td>(6,642)</td>
<td>(1,000)</td>
<td>100 (10,742)</td>
<td>6,682 (32,004)</td>
<td>1,570</td>
<td>3 (23,749)</td>
<td></td>
<td></td>
<td>(34,491)</td>
</tr>
</tbody>
</table>
### 2. 2016/17 Movement

<table>
<thead>
<tr>
<th></th>
<th>Revenue Reserve Balance</th>
<th>Strategy Reserve</th>
<th>Capital Reserve (Revenue Contributions)</th>
<th>Capital Receipts Reserve</th>
<th>Total Usable Reserves</th>
<th>Capital Adjustment Account</th>
<th>Revaluation Reserve</th>
<th>Pension Reserve</th>
<th>Accumulated Absences Account</th>
<th>Unusable Reserves</th>
<th>Total Authority Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 31 March 2016</td>
<td>(1,793)</td>
<td>- (400)</td>
<td>(115)</td>
<td>(2,308)</td>
<td>9,633</td>
<td>(33,061)</td>
<td>1,494</td>
<td>5</td>
<td>(21,929)</td>
<td>(24,237)</td>
<td></td>
</tr>
<tr>
<td>Movement in Reserves during 2016/17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Comprehensive Income and Expenditure</td>
<td>(2,554)</td>
<td>-</td>
<td>-</td>
<td>- (2,554)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(2,544)</td>
</tr>
<tr>
<td>Adjustment between accounting basis and funding basis under regulations (Note 5)</td>
<td>1,347</td>
<td>(1,285)</td>
<td>300</td>
<td>115</td>
<td>477</td>
<td>(1,174)</td>
<td>655</td>
<td>44</td>
<td>(2)</td>
<td>(477)</td>
<td>-</td>
</tr>
<tr>
<td>Decrease / (Increase) in 2016/17</td>
<td>(1,207)</td>
<td>(1,285)</td>
<td>300</td>
<td>115</td>
<td>(2,077)</td>
<td>(1,174)</td>
<td>540</td>
<td>169</td>
<td>(2)</td>
<td>(467)</td>
<td>(2,544)</td>
</tr>
<tr>
<td>Balance at 31 March 2017 carried forward</td>
<td>(3,000)</td>
<td>(1,285)</td>
<td>(100)</td>
<td>- (4,385)</td>
<td>8,459</td>
<td>(32,521)</td>
<td>1,663</td>
<td>3</td>
<td>(22,396)</td>
<td>(26,781)</td>
<td></td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th></th>
<th>Restated 2016/17</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td>1,072</td>
<td>-</td>
<td>1,072</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Charges (Note 25)</td>
<td>44,098</td>
<td>-</td>
<td>44,098</td>
<td></td>
<td>43,605</td>
<td>-</td>
</tr>
<tr>
<td>Employee Costs</td>
<td>353</td>
<td>-</td>
<td>353</td>
<td></td>
<td></td>
<td>419</td>
</tr>
<tr>
<td>Premises Related Expenditure</td>
<td>139</td>
<td>-</td>
<td>139</td>
<td></td>
<td></td>
<td>134</td>
</tr>
<tr>
<td>Transport Related Expenditure</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Impairment of Fixed Assets (Note 8)</td>
<td>5,858</td>
<td>-</td>
<td>5,858</td>
<td></td>
<td>6,087</td>
<td>-</td>
</tr>
<tr>
<td>Third Party Payments &amp; Support Services</td>
<td>2,985</td>
<td>-</td>
<td>2,985</td>
<td></td>
<td>2,758</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Waste Charges</td>
<td>-</td>
<td>3,084</td>
<td>(3,084)</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>PFI and other Grants (Note 21)</td>
<td>-</td>
<td>4,061</td>
<td>(4,061)</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Other Income</td>
<td>-</td>
<td>1,880</td>
<td>(1,880)</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Cost of Services</strong></td>
<td>54,506</td>
<td>9,025</td>
<td>45,481</td>
<td><strong>Income</strong></td>
<td>54,134</td>
<td>7,996</td>
</tr>
<tr>
<td>Financing and investment income and Expenditure (Note 7)</td>
<td>8,687</td>
<td>32</td>
<td>8,655</td>
<td></td>
<td>8,552</td>
<td>68</td>
</tr>
<tr>
<td>Income from Levy</td>
<td>-</td>
<td>56,567</td>
<td>(56,567)</td>
<td></td>
<td>-</td>
<td>61,542</td>
</tr>
<tr>
<td>PFI Deferred Income released (Note 25)</td>
<td>-</td>
<td>123</td>
<td>(123)</td>
<td></td>
<td>-</td>
<td>281</td>
</tr>
<tr>
<td><strong>Deficit/(Surplus) on provision of services</strong></td>
<td>63,193</td>
<td>65,747</td>
<td>(2,554)</td>
<td></td>
<td>62,686</td>
<td>69,887</td>
</tr>
<tr>
<td>Surplus on revaluation of Property, plant and equipment assets (Note 8)</td>
<td>(115)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial (gains)/losses on pension assets/Liabilities (Note 26)</td>
<td>125</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Comprehensive Income and Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Comprehensive Income and Expenditure</strong></td>
<td>(2,544)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EXPENDITURE AND FUNDING ANALYSIS

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

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
<th></th>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Expenditure</strong></td>
<td><strong>£000</strong></td>
<td><strong>£000</strong></td>
<td><strong>£000</strong></td>
<td><strong>Net Expenditure</strong></td>
<td><strong>£000</strong></td>
<td><strong>£000</strong></td>
<td><strong>£000</strong></td>
<td><strong>Net Expenditure</strong></td>
</tr>
<tr>
<td>chargeable to the</td>
<td></td>
<td></td>
<td></td>
<td>in the</td>
<td></td>
<td></td>
<td></td>
<td>in the</td>
</tr>
<tr>
<td>Revenue Reserve</td>
<td></td>
<td></td>
<td></td>
<td>Comprehensive</td>
<td></td>
<td></td>
<td></td>
<td>Comprehensive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Income and</td>
<td></td>
<td></td>
<td></td>
<td>Income and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Expenditure</td>
<td></td>
<td></td>
<td></td>
<td>Expenditure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>statement</td>
<td></td>
<td></td>
<td></td>
<td>statement</td>
</tr>
<tr>
<td>**Supplies and</td>
<td>402</td>
<td>670</td>
<td>1,072</td>
<td>Services (including</td>
<td>110</td>
<td>1,021</td>
<td>1,131</td>
<td>Services (including</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Contingency</td>
<td></td>
<td></td>
<td></td>
<td>Contingency</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Expenditure)</td>
<td></td>
<td></td>
<td></td>
<td>Expenditure)</td>
</tr>
<tr>
<td>**Contractor /</td>
<td>59,804</td>
<td>(15,706)</td>
<td>44,098</td>
<td><strong>Note 25</strong></td>
<td>59,656</td>
<td>(16,051)</td>
<td>43,605</td>
<td><strong>Note 25</strong></td>
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<tr>
<td>Service Charge</td>
<td></td>
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<td><strong>Employee Costs</strong></td>
<td>360</td>
<td>(7)</td>
<td>353</td>
<td></td>
<td>413</td>
<td>6</td>
<td>419</td>
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<tr>
<td>**Transport &amp;</td>
<td>140</td>
<td>-</td>
<td>140</td>
<td></td>
<td>133</td>
<td>1</td>
<td>134</td>
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<tr>
<td>Premises Related</td>
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<tr>
<td>Expenditure**</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Depreciation and</td>
<td>-</td>
<td>5,858</td>
<td>5,858</td>
<td><strong>Note 8</strong></td>
<td>-</td>
<td>6,087</td>
<td>6,087</td>
<td><strong>Note 8</strong></td>
</tr>
<tr>
<td>Impairment of Fixed</td>
<td></td>
<td></td>
<td></td>
<td>Assets**</td>
<td></td>
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<td>Assets**</td>
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<tr>
<td>Assets**</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>**Third Party</td>
<td>2,586</td>
<td>399</td>
<td>2,985</td>
<td>Payments &amp;</td>
<td>2,993</td>
<td>(235)</td>
<td>2,758</td>
<td>Payments &amp;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Support Services**</td>
<td></td>
<td></td>
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<td>Support Services**</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Commercial Waste</td>
<td>(3,084)</td>
<td>-</td>
<td>(3,084)</td>
<td><strong>Note 21</strong></td>
<td>(2,933)</td>
<td>-</td>
<td>(2,933)</td>
<td><strong>Note 21</strong></td>
</tr>
<tr>
<td>Charges**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>(3,991)</td>
<td>(70)</td>
<td>(4,061)</td>
<td><strong>Note 21</strong></td>
<td>(3,991)</td>
<td>(15)</td>
<td>(4,006)</td>
<td><strong>Note 21</strong></td>
</tr>
<tr>
<td>**PFI and other</td>
<td>(1,880)</td>
<td>-</td>
<td>(1,880)</td>
<td><strong>Note 25</strong></td>
<td>(1,310)</td>
<td>253</td>
<td>(1,057)</td>
<td><strong>Note 25</strong></td>
</tr>
<tr>
<td>Grants**</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost of Services</strong></td>
<td>54,337</td>
<td>(8,856)</td>
<td>45,481</td>
<td></td>
<td>55,071</td>
<td>(8,933)</td>
<td>46,138</td>
<td></td>
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<td>**Capital Financing</td>
<td>180</td>
<td>(180)</td>
<td>-</td>
<td>Costs**</td>
<td>179</td>
<td>(179)</td>
<td>-</td>
<td>Costs**</td>
</tr>
<tr>
<td>Costs**</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>**Bank Interest</td>
<td>(32)</td>
<td>32</td>
<td>-</td>
<td>Receivable**</td>
<td>(65)</td>
<td>65</td>
<td>-</td>
<td>Receivable**</td>
</tr>
<tr>
<td>**Financing and</td>
<td>-</td>
<td>8,655</td>
<td>8,655</td>
<td><strong>Note 7</strong></td>
<td>-</td>
<td>8,484</td>
<td>8,484</td>
<td><strong>Note 7</strong></td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td></td>
<td></td>
<td>and Expenditure**</td>
<td></td>
<td></td>
<td></td>
<td>and Expenditure**</td>
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<tr>
<td>and Expenditure**</td>
<td></td>
<td></td>
<td></td>
<td>(Note 7)**</td>
<td></td>
<td></td>
<td></td>
<td>(Note 7)**</td>
</tr>
<tr>
<td></td>
<td>(56,567)</td>
<td>-</td>
<td>(56,567)</td>
<td><strong>Note 7</strong></td>
<td>(61,542)</td>
<td>-</td>
<td>(61,542)</td>
<td><strong>Note 7</strong></td>
</tr>
<tr>
<td><strong>Income from Levy</strong></td>
<td>-</td>
<td>(123)</td>
<td>(123)</td>
<td><strong>Note 25</strong></td>
<td>-</td>
<td>(281)</td>
<td>(281)</td>
<td><strong>Note 25</strong></td>
</tr>
<tr>
<td><strong>PFI Deferred Income</strong></td>
<td>-</td>
<td>(123)</td>
<td>(123)</td>
<td><strong>Note 25</strong></td>
<td>-</td>
<td>(281)</td>
<td>(281)</td>
<td><strong>Note 25</strong></td>
</tr>
<tr>
<td><strong>Surplus or Deficit</strong></td>
<td>(2,082)</td>
<td>(472)</td>
<td>(2,554)</td>
<td>on Provision of</td>
<td>(6,357)</td>
<td>(844)</td>
<td>(7,201)</td>
<td>Services**</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>2016/17</td>
<td>2017/18</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Net Expenditure chargeable to the Revenue Reserve £000</strong></td>
<td>(2,082)</td>
<td>(2,077)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjustments between the funding and accounting basis £000</strong></td>
<td>(472)</td>
<td>(477)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Expenditure in the Comprehensive Income and Expenditure Statement £000</strong></td>
<td>(2,554)</td>
<td>(2,554)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(Surplus) or Deficit on Provision of Services £000</strong></td>
<td>(6,357)</td>
<td>(6,357)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Net Expenditure chargeable to the Revenue Reserve £000</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Adjustments between the funding and accounting basis £000</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Expenditure in the Comprehensive Income and Expenditure Statement £000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Surplus or Deficit on Provision of Services £000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Opening Usable Reserve Balance £000</strong></td>
<td>(4,385)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Plus (Surplus) or Deficit on Revenue Reserve in Year £000</strong></td>
<td></td>
<td>(6,357)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Usable Reserve Balance C/Fwd. £000</strong></td>
<td>(4,385)</td>
<td>(10,742)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Balance Sheet shows the value as at the 31 March 2018 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’.

### BALANCE SHEET

<table>
<thead>
<tr>
<th>31 March 2018 £000</th>
<th>Notes</th>
<th>31 March 2017 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,688 Property, Plant &amp; Equipment</td>
<td>8</td>
<td>100,688</td>
</tr>
<tr>
<td><strong>100,688 Long Term Assets</strong></td>
<td></td>
<td><strong>96,948</strong></td>
</tr>
<tr>
<td>8,313 Short Term Investments</td>
<td>29</td>
<td>96,948</td>
</tr>
<tr>
<td>2,364 Short term Debtors</td>
<td>10</td>
<td>14,762</td>
</tr>
<tr>
<td>11 Cash and Cash Equivalents</td>
<td>11</td>
<td>2,270</td>
</tr>
<tr>
<td><strong>10,688 Current Assets</strong></td>
<td></td>
<td><strong>17,060</strong></td>
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<tr>
<td>(26) Short Term Borrowing</td>
<td>29</td>
<td>(26)</td>
</tr>
<tr>
<td>(5,842) Short Term Creditors</td>
<td>12</td>
<td>(5,885)</td>
</tr>
<tr>
<td>(250) Provisions</td>
<td>27</td>
<td>-</td>
</tr>
<tr>
<td><strong>(6,118) Current Liabilities</strong></td>
<td></td>
<td><strong>(5,911)</strong></td>
</tr>
<tr>
<td>(1,250) Long Term Borrowing</td>
<td>29</td>
<td>(1,250)</td>
</tr>
<tr>
<td>(72,987) PFI Finance Lease Liability</td>
<td>25</td>
<td>(67,766)</td>
</tr>
<tr>
<td>(1,663) Pension Liability</td>
<td>26</td>
<td>(1,570)</td>
</tr>
<tr>
<td>(2,577) PFI Deferred Income</td>
<td>25</td>
<td>(3,020)</td>
</tr>
<tr>
<td><strong>(78,477) Long Term Liabilities</strong></td>
<td></td>
<td><strong>(73,606)</strong></td>
</tr>
<tr>
<td><strong>26,781 Net Assets / Liabilities</strong></td>
<td></td>
<td><strong>34,491</strong></td>
</tr>
<tr>
<td>(4,385) Usable Reserves</td>
<td>13/MIR</td>
<td>(10,742)</td>
</tr>
<tr>
<td>(22,396) Unusable Reserves</td>
<td>14</td>
<td>(23,749)</td>
</tr>
<tr>
<td><strong>(26,781) Total Reserves</strong></td>
<td></td>
<td><strong>(34,491)</strong></td>
</tr>
</tbody>
</table>

Maria G Christofi, BA (Hons), FCCA, CPFA
Finance Director
____ June 2018
**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.

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus on the provision of services</td>
<td>2,554</td>
<td>7,201</td>
</tr>
<tr>
<td>Adjustments to net deficit on the provision of services for non-cash movements</td>
<td>4,388</td>
<td>5,747</td>
</tr>
<tr>
<td><strong>Net cash flows from Operating Activities (Note 15)</strong></td>
<td><strong>6,942</strong></td>
<td><strong>12,948</strong></td>
</tr>
<tr>
<td>Investing Activities (Note 16)</td>
<td>-1,597</td>
<td>-7,710</td>
</tr>
<tr>
<td>Financing Activities (Note 17)</td>
<td>-5,290</td>
<td>-5,221</td>
</tr>
<tr>
<td><strong>Net (decrease)/increase in cash and cash equivalents</strong></td>
<td><strong>55</strong></td>
<td><strong>17</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the reporting period</td>
<td>(44)</td>
<td>11</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the reporting period (Note 11)</strong></td>
<td><strong>11</strong></td>
<td><strong>28</strong></td>
</tr>
</tbody>
</table>
STATEMENT OF ACCOUNTING POLICIES

1. General Principles
1.1 The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end on 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2017/18 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 yet paid for at 31 March 2018.

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 highly liquid 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. 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. Charges to Revenue for Non-current Assets
5.1 The Authority’s accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

a) depreciation attributable to the assets used by the service;
b) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;

c) amortisation of intangible assets attributable to the service.

5.2 The Authority is not required to raise a levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

5.3 Depreciation, revaluation and impairment losses and amortisation are therefore replaced by a contribution in the Revenue Reserve called the Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

6. Employee benefits

Benefits Payable during Employment

6.1 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

6.2 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 and can no longer withdraw the offer or when the authority recognises costs for restructuring.

6.3 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.

7. Pension Provision

7.1 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.
7.2 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.

7.3 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.

7.4 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 £0.006m higher (£0.010m lower in 2016/17).
- b) Pension costs have decreased to £0.047m. This is the result of pension interest costs being lower than expected returns on assets.
- c) The liability in the balance sheet has decreased and is now £1.570m (£1.663m in 2016/17).
- d) An actuarial gain of £0.146m (£0.125m loss in 2016/17) 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 26.

8. Discretionary Benefits

8.1 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.

9. Financial Instruments

9.1 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.

9.2 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.

9.3 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.
9.4 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.

9.5 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

9.6 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.

10. Loans and Receivables

10.1 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.

10.2 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.

10.3 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.

11. Government Grants and Contributions

11.1 Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

a) The Authority will comply with the conditions attached to the payments, and
The grants or contributions will be received.

11.2 Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

11.3 Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

12. **Interests in Companies and Other Entities**

12.1 The Authority annually reviews the extent to which other entities (in 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.

12.2 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 22 to the Accounts.

13. **Leases**

13.1 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**

13.2 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.

13.3 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).

13.4 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).
13.5 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

13.6 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

13.7 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.

13.8 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).

13.9 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.

13.10 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

13.11 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.

14. **Property, Plant and Equipment**

14.1 **Recognition**

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.

14.2 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.

**Measurement**

14.3 Fixed assets related to the PFI Scheme were revalued on 31 March 2015 by Wilks Head & Eve LLP, Chartered Surveyors, who are independent external RICS registered valuers. The Valuation was prepared in accordance with the Red Book UK Appendix 5, Valuation of Local Authority Assets. Due to the specialised nature of the asset, the revaluation was carried out using both the Depreciated Replacement Cost and Existing Use Value methodologies in order to determine the fair value. Fixed assets are classified into the groupings required by the 2017/18 Code of Practice on Local Authority Accounting and are included in the balance sheet at fair value.

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

14.5 Properties regarded by the Authority as non-operational have been valued on the basis of surplus assets – which is fair value estimated at highest and best use from a market participant’s perspective i.e. open market value.

14.6 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.

**Impairment**

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

a) Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

b) Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

c) Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the
original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

15. Depreciation
15.1 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 the useful life of the asset as estimated by the valuer.
   b) Newly acquired assets are not depreciated until the following year.
   c) Depreciation is provided on assets in the year of disposal.
15.2 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.
15.3 Revaluation gains are also depreciated, with an amount equal to the difference between current depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

16. Component Accounting
16.1 The Code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total asset cost is depreciated separately. A significant part of an item of Property, Plant and Equipment 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 that same item. Such parts may be grouped in determining the depreciation charge.
16.2 The following asset classes will not be considered for componentisation:
   a) Equipment – as considered immaterial;
   b) Infrastructure;
   c) Asset classes that are not depreciated – such as land, investment property, surplus assets, community assets and assets held for sale.
16.3 The principal asset that the Authority holds on its balance sheet relates to its PFI asset. This was revalued 31 March 2015 and can be broken down into six individual sites.
16.4 For component depreciation the Authority will only consider sites:
   a) with a cost or fair value above 3.5% of the total PFI asset;
   b) and then will only separate components with a cost or fair value of more than 20% of the individual asset;
16.5 The six sites that make up the PFI are:
   a) Jenkins Lane Bio Mrf, Mrf and RRC Site (Beckton)
   b) Frog Island Bio Mrf and Mrf (Rainham)
   c) Frizlands Lane RRC Site (Dagenham)
   d) Gerpins Lane RRC Site (Havering)
   e) Chigwell Road RRC Site (Woodford)
f) Ilford Recycling Centre (Ilford)

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 fair 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 towards the PFI operator in the Balance Sheet. (Calculated using the same principles as for a finance lease).

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 transferred 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 The Strategy Reserve has been set up to meet the costs arising out of the post 2027 waste disposal arrangements. It will be used for revenue costs including feasibility
works relating to site options and appraisals, pre planning work and elements of the planning approval process e.g. procurement of design, build and operate contract.

18.4 The Business Risk Reserve has been set up to cover potential business risk.

18.5 A Capital Reserve (Revenue Contribution) exists primarily to enable expenditure to be financed without the need to borrow or use capital receipts.

18.6 The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

18.7 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 2018. The deficit also includes the difference between the cost of statutory 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 26 to the Accounts.

18.8 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.

18.9 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.

18.10 The Accumulated Absences Account reflects untaken leave balances outstanding as at the 31 March 2018.

19. **Value Added Tax**

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

20. **Financial Relationship between the Authority and Constituent Councils**

20.1 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 Councils of Barking & Dagenham, Havering, Newham and Redbridge.

21. **Provisions and Contingent Liabilities**

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

21.2 Provisions are charged as an expense to the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
21.3 When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

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

**Contingent Liabilities**

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

21.6 Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.
NOTES TO THE STATEMENT OF ACCOUNTS

1. Adoption of Accounting Standards that have been issued but not yet been Adopted

1.1 Under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) the Authority is required to disclose information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code.

1.2 This applies to the adoption of the following new or amended standards within the 2018/19 Code:

   a) IFRS 9 Financial Instruments introduces extensive changes to the classification and measurement of financial assets. Assessment of the Authority’s current financial instruments indicate that this will have no impact on the consolidated income and expenditure account.

   b) IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers. The main principle is to recognise revenue to depict transfer of goods/services, over time or at a point in time. This will not have a substantial impact on the Authority.

   c) Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. This applies to deferred tax assets related to debt instruments measured at fair value. This has no impact on the Authority.

   d) Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. Improved disclosures about liabilities from financing activities. The Authority does not have activities which would require additional disclosure.

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 Councils. The agreements in place with the Constituent Councils stipulate payment of the levy. However, the Constituent Councils 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 2018 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:
<table>
<thead>
<tr>
<th>Item</th>
<th>Uncertainties</th>
<th>Effect if actual results differ from assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Finance Initiative</td>
<td>The PFI contract costs are based on estimation over a period of 25 years. The assumptions made at the beginning of the contract will be subject to unknown future change.</td>
<td>The write down of the PFI liability in the balance sheet is based upon a capital model calculated at the start of the contract and is not affected by annual fluctuation. Therefore any increase or decrease in the actual cost of the service for each year will impact on the comprehensive income and expenditure account and revenue reserve.</td>
</tr>
<tr>
<td>Pensions</td>
<td>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.</td>
<td>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 £0.070m. However, the assumptions interact in complex ways. The Authority’s actuary uses their experience to make the necessary adjustments accordingly.</td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>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.</td>
<td>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, based upon current depreciation a one year’s reduction in useful life would result in an increased depreciation of £0.388m per year.</td>
</tr>
</tbody>
</table>

4. **Events after the Balance Sheet date**

4.1 The Statement of Accounts was authorised for issue by the Finance Director on 31 May 2018. 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 2018, the figures in the Statement of Accounts and notes have been adjusted in all material respects to reflect the impact of this information.

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

5. **Adjustment between accounting basis and funding basis under regulations**

5.1 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.

5.2 For descriptions of the reserves refer to item 18 on page 29-30.
### Reserves

#### Adjustments to the Revenue Resources:

<table>
<thead>
<tr>
<th></th>
<th>Revenue Reserve Balance</th>
<th>Strategy Reserve</th>
<th>Business Risk Reserve</th>
<th>Capital Reserve (Revenue Contrib.)</th>
<th>Movement in Unusable Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pensions costs transferred to (or from) the Pensions Reserve (see note 26.3)</td>
<td>(53)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53</td>
</tr>
<tr>
<td>Holiday pay - transferred to the Accumulated Absences</td>
<td>(3)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total adjustments to the Revenue Resources</strong></td>
<td><strong>(56)</strong>*</td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>56</strong></td>
</tr>
</tbody>
</table>

#### Adjustments between Revenue and Capital Resources:

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)</td>
<td>56</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reversal of Charges for depreciation and impairment of PFI non-current assets (transfer to/from the Capital Adjustment Account)</td>
<td>(6,087)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory provision for the financing of PFI capital investment (transfer to/from the Capital Adjustment Account)</td>
<td>6,647</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reversal of PFI deferred income credit (transfer to/from CAA)</td>
<td>281</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of capital receipt to fund capital expenditure</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total adjustments between Revenue and Capital Resources</strong></td>
<td><strong>897</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Other adjustments between Reserves

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to Strategy &amp; Business Risk Reserves</td>
<td>6,357</td>
<td></td>
</tr>
<tr>
<td>Reversal of Previous year’s Accumulated absence</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Total adjustments between Reserves</strong></td>
<td><strong>6,360</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Total Adjustments as shown in Movement in Reserves Statement

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Adjustments as shown in Movement in Reserves Statement</strong></td>
<td><strong>7,201</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Note:**
- The table above provides a summary of adjustments to the revenue and capital reserves for the year ended 31 March 2018.
- The Adjustments to the Revenue Resources section lists amounts transferred between revenue and reserves, including contributions to strategy and business risk reserves.
- The Adjustments between Revenue and Capital Resources section details transactions between revenue and capital resources, such as statutory provisions for debt repayment.
- Other adjustments between reserves include contributions to strategy and business risk reserves, and reversals of accumulated absence.
- The total adjustments as shown in the Movement in Reserves Statement reflect the net effect of all adjustments.
## 2016/17 Comparative Figures

### Adjustments to the Revenue Resources:

<table>
<thead>
<tr>
<th>Description</th>
<th>Revenue Reserve Balance</th>
<th>Strategy Reserve</th>
<th>Capital Receipts Reserve</th>
<th>Capital Reserve (Revenue Contrib.)</th>
<th>Movement in Unusable Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions costs transferred to (or from) the Pensions Reserve (see note 26.3)</td>
<td>(44)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44</td>
</tr>
<tr>
<td>Holiday pay - transferred to the Accumulated Absences</td>
<td>(3)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Total adjustments to the Revenue Resources</td>
<td>(47)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47</td>
</tr>
</tbody>
</table>

### Adjustments between Revenue and Capital Resources:

<table>
<thead>
<tr>
<th>Description</th>
<th>Revenue Reserve Balance</th>
<th>Strategy Reserve</th>
<th>Capital Receipts Reserve</th>
<th>Capital Reserve (Revenue Contrib.)</th>
<th>Movement in Unusable Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)</td>
<td>58</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(58)</td>
</tr>
<tr>
<td>Reversal of Charges for depreciation and impairment of PFI non-current assets (transfer to/from the Capital Adjustment Account)</td>
<td>(5,858)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,858</td>
</tr>
<tr>
<td>Statutory provision for the financing of PFI capital investment (transfer to/from the Capital Adjustment Account)</td>
<td>6,196</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6,196)</td>
</tr>
<tr>
<td>Reversal of PFI deferred income credit (transfer to/from CAA)</td>
<td>123</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(123)</td>
</tr>
<tr>
<td>Use of capital receipt to fund capital expenditure</td>
<td>(115)</td>
<td>-</td>
<td>115</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total adjustments between Revenue and Capital Resources</td>
<td>404</td>
<td>-</td>
<td>115</td>
<td>-</td>
<td>(519)</td>
</tr>
</tbody>
</table>

### Other adjustments between Reserves

<table>
<thead>
<tr>
<th>Description</th>
<th>Revenue Reserve Balance</th>
<th>Strategy Reserve</th>
<th>Capital Receipts Reserve</th>
<th>Capital Reserve (Revenue Contrib.)</th>
<th>Movement in Unusable Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to Strategy Reserve</td>
<td>985</td>
<td>(1,285)</td>
<td>-</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td>Reversal of Previous year’s Accumulated absence</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5)</td>
</tr>
<tr>
<td>Total adjustments between Reserves</td>
<td>990</td>
<td>(1,285)</td>
<td>-</td>
<td>300</td>
<td>(5)</td>
</tr>
</tbody>
</table>

### Total Adjustments as shown in Movement in Reserves Statement

<table>
<thead>
<tr>
<th>Description</th>
<th>Revenue Reserve Balance</th>
<th>Strategy Reserve</th>
<th>Capital Receipts Reserve</th>
<th>Capital Reserve (Revenue Contrib.)</th>
<th>Movement in Unusable Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,347</td>
<td>(1,285)</td>
<td>115</td>
<td>300</td>
<td>(477)</td>
</tr>
</tbody>
</table>

### 6. Transfers to/from Earmarked Reserves

#### 6.1 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 2017/18.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Reserve:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy Reserve</td>
<td>-</td>
<td>-</td>
<td>(1,285)</td>
<td>(1,285)</td>
<td>-</td>
<td>(5,357)</td>
<td>(6,642)</td>
</tr>
<tr>
<td>Business Risk Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,000)</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Capital Reserve (RCCO)</td>
<td>(400)</td>
<td>300</td>
<td>-</td>
<td>(100)</td>
<td>-</td>
<td>-</td>
<td>(100)</td>
</tr>
<tr>
<td>Capital Receipts</td>
<td>(115)</td>
<td>115</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>(515)</td>
<td>415</td>
<td>(1,285)</td>
<td>(1,385)</td>
<td>-</td>
<td>(6,357)</td>
<td>(7,742)</td>
</tr>
</tbody>
</table>
7. **Financing and Investment Income and Expenditure**

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest payable and similar charges</td>
<td>4,661</td>
<td>4,352</td>
</tr>
<tr>
<td>Pensions interest cost and expected return on pensions assets</td>
<td>54</td>
<td>47</td>
</tr>
<tr>
<td>Impairment of Investment charged / (recovered)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contingent Rent</td>
<td>3,972</td>
<td>4,153</td>
</tr>
<tr>
<td>Interest receivable and similar income</td>
<td>(32)</td>
<td>(65)</td>
</tr>
<tr>
<td>Other investment income</td>
<td>0</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,655</strong></td>
<td><strong>8,484</strong></td>
</tr>
</tbody>
</table>

8. **Property, Plant and Equipment**

**Comprehensive Movements on Balances**

**Movements in 2017/18:**

<table>
<thead>
<tr>
<th></th>
<th>Land and Buildings £000</th>
<th>Vehicles, Plant, Furniture and Equipment £000</th>
<th>Total Property, Plant and Equipment £000</th>
<th>PFI Assets included in Property, Plant and Equipment £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost or Valuation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2017</td>
<td>41,954</td>
<td>70,238</td>
<td>112,192</td>
<td>111,733</td>
</tr>
<tr>
<td>Additions – Life Cycle</td>
<td>385</td>
<td>1,041</td>
<td>1,426</td>
<td>1,426</td>
</tr>
<tr>
<td>Additions – Life Cycle (deferred credit)</td>
<td>-</td>
<td>558</td>
<td>558</td>
<td>558</td>
</tr>
<tr>
<td>Additions – Leased Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revaluation Increase recognised in the Revaluation Reserve – Landfill Sites</td>
<td>363</td>
<td>-</td>
<td>363</td>
<td>-</td>
</tr>
<tr>
<td>At 31 March 2018</td>
<td>42,702</td>
<td>71,837</td>
<td>114,539</td>
<td>113,717</td>
</tr>
<tr>
<td><strong>Accumulated Depreciation and Impairment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2017</td>
<td>3,559</td>
<td>7,945</td>
<td>11,504</td>
<td>11,504</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>1,806</td>
<td>4,281</td>
<td>6,087</td>
<td>6,084</td>
</tr>
<tr>
<td>At 31 March 2018</td>
<td>5,365</td>
<td>12,226</td>
<td>17,591</td>
<td>17,588</td>
</tr>
<tr>
<td><strong>Net Book Value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 March 2017</td>
<td>38,395</td>
<td>62,293</td>
<td>100,688</td>
<td>100,229</td>
</tr>
<tr>
<td>At 31 March 2018</td>
<td>37,337</td>
<td>59,611</td>
<td>96,948</td>
<td>96,129</td>
</tr>
</tbody>
</table>
Comparative Movements in 2016/17:

<table>
<thead>
<tr>
<th></th>
<th>Land and Buildings £000</th>
<th>Vehicles, Plant, Furniture and Equipment £000</th>
<th>Total Property, Plant and Equipment £000</th>
<th>PFI Assets included in Property, Plant and Equipment £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 April 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions – Life Cycle costs</td>
<td>197</td>
<td>709</td>
<td>906</td>
<td>906</td>
</tr>
<tr>
<td>Additions – Life Cycle (in advance)</td>
<td>-</td>
<td>165</td>
<td>165</td>
<td>165</td>
</tr>
<tr>
<td>Additions – Leased Assets</td>
<td>-</td>
<td>2,700</td>
<td>2,700</td>
<td>2,700</td>
</tr>
<tr>
<td>Additions – New Asset</td>
<td>-</td>
<td>52</td>
<td>52</td>
<td>-</td>
</tr>
<tr>
<td>Revaluation Increase recognised in the Revaluation Reserve – Landfill Sites</td>
<td>115</td>
<td>-</td>
<td>115</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 31 March 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions and Revaluations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1 Additions relate to PFI Life Cycle Costs and PFI assets leased for no additional cost for the duration of the contract (See Note 25).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.2 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 qualified external valuers. In estimating fair value, regard has been had to the nature of the asset and its use, location and size.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.3 The PFI asset was revalued as at 31 March 2015. Due to the specialised nature of the asset, the revaluation was carried out using both the Depreciated Replacement Cost and Existing Use Value methodologies in order to determine the fair value.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.4 Depreciation has been calculated on a straight-line basis based on a remaining useful life.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.5 From the 1 April 2015, the Authority’s assets are assessed as per the Authority’s component accounting policy. (See page 28)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-operational Property, Plant and Equipment (Surplus Assets)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.6 The Authority does not have material surplus assets.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.7 The Authority has three landfill sites. As at 31 March 2018 one of the sites was revalued resulting in a value increase of £0.363m.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.8 In 2016/17, the Authority purchased a flare for the Aveley Landfill site for £0.052m.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.9 The total fair value of the Landfill sites as at 31 March 2018 is now £0.770m. The next valuation is due in 2022.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
9. **Investments**

9.1 The Authority had previously owned £1.500m £1 shares partly paid (0.1p per share) in Aveley Methane Limited (AML) representing a holding of almost 50% of the total share capital of AML.

9.2 AML was a Joint Venture (JV) company between the Authority and the renewable energy generation company Infinis plc. The JV’s principal activity was the utilisation of landfill gas including electricity generation under the Government’s Non Fossil Fuel Obligation. AML was regarded by the Authority as an authorised company for the purposes of the Local Authority (Companies) Order 1995.

9.3 The investment was originally transferred at nil value to the Authority as successor to the Greater London Council. The Authority’s interest in AML was an important part of the management of its closed landfill site at Aveley 1.

9.4 During 2016/17 the Infinis Energy Group which had owned 50% of the Company's issued share capital through Novera Energy Generation No. 1 Limited sold Infinis plc which includes Novera to 3i Infrastructure plc.

9.5 In recent years gas levels had become lower and AML became economically unviable. Therefore on 3 January 2018 the joint venture was terminated.

9.6 The net liabilities of Aveley Methane as at 31 March 2017 are £0.538m (2015/16: £0.463m) and loss before tax for the year of £0.075m (2015/16: £0.045m profit). The figures are based on the audited Statement of Accounts. The 2017/18 accounts will be available in September 2018.

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

9.8 The Authority previously owned 100% of the share capital of ELWA Limited, its Local Authority Waste Disposal Company (LAWDC). On 23 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.

9.9 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 24 December 2002 and its principal activity is the operation of waste disposal services for ELWA. The net assets of ELWA Limited as at 31 March 2017 were £13.394m (2015/16: Net assets £11.107m). The profit after taxation for the year ended 31 March 2017 was £1.662m (2015/16: Profit after taxation £2.946m). The 2017/18 accounts will be available in July 2018.
9.10 During 2010/11, Shanks Waste Management Limited sold 80% of its equity shareholding in ELWA Holdings Limited to the John Laing Group.

9.11 On 28 February 2017 Shanks Group plc merged with Van Gansewinkel Groep BV to form Renewi plc.

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

9.13 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 (2017/18) and therefore, there is no requirement to produce Group Accounts.

9.14 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. **Short Term Debtors**

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Government Bodies</td>
<td>1,389</td>
<td>1,228</td>
</tr>
<tr>
<td>Other Local Authorities</td>
<td>929</td>
<td>1,014</td>
</tr>
<tr>
<td>Other entities and individuals</td>
<td>46</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,364</strong></td>
<td><strong>2,270</strong></td>
</tr>
</tbody>
</table>

11. **Cash and Cash Equivalents**

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

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank current accounts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Short term deposits</td>
<td>11</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total Cash and Cash Equivalents</strong></td>
<td><strong>11</strong></td>
<td><strong>28</strong></td>
</tr>
</tbody>
</table>

12. **Short Term Creditors**

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Government Bodies</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Other Local Authorities</td>
<td>118</td>
<td>376</td>
</tr>
<tr>
<td>Other entities and individuals</td>
<td>5,721</td>
<td>5,505</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,842</strong></td>
<td><strong>5,885</strong></td>
</tr>
</tbody>
</table>

13. **Usable Reserves**

13.1 Movements in the Authority’s usable reserves are detailed in the Movement in Reserves Statement, with further analysis in notes 5 and 6.
14. **Unusable Reserves**

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revaluation Reserve</td>
<td>(32,521)</td>
<td>(32,004)</td>
</tr>
<tr>
<td>Capital Adjustment Account</td>
<td>8,459</td>
<td>6,682</td>
</tr>
<tr>
<td>Pensions Reserve</td>
<td>1,663</td>
<td>1,570</td>
</tr>
<tr>
<td>Accumulated Absences Account</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Unusable Reserves</strong></td>
<td><strong>(22,396)</strong></td>
<td><strong>(23,749)</strong></td>
</tr>
</tbody>
</table>

### Revaluation Reserve

14.1 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.

14.2 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.

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 April</td>
<td>(33,061)</td>
<td>(32,521)</td>
</tr>
<tr>
<td>Upward revaluation of non-current assets not posted to the Provision of Services</td>
<td>(115)</td>
<td>(363)</td>
</tr>
<tr>
<td>Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account</td>
<td>655</td>
<td>880</td>
</tr>
<tr>
<td>Accumulated gains on assets sold written off to Capital Adjustment Account</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at 31 March</strong></td>
<td><strong>(32,521)</strong></td>
<td><strong>(32,004)</strong></td>
</tr>
</tbody>
</table>

### Capital Adjustment Account

14.3 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.

<table>
<thead>
<tr>
<th>2016/17</th>
<th>£000</th>
<th>2017/18</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,633</td>
<td>Balance at 1 April</td>
<td>8,459</td>
<td></td>
</tr>
<tr>
<td>5,858</td>
<td>Reversal of Charges for depreciation and impairment of non-current assets</td>
<td>6,087</td>
<td></td>
</tr>
<tr>
<td>(6,196)</td>
<td>Statutory provision for the financing of PFI capital investment</td>
<td>(6,647)</td>
<td></td>
</tr>
<tr>
<td>(58)</td>
<td>Statutory provision for the repayment of debt</td>
<td>(56)</td>
<td></td>
</tr>
<tr>
<td>(655)</td>
<td>Difference between fair value depreciation and historical cost depreciation written out of the Revaluation Reserve</td>
<td>(880)</td>
<td></td>
</tr>
<tr>
<td>(123)</td>
<td>PFI Leased Asset deferred credit released to C&amp;E</td>
<td>(281)</td>
<td></td>
</tr>
<tr>
<td>- Accumulated gains on sold non-current asset transferred from Revaluation Reserve to be written off</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-current asset written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8,459</td>
<td>Balance at 31 March</td>
<td>6,682</td>
<td></td>
</tr>
</tbody>
</table>

**Pension Reserve**

14.4 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.

<table>
<thead>
<tr>
<th>2016/17</th>
<th>£000</th>
<th>2017/18</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,494</td>
<td>Balance at 1 April</td>
<td>1,663</td>
<td></td>
</tr>
<tr>
<td>125</td>
<td>Actuarial losses/(gains) on pensions assets and liabilities</td>
<td>(146)</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>Employer’s pension contributions and direct payments payable in the year</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>1,663</td>
<td>Balance at 31 March</td>
<td>1,570</td>
<td></td>
</tr>
</tbody>
</table>

**Accumulated Absences Account**

14.5 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.

<table>
<thead>
<tr>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Balance at 1 April</td>
<td>3</td>
</tr>
<tr>
<td>(5)</td>
<td>Reversal of Previous Years accrual</td>
</tr>
<tr>
<td>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</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Balance at 31 March</td>
</tr>
</tbody>
</table>

15. Cash Flow Statement – Operating Activities

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

<table>
<thead>
<tr>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>32</td>
<td>The cash flows for operating activities include the following items</td>
</tr>
<tr>
<td>(4,661)</td>
<td>Interest Paid</td>
</tr>
<tr>
<td>(4,629)</td>
<td>Net Interest</td>
</tr>
</tbody>
</table>

15.2 Cash Flow for Operating Activities:

<table>
<thead>
<tr>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>2,554</td>
<td>Net Surplus on the Provision of Services</td>
</tr>
<tr>
<td>5,858</td>
<td>Depreciation</td>
</tr>
<tr>
<td>(653)</td>
<td>Increase/(Decrease) in Creditors &amp; Provisions</td>
</tr>
<tr>
<td>(737)</td>
<td>(Increase)/Decrease in Debtors</td>
</tr>
<tr>
<td>44</td>
<td>Actuarial adjustments on pension assets/liabilities</td>
</tr>
<tr>
<td>(123)</td>
<td>Other non-cash adjustments</td>
</tr>
<tr>
<td>(1)</td>
<td>Adjustment for rounding</td>
</tr>
<tr>
<td>4,388</td>
<td>Net cash flows from operating activities</td>
</tr>
<tr>
<td>6,942</td>
<td></td>
</tr>
</tbody>
</table>

16. Cash Flow Statement – Investing Activities

<table>
<thead>
<tr>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>(1,122)</td>
<td>Purchase of property, plant and equipment</td>
</tr>
<tr>
<td>-</td>
<td>Proceeds from sale of property, plant and equipment</td>
</tr>
<tr>
<td>(475)</td>
<td>Net movement in short-term investments</td>
</tr>
<tr>
<td>(1,597)</td>
<td>Net cash flows from investing activities</td>
</tr>
</tbody>
</table>
17. Cash Flow Statement – Financing Activities

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash payments for</td>
<td>(5,290)</td>
<td>(5,221)</td>
</tr>
<tr>
<td>the reduction of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>liabilities relating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to the finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>leases on balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>sheet PFI contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flows from</td>
<td>(5,290)</td>
<td>(5,221)</td>
</tr>
<tr>
<td>financing activities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

18. Note to the Expenditure And Funding Analysis

18.1 This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the Revenue Reserve Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

18.2 The relevant transfers between reserves are explained in the Movement in Reserves Statement.

<table>
<thead>
<tr>
<th>Adjustments Between Funding and Accounting Basis</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments from Revenue Reserve to arrive at</td>
<td></td>
</tr>
<tr>
<td>the Comprehensive Income and Expenditure</td>
<td></td>
</tr>
<tr>
<td>Statement amounts</td>
<td></td>
</tr>
<tr>
<td>Supplies and Support Services including</td>
<td></td>
</tr>
<tr>
<td>Contingency Expenditure</td>
<td></td>
</tr>
<tr>
<td>Contractor Service Charge (Note 25)</td>
<td>(15,030)</td>
</tr>
<tr>
<td>Employee Costs</td>
<td></td>
</tr>
<tr>
<td>Transport &amp; Premises Related Expenditure</td>
<td></td>
</tr>
<tr>
<td>Depreciation and Impairment of Fixed Assets</td>
<td>6,087</td>
</tr>
<tr>
<td>(Note 8)</td>
<td></td>
</tr>
<tr>
<td>Third Party Payments</td>
<td></td>
</tr>
<tr>
<td>PFI and other Grants (Note 21)</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
</tr>
<tr>
<td>Cost of Services</td>
<td>(8,943)</td>
</tr>
<tr>
<td>Capital Financing Costs</td>
<td></td>
</tr>
<tr>
<td>Bank Interest Receivable</td>
<td></td>
</tr>
<tr>
<td>Financing and investment income and Expenditure</td>
<td>8,505</td>
</tr>
<tr>
<td>(Note 7)</td>
<td></td>
</tr>
<tr>
<td>PFI Deferred Income released</td>
<td>(281)</td>
</tr>
<tr>
<td>(Surplus) or Deficit on Provision of Services</td>
<td>(898)</td>
</tr>
<tr>
<td>Difference between Usable Reserve (Surplus) or</td>
<td></td>
</tr>
<tr>
<td>Deficit and Comprehensive Income and</td>
<td></td>
</tr>
<tr>
<td>Expenditure Statement Surplus or Deficit on</td>
<td></td>
</tr>
<tr>
<td>the Provision of Services</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjustments for Capital Purposes £000</th>
<th>Net change for the Pensions Adjustments £000</th>
<th>Other Differences £000</th>
<th>Total Adjustments £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Surplus) or Deficit on Provision of Services</td>
<td>(898)</td>
<td>53</td>
<td>1</td>
</tr>
</tbody>
</table>

| Difference between Usable Reserve (Surplus) or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | (898) | 53 | 1 | (844) |
## Comparative Adjustments in 2016/17:

<table>
<thead>
<tr>
<th>Adjustments Between Funding and Accounting Basis</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments from Revenue Reserve to arrive at the Comprehensive Income and Expenditure Statement amounts</td>
<td>Adjustments for Capital Purposes £000</td>
</tr>
<tr>
<td>Supplies and Support Services including Contingency Expenditure</td>
<td>-</td>
</tr>
<tr>
<td>Contractor Service Charge (Note 25)</td>
<td>(14,707)</td>
</tr>
<tr>
<td>Employee Costs</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and Impairment of Fixed Assets (Note 8)</td>
<td>5,858</td>
</tr>
<tr>
<td>Third Party Payments</td>
<td>-</td>
</tr>
<tr>
<td>PFI and other Grants (Note 21)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cost of Services</strong></td>
<td>(8,849)</td>
</tr>
<tr>
<td>Capital Financing Costs</td>
<td>(180)</td>
</tr>
<tr>
<td>Bank Interest Receivable</td>
<td>-</td>
</tr>
<tr>
<td>Financing and investment income and Expenditure (Note 7)</td>
<td>8,633</td>
</tr>
<tr>
<td>PFI Deferred Income released</td>
<td>(123)</td>
</tr>
<tr>
<td><strong>(Surplus) or Deficit on Provision of Services</strong></td>
<td>(519)</td>
</tr>
<tr>
<td>Accumulated Absence 15/16 reversal</td>
<td>-</td>
</tr>
<tr>
<td><strong>Difference between Usable Reserve Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</strong></td>
<td>(519)</td>
</tr>
</tbody>
</table>

### Adjustments for Capital Purposes

18.3 This column includes PFI adjustments for contingent rent, interest, capital and lifecycle costs (see note 25) as well as depreciation and impairment, and for:

- Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Capital Receipts used to fund capital expenditure and deferred income released relating to the use of PFI contractor leased assets.

### Net Change for the Pensions Adjustments

18.4 Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
a) For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

b) For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

18.5 Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

a) Accumulated absences adjustments.

b) Timing differences in funding.

c) Internal movements of non PFI grant to grant income and contractor insurance to supplies and services.

d) For Financing and investment income and expenditure - internal movement relating to bank interest receivable.

19. Officers’ Remuneration

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

<table>
<thead>
<tr>
<th></th>
<th>Remuneration £</th>
<th>Pension Contribution £</th>
<th>Total £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Director</td>
<td>23,350</td>
<td>3,222</td>
<td>26,572</td>
</tr>
<tr>
<td>Interim Managing</td>
<td>90,950</td>
<td></td>
<td>90,950</td>
</tr>
<tr>
<td>Director (Jun 17)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim Managing</td>
<td>6,534</td>
<td></td>
<td>6,534</td>
</tr>
<tr>
<td>Director (Mar 18)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2016/17 Comparative Figures

<table>
<thead>
<tr>
<th></th>
<th>Remuneration £</th>
<th>Pension Contribution £</th>
<th>Total £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Director</td>
<td>92,474</td>
<td>15,351</td>
<td>107,825</td>
</tr>
</tbody>
</table>

19.2 The Authority does not directly employ the Finance Director, who is employed by the London Borough of Redbridge. The Finance Director was appointed at the Authority’s Annual General Meeting on 20 June 2016 and during 2017/18 received an honorarium of £5,000 (2016/17 £3,903 pro rata) for service provided.

19.3 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 £35,853 for 2017/18 (2016/17 £30,577) cannot be attributed to any particular officer and is declared here for reasons of transparency.

19.4 The number of employees including Senior Officers whose remuneration, excluding employer’s pension contributions, was £50,000 or more were:
19.5 The Managing Director post was vacated in June 2017. The post was covered by two interims during the recruitment period, these have been excluded from the banding note above.

20. **External Audit Costs**

20.1 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:

<table>
<thead>
<tr>
<th>Remuneration Band</th>
<th>2016/17 Number of employees</th>
<th>2017/18 Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>£50,000 - £54,999</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>£55,000 - £59,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£60,000 - £64,999</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>£65,000 - £69,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£70,000 - £74,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£75,000 - £79,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£80,000 - £84,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£85,000 - £89,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£90,000 - £94,999</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remuneration Band</th>
<th>2016/17 Number of employees</th>
<th>2017/18 Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>£95,000 - £99,999</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor for the year – accounts.

<table>
<thead>
<tr>
<th>Remuneration Band</th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFI/Waste Infrastructure Capital Grant (WICG)</td>
<td>3,991</td>
<td>3,991</td>
</tr>
<tr>
<td>WEEE Fund Grant</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>L.W.A.R.B Match Recycling Funding</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>4,061</td>
<td>4,006</td>
</tr>
</tbody>
</table>

21. **Grant Income**

21.1 The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2017/18:

<table>
<thead>
<tr>
<th>Grant Type</th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFI/Waste Infrastructure Capital Grant (WICG)</td>
<td>3,991</td>
<td>3,991</td>
</tr>
<tr>
<td>WEEE Fund Grant</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>L.W.A.R.B Match Recycling Funding</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>4,061</td>
<td>4,006</td>
</tr>
</tbody>
</table>

21.2 For PFI/WICG grant details refer to notes 22.2 and 25.

21.3 The Waste Electrical and Electronic Equipment (WEEE) Fund Grant was received from the Department for Business, Innovation and skills (BIS). The grant was used to fund a project for the repairing of electrical items in the ELWA Constituent Councils.

21.4 The London Waste And Recycling Board (LWARB) Match Recycling Funding was provided for communications relating to Recycle Week 2016 and 2017.

22. **Related Party Transactions**

22.1 Since the 1 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 Councils.

22.2 The Department for Environment, Food and Rural Affairs award the PFI Grant which is also known as the Waste Infrastructure Capital Grant. Further details are in Note 25.

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

22.4 The material expenditure and income transactions with these related parties are set as follows:

<table>
<thead>
<tr>
<th></th>
<th>Expenditure £000</th>
<th>Income £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barking &amp; Dagenham</td>
<td>1,065</td>
<td>(11,787)</td>
</tr>
<tr>
<td>Havering</td>
<td>940</td>
<td>(14,131)</td>
</tr>
<tr>
<td>Newham</td>
<td>847</td>
<td>(17,291)</td>
</tr>
<tr>
<td>Redbridge</td>
<td>504</td>
<td>(16,442)</td>
</tr>
<tr>
<td>Aveley Methane Limited</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ELWA Limited</td>
<td>59,466</td>
<td>(460)</td>
</tr>
</tbody>
</table>

22.5 Income received from the Constituent Councils 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.

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

<table>
<thead>
<tr>
<th>Membership of Other Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Director, Mark Ash:</td>
</tr>
<tr>
<td>Councillor Steven Kelly:</td>
</tr>
<tr>
<td>Contract Manager, Dave Hawes:</td>
</tr>
</tbody>
</table>

23. Operating Leases

23.1 The Authority has acquired its civic amenity and recycling sites by entering into operating leases with the four Constituent Councils. Each lease is to the year 2027 with rent reviews taking place every five years. The last rent review was during 2017/18 with effect from 1 April 2018. Based upon current figures, the minimum lease payments due in future years are:

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to one year</td>
<td>317</td>
<td>317</td>
</tr>
<tr>
<td>Two to Five Years</td>
<td>1,266</td>
<td>1,266</td>
</tr>
<tr>
<td>Six Years to end of lease</td>
<td>2,216</td>
<td>1,583</td>
</tr>
<tr>
<td></td>
<td>3,799</td>
<td>3,166</td>
</tr>
</tbody>
</table>

23.2 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 £0.316m (2016/17 £0.306m).
24. Capital Expenditure and Capital Financing

24.1 Capital expenditure additions of £1,426m relate to PFI Lifecycle costs as referred to in note 25.8. This was financed by revenue through the unitary payment.

24.2 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.

24.3 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.

24.4 The CFR is analysed in the second part of this note.

<table>
<thead>
<tr>
<th>Description</th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Capital Financing Requirement</td>
<td>79,179</td>
<td>73,832</td>
</tr>
<tr>
<td><strong>Capital Investment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant &amp; Equipment</td>
<td>906</td>
<td>1,426</td>
</tr>
<tr>
<td><strong>Sources of Finance:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Revenue Contributions</td>
<td>(906)</td>
<td>(1,426)</td>
</tr>
<tr>
<td>Minimum Revenue Provision</td>
<td>(5,347)</td>
<td>(5,277)</td>
</tr>
<tr>
<td><strong>Closing Capital Financing Requirement</strong></td>
<td>73,832</td>
<td>68,555</td>
</tr>
</tbody>
</table>

Explanation of movements in year:

- Assets acquired under PFI Contract: 906
- Decrease in underlying need for borrowing: (6,253)
- Decrease in Capital Financing Requirement: (5,347)

25. Private Finance Initiatives and Similar Contracts

25.1 The IWMS/PFI Contract, which commenced on 24 December 2002, is for 25 years. ELWA Limited is implementing a capital investment programme of more than £100m 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.

25.2 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 8.

25.3 The Government provides PFI grant funding based upon a Notional Credit Approval of £47m, equivalent to approximately £85m over 25 years. In 2010/11 the Government changed the annual PFI grant funding from a declining balance basis to an annuity basis with a final payment made in 2026/27. This did not affect the overall total grant in cash terms which has remained the same.

25.4 The Code of Practice 2017/18 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 29.

Future Contractual Obligations

25.5 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 2018 (excluding any estimation of inflation and availability / performance deductions) are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Payment for Services £000</th>
<th>Reimbursement of Capital Expenditure £000</th>
<th>Interest £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable in 2017/18</td>
<td>38,822</td>
<td>5,371</td>
<td>3,919</td>
<td>48,112</td>
</tr>
<tr>
<td>Payable within 2 to 5 years</td>
<td>161,344</td>
<td>23,422</td>
<td>12,334</td>
<td>197,100</td>
</tr>
<tr>
<td>Payable within 6 to 10 years</td>
<td>201,267</td>
<td>38,973</td>
<td>6,338</td>
<td>246,578</td>
</tr>
<tr>
<td>Payable within 11 to 15 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>401,433</td>
<td>67,766</td>
<td>22,591</td>
<td>491,790</td>
</tr>
</tbody>
</table>

25.6 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**

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance outstanding at start of the year</td>
<td>78,277</td>
<td>72,987</td>
</tr>
<tr>
<td>Payments during the year</td>
<td>(5,290)</td>
<td>(5,221)</td>
</tr>
<tr>
<td>Balance outstanding at year-end</td>
<td>72,987</td>
<td>67,766</td>
</tr>
</tbody>
</table>

**Unitary Charge**

25.7 As per accounting requirements for PFI schemes referred to in note 25.4, 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.

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments to Renewi (previously Shanks East London)</td>
<td>58,804</td>
<td>58,635</td>
</tr>
<tr>
<td>Capital Repayment</td>
<td>(5,290)</td>
<td>(5,221)</td>
</tr>
<tr>
<td>Interest Payable</td>
<td>(4,538)</td>
<td>(4,230)</td>
</tr>
<tr>
<td>Life Cycle Costs</td>
<td>(906)</td>
<td>(1,426)</td>
</tr>
<tr>
<td>Contingent Rent</td>
<td>(3,972)</td>
<td>(4,153)</td>
</tr>
<tr>
<td>Service Charges</td>
<td>44,098</td>
<td>43,605</td>
</tr>
</tbody>
</table>

25.8 During 2017/18 Lifecycle costs of £1.984m were incurred by the PFI contractor of which £1.426m was charged to the Unitary Payment as programmed costs. The difference between programmed and actual life cycle costs has been credited to deferred income.

25.9 During 2016/17 the contractor provided assets to the value of £2.700m for no additional cost for the duration of the contract. These leased assets with a contra liability have been added to the balance sheet. As their benefit is consumed, the related deferred income is released to the Comprehensive Income and Expenditure account.
PFI Deferred Income

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance B/Fwd</td>
<td>-</td>
<td>2,577</td>
</tr>
<tr>
<td>Life Cycle – additional expenditure</td>
<td>-</td>
<td>558</td>
</tr>
<tr>
<td>Life Cycle – 16/17 adjustment</td>
<td></td>
<td>166</td>
</tr>
<tr>
<td>Asset provided</td>
<td>2,700</td>
<td>-</td>
</tr>
<tr>
<td>Deferred income released to CI&amp;E</td>
<td>(123)</td>
<td>(281)</td>
</tr>
<tr>
<td><strong>Balance C/fwd</strong></td>
<td><strong>2,577</strong></td>
<td><strong>3,020</strong></td>
</tr>
</tbody>
</table>

26. Defined Benefit Pension Schemes

**Participation in Pension Schemes**

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

**Transaction Relating to Post Employment Benefits**

26.2 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.

26.3 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:

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comprehensive Income and Expenditure Statement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Services, employee &amp; support services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Service Cost</td>
<td>57</td>
<td>66</td>
</tr>
<tr>
<td><strong>Financing and Investment Income and Expenditure:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Interest Expense</td>
<td>51</td>
<td>44</td>
</tr>
<tr>
<td>Administration Expenses</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Post Employment Benefit charged to the Surplus or Deficit on the provision of Services</strong></td>
<td><strong>111</strong></td>
<td><strong>113</strong></td>
</tr>
<tr>
<td>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Re-measurement of the net defined benefit liability comprising:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on plan assets</td>
<td>(372)</td>
<td>(72)</td>
</tr>
<tr>
<td>Other actuarial (gains)/losses</td>
<td>93</td>
<td>-</td>
</tr>
<tr>
<td>Change in financial assumptions</td>
<td>686</td>
<td>(74)</td>
</tr>
<tr>
<td>Change in demographic assumptions</td>
<td>(94)</td>
<td>-</td>
</tr>
<tr>
<td>Experience (gain)/loss on defined benefit obligation</td>
<td>(188)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Re-measurements</strong></td>
<td><strong>125</strong></td>
<td><strong>(146)</strong></td>
</tr>
<tr>
<td><strong>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</strong></td>
<td><strong>236</strong></td>
<td><strong>(33)</strong></td>
</tr>
<tr>
<td><strong>Movement in Reserve Statement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reversal of net charges made to the Surplus or Deficit on the provision of Services for post-employment benefits in accordance with the code</td>
<td>(125)</td>
<td>146</td>
</tr>
<tr>
<td>Actual amount charged against the Revenue Reserve Balance for pensions in the year</td>
<td>(44)</td>
<td>(53)</td>
</tr>
<tr>
<td><strong>Employer’s contributions payable to scheme</strong></td>
<td><strong>67</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>
26.4 The underlying assets and liabilities attributable to the Authority with the London Pensions Fund Authority (LPFA) as at 31 March 2018 are as follows:

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

<table>
<thead>
<tr>
<th>Funded Liabilities</th>
<th>Local Government Pension Scheme</th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance at 1 April</td>
<td>3,674</td>
<td>4,196</td>
<td></td>
</tr>
<tr>
<td>Current Service Cost</td>
<td>57</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Interest Cost</td>
<td>127</td>
<td>112</td>
<td></td>
</tr>
<tr>
<td>Contributions by scheme participants</td>
<td>35</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Actuarial gains and losses from changes in demographic assumptions</td>
<td>(94)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Actuarial gains and losses from changes in financial assumptions</td>
<td>686</td>
<td>(74)</td>
<td></td>
</tr>
<tr>
<td>Experience (gains)/losses</td>
<td>(188)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(101)</td>
<td>(102)</td>
<td></td>
</tr>
<tr>
<td><strong>Closing Balance at 31 March</strong></td>
<td><strong>4,196</strong></td>
<td><strong>4,219</strong></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Funded Assets</th>
<th>Local Government Pension Scheme</th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening fair value of scheme assets</td>
<td>2,180</td>
<td>2,533</td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>76</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>Return on plan assets less interest</td>
<td>372</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>Other actuarial gains and (losses)</td>
<td>(93)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Administration Expenses</td>
<td>(3)</td>
<td>(3)</td>
<td></td>
</tr>
<tr>
<td>Employer contributions</td>
<td>67</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Contributions by scheme participants</td>
<td>35</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(101)</td>
<td>(102)</td>
<td></td>
</tr>
<tr>
<td><strong>Closing fair value of scheme assets</strong></td>
<td><strong>2,533</strong></td>
<td><strong>2,649</strong></td>
<td></td>
</tr>
</tbody>
</table>

26.5 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.

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

<table>
<thead>
<tr>
<th>Assets</th>
<th>2016/17 %</th>
<th>2016/17 £000</th>
<th>2017/18 %</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>59</td>
<td>1,502</td>
<td>61</td>
<td>1,619</td>
</tr>
<tr>
<td>LDI/Cash-flow matching</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Target Return Portfolio</td>
<td>21</td>
<td>535</td>
<td>22</td>
<td>594</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>5</td>
<td>133</td>
<td>5</td>
<td>116</td>
</tr>
<tr>
<td>Commodities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property</td>
<td>5</td>
<td>129</td>
<td>7</td>
<td>191</td>
</tr>
<tr>
<td>Cash</td>
<td>10</td>
<td>234</td>
<td>5</td>
<td>129</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>2,533</strong></td>
<td><strong>100</strong></td>
<td><strong>2,649</strong></td>
</tr>
</tbody>
</table>
26.7 Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

26.8 The total return on the fund assets for the year to 31 March 2018 is £0.140m (2016/17 £0.448m).

26.9 The asset share as at 31 January 2018 is as follows:

<table>
<thead>
<tr>
<th>Employer Asset Share – Bid Value</th>
<th>% Quoted</th>
<th>31 January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segregated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>1.6</td>
<td>-</td>
</tr>
<tr>
<td>Telecommunication services</td>
<td>0.9</td>
<td>-</td>
</tr>
<tr>
<td>Consumer, Discretionary</td>
<td>5.0</td>
<td>-</td>
</tr>
<tr>
<td>Consumer, Staples</td>
<td>6.4</td>
<td>-</td>
</tr>
<tr>
<td>Health Care</td>
<td>3.0</td>
<td>-</td>
</tr>
<tr>
<td>Energy</td>
<td>0.6</td>
<td>-</td>
</tr>
<tr>
<td>Financials</td>
<td>6.0</td>
<td>-</td>
</tr>
<tr>
<td>Industrials</td>
<td>5.8</td>
<td>-</td>
</tr>
<tr>
<td>Information Technology</td>
<td>8.7</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1.2</td>
<td>-</td>
</tr>
<tr>
<td>Unsegregated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment funds and unit trusts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade Cash/Pending</td>
<td>2.9</td>
<td>-</td>
</tr>
<tr>
<td>Synthetic Equity (Futures)</td>
<td>1.3</td>
<td>-</td>
</tr>
<tr>
<td>Private Equity</td>
<td></td>
<td>10.6</td>
</tr>
<tr>
<td>Total Return</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment/Hedge Funds and unit trusts</td>
<td>11.1</td>
<td>4.4</td>
</tr>
<tr>
<td>Credit</td>
<td></td>
<td>4.9</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity Funds</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>-</td>
<td>4.4</td>
</tr>
<tr>
<td>Real Estate</td>
<td></td>
<td>7.2</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>2.2</td>
<td>-</td>
</tr>
<tr>
<td>LDI</td>
<td>18.3</td>
<td>(10.8)</td>
</tr>
<tr>
<td>Synthesized cash</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Synthetic Equity (Futures)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Currency Hedge (Forward Contracts)</td>
<td>-</td>
<td>1.3</td>
</tr>
<tr>
<td>BlackRock DDG</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td>Bonds</td>
<td>0.7</td>
<td>-</td>
</tr>
<tr>
<td>Cash</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td>Investment/Hedge Funds and Unit trusts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivatives</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>78.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22.0%</td>
</tr>
</tbody>
</table>
Pension Assets and Liabilities Recognised in the Balance Sheet

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

<table>
<thead>
<tr>
<th>Funded Liabilities</th>
<th>Local Government Pension Scheme</th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of the defined benefit obligation</td>
<td>4,196</td>
<td>4,219</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(2,533)</td>
<td>(2,649)</td>
<td></td>
</tr>
<tr>
<td><strong>Net liability arising from defined benefit obligation</strong></td>
<td><strong>1,663</strong></td>
<td><strong>1,570</strong></td>
<td></td>
</tr>
</tbody>
</table>

26.11 With effect from 1 April 2007 the Authority became an employer. On 1 June 2007 five staff was transferred from the Constituent Councils to the Authority with initially three staff electing to join the LPFA. Membership as at the 31 March 2018 consisted of five active members, one deferred pensioner and three pensioners.

26.12 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 £1.570m (£1.663m 2016/17) 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 there is no material direct impact on the financial position of the Authority. 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.

26.13 The projected employer contributions for the year to 31 March 2019 are £0.060m.

Basis for Estimating Assets and Liabilities

26.14 Liabilities have been assessed on an actuarial basis using the projected unit 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 31 March 2016, and adjusting for known membership and scheme changes where applicable.

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

<table>
<thead>
<tr>
<th>Mortality assumptions</th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longevity at 65 for current pensioners:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>22.0</td>
<td>22.1</td>
</tr>
<tr>
<td>Women</td>
<td>25.5</td>
<td>25.6</td>
</tr>
<tr>
<td>Longevity at 65 for future pensioners:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>24.3</td>
<td>24.4</td>
</tr>
<tr>
<td>Women</td>
<td>27.7</td>
<td>27.8</td>
</tr>
</tbody>
</table>

Financial Assumptions:

| Rate of Inflation CPI | 2.6% | 2.4% |
| Rate of increase in salaries | 4.1% | 3.9% |
| Rate of increase in pensions | 2.6% | 2.4% |
| Rate for discounting scheme liabilities | 2.7% | 2.6% |

Take up of option to convert annual pension into retirement lump sum | - | - |
26.16 The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table.

26.17 The sensitivity analysis 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. For example, the sensitivity analysis impact figure for longevity is based solely on the assumption of life expectancy increasing or decreasing for men and women. Whereas in practice, this is unlikely to occur; as a change in one assumption may affect the other assumptions due to their being 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

<table>
<thead>
<tr>
<th>Adjustment to:</th>
<th>Increase in Assumption by 0.1%</th>
<th>Decrease in Assumption by 0.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>- discount rate</td>
<td>4,150</td>
<td>4,289</td>
</tr>
<tr>
<td>- long term salary increase</td>
<td>4,224</td>
<td>4,124</td>
</tr>
<tr>
<td>- pension increases and deferred revaluation</td>
<td>4,285</td>
<td>4,154</td>
</tr>
<tr>
<td>- mortality age rating assumption</td>
<td>4,385</td>
<td>4,060</td>
</tr>
</tbody>
</table>

27. **Provisions**

27.1 In 2016/17 the Authority created a provision for the cost of settling business losses incurred by Aveley Methane Limited. This provision is no longer required. See Note 9.

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Balance at 1 April</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Reversal of Provision</td>
<td>-</td>
<td>(250)</td>
</tr>
<tr>
<td><strong>Balance at 31 March</strong></td>
<td>250</td>
<td>-</td>
</tr>
</tbody>
</table>

28. **Contingent Liabilities**

28.1 As at the 31 March 2018 the Authority had two contingent liabilities:

- **Fly Tipping Clearance**

28.2 There is an on-going possibility that the Authority will have to remove and dispose of waste which was illegally fly tipped at one of the Authority’s closed landfill sites.

28.3 It is difficult to determine the final cost of dealing with the waste. The Authority has no information on the land levels before the fly-tipping, therefore it is difficult to estimate how much waste there is.

28.4 Remediing the illegal waste activity would include surveys, equipment and manpower as well as landfill tax and clean-up/environment costs. Removal of the waste and disposal to landfill is seen as a last resort. If the waste has to be removed then other options will be explored to utilise this material elsewhere as the majority of the material is inert. Depending on the action taken the cost could be anything between £0.010m
(to tidy the site) and in excess of £1.000m if 100% of the material is disposed of to landfill.

**Fire Prevention Improvements**

28.5 Insurance in the waste market in recent years has seen the insurance premiums increase. Following a fire at the Authority’s Mechanical Biological Treatment (MBT) facility on Frog Island in 2014, the contract insurance renewal premium includes conditions that may be required to be met that may result in financial implications in undertaking the work if necessary. The Authority is currently in negotiation with the contractor and as of the 31 March 2018 both the cost and liability have not been determined.

**29. Financial Instruments**

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Long-Term</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 March</td>
<td>31 March</td>
</tr>
<tr>
<td></td>
<td>2017 £000</td>
<td>2018 £000</td>
</tr>
<tr>
<td><strong>Cash at Bank</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and Receivables (note 11)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Cash at Bank</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and Receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Investments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Debtors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and Receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Debtors (note 10)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Borrowings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>(1,250)</td>
<td>(1,250)</td>
</tr>
<tr>
<td>Total Borrowings</td>
<td>(1,250)</td>
<td>(1,250)</td>
</tr>
<tr>
<td><strong>Other long term liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFI and finance lease liabilities</td>
<td>(75,564)</td>
<td>(70,786)</td>
</tr>
<tr>
<td>Total other long term liabilities</td>
<td>(75,564)</td>
<td>(70,786)</td>
</tr>
<tr>
<td><strong>Creditors &amp; Provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Liabilities at amortised cost</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Creditors &amp; Provisions (notes 12 &amp; 27)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
29.2 Financial Instrument impact on the Comprehensive Income and Expenditure Statement is as follows:

**Income, Expense, Gains and Losses**

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th></th>
<th></th>
<th></th>
<th>2017/18</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Interest expense (note 7)</td>
<td>4,661</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,352</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contingent Rent</td>
<td>3,972</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,153</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pension Interest &amp; expected return on pension assets (note 7)</td>
<td>54</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expense in Surplus or Deficit on the Provision of Services</strong></td>
<td><strong>8,687</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td><strong>8,552</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Investment income (note 7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(3)</td>
<td>-</td>
<td>(3)</td>
</tr>
<tr>
<td>Interest Income (note 7)</td>
<td>-</td>
<td>(32)</td>
<td>-</td>
<td>(32)</td>
<td>-</td>
<td>(55)</td>
<td>-</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Total income in Surplus or Deficit on the Provision of Services</strong></td>
<td>-</td>
<td>(32)</td>
<td>-</td>
<td>(32)</td>
<td>(68)</td>
<td>-</td>
<td>-</td>
<td>(68)</td>
</tr>
<tr>
<td><strong>Net loss /(gain) for the year</strong></td>
<td><strong>8,687</strong></td>
<td>(32)</td>
<td>-</td>
<td><strong>8,655</strong></td>
<td><strong>8,552</strong></td>
<td>(68)</td>
<td>-</td>
<td><strong>8,484</strong></td>
</tr>
</tbody>
</table>

**Fair Values of Assets and Liabilities**

29.3 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.

29.4 The fair value of Public Works Loan Board (PWLB) loans is calculated using the premature repayment rate published by the PWLB on the 31 March 2018, making the following assumptions:

a) Estimated ranges of interest rates at 31 March 2018 are 0.55% to 1.65% 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.
29.5 The fair values calculated are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying amount £000</td>
<td>Fair Value £000</td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term creditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFI Liabilities</td>
<td>72,987</td>
<td>72,987</td>
</tr>
<tr>
<td>Public Works Loan Board</td>
<td>1,250</td>
<td>2,302</td>
</tr>
<tr>
<td><strong>Short-term creditors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works Loan Board</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Creditors (note 12)</td>
<td>5,842</td>
<td>5,842</td>
</tr>
<tr>
<td>Provisions</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td><strong>Loans and Receivables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debtors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors (note 10)</td>
<td>2,364</td>
<td>2,364</td>
</tr>
<tr>
<td>Cash Investments</td>
<td>8,313</td>
<td>8,313</td>
</tr>
</tbody>
</table>

29.6 The fair value of outstanding long term debts as at 31 March 2018 is £2.200m. (31 March 2017 £2.300m). 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.

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

29.8 As at 31 March 2018 the Authority had not entered into any financial guarantees.

30. **Nature and Extent of Risks arising from Financial Instruments**

30.1 Overall Procedures for Managing Risk

30.1 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) 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.

30.2 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. Risk management is carried out by the London Borough of Redbridge’s central treasury team, under policies approved by the Authority in the annual Treasury Management Strategy. The Authority provides written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

30.3 Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority’s customers.
30.4 This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Mitch and Foody’s Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

30.5 The credit criteria in respect of financial assets held by the Authority are as detailed below:

**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 £3.000bln.
c) AAA rated Money Market Funds.
d) The UK Government (Debt Management Office and Gilt).
e) Other Local Authorities.
f) Enhanced Cash Funds.
g) Non UK Government and Supranational Institutions.

30.9 Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

30.10 The Authority’s maximum exposure to credit risk in relation to its investments in banks and building societies of £14.762m 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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority’s deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

30.11 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

<table>
<thead>
<tr>
<th>Type of Asset</th>
<th>% Of Total Investment as set by 2017/18 Treasury Management Strategy</th>
<th>% Of Total Investment as at 31 March 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Government</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>UK Banks- Specified</td>
<td>100</td>
<td>40</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>75</td>
<td>46</td>
</tr>
<tr>
<td>Building Societies - Specified</td>
<td>50</td>
<td>7</td>
</tr>
<tr>
<td>Total Unspecified Investments</td>
<td>50</td>
<td>7</td>
</tr>
<tr>
<td>Non UK Banks – Specified (subject to group limit)</td>
<td>35</td>
<td>-</td>
</tr>
<tr>
<td>Non UK Government and Supranational Bonds (subject to group limit)</td>
<td>35</td>
<td>-</td>
</tr>
<tr>
<td>Total Group Non UK Investments</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>15</td>
<td>-</td>
</tr>
</tbody>
</table>

30.12 The asset class percentages are well within the Upper limits prescribed in the Authority’s Treasury Management Strategy for 2017/18.

30.13 The boundary is set at £1.000m for long-term investments as specified in the Authority’s Treasury Management Strategy. The Authority currently has no investments for longer than one year.

30.14 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**

30.15 There has been no provision for bad debtors as 31 March 2018 (£nil provision 31 March 2017), as all outstanding debtors are expected to pay.

30.16 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.

30.17 Invoiced payments for services are either required in advance or due at the time the service is provided. As at 31 March 2018, £0.251m amount (£0.151m as at 31 March 2017) 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:
Liquidity Risk

30.18 The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 37% of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

30.19 As at 31 March 2018, all of the Authority’s outstanding loans were with PWLB.

Refinancing and Maturity Risk

30.20 The maturity analysis for borrowing is as follows:

<table>
<thead>
<tr>
<th>Renewal Period</th>
<th>Market Loans Outstanding as at 31st March 2018 £000</th>
<th>Limit of projected Fixed rate Borrowing for each period %</th>
<th>% of Total Borrowing 31st March 2017 %</th>
<th>% of Total Borrowing 31st March 2018 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one Year</td>
<td>-</td>
<td>37</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Between one and two years</td>
<td>-</td>
<td>45</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Between two and five years</td>
<td>450</td>
<td>60</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Between five and ten years</td>
<td>120</td>
<td>80</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>More than 10 Years</td>
<td>680</td>
<td>100</td>
<td>64</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>1,250</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

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

Market Risk

30.22 The Authority is exposed to 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.

30.23 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.
30.24 The Authority has the following strategies to manage interest rate risk:
   a) Setting a maximum for Authority’s borrowings at variable rates. For 2017/18 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.

30.25 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.

30.26 According to this assessment strategy, at 31 March 2018, if discount rates had been 1% higher with all other variables held constant, the financial effect would be:

<table>
<thead>
<tr>
<th>Description</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in fair value of long term fixed rate investments assets – No impact on Other Comprehensive Income and Expenditure</td>
<td></td>
</tr>
<tr>
<td>Decrease in fair value of fixed rate borrowings liabilities - No impact on Other Comprehensive Income and Expenditure</td>
<td>143</td>
</tr>
</tbody>
</table>

30.27 As at 31 March 2018 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.

30.28 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.
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.

Component Accounting
Ensures that the overall value of an asset is fairly apportioned over its significant components. Each significant component is identified, valued and accounted for separately if its useful life and method of depreciation is different from the overall asset.

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. Depreciation forms part of the capital charge made to Service Revenue Accounts.

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

**Fair Value**
The amount that an asset can be exchanged or a liability settled between knowledgeable and willing parties in an 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**
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

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSDP</td>
<td>Annual Budget and Service Delivery Plan</td>
</tr>
<tr>
<td>AGS</td>
<td>Annual Governance Statement</td>
</tr>
<tr>
<td>CFR</td>
<td>Capital Financing Requirement</td>
</tr>
<tr>
<td>CIPFA</td>
<td>Chartered Institute of Public Finance and Accountancy</td>
</tr>
<tr>
<td>CLG</td>
<td>Communities and Local Government Department</td>
</tr>
<tr>
<td>ELWA</td>
<td>East London Waste Authority</td>
</tr>
<tr>
<td>FIAA</td>
<td>Financial Instruments Adjustments Account</td>
</tr>
<tr>
<td>IAS</td>
<td>International Accounting Standards</td>
</tr>
<tr>
<td>IFRIC</td>
<td>International Financial Reporting Interpretations Committee</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>IWMS</td>
<td>Integrated Waste Management Strategy</td>
</tr>
<tr>
<td>LAAP</td>
<td>Local Authority Accounting Panel</td>
</tr>
<tr>
<td>LGPS</td>
<td>Local Government Pension Scheme</td>
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<tr>
<td>LPFA</td>
<td>London Pensions Fund Authority</td>
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<tr>
<td>MIRs</td>
<td>Movement in Reserves Statement</td>
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<tr>
<td>MRP</td>
<td>Minimum Revenue Provision</td>
</tr>
<tr>
<td>PFI</td>
<td>Private Finance Initiative</td>
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<tr>
<td>PWLB</td>
<td>Public Works Loans Board</td>
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ANNUAL GOVERNANCE STATEMENT

1. Introduction

1.1 Each year the East London Waste Authority (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 substantial 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 2015.

2. Scope of responsibility

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

2.2 In discharging these obligations, the Authority is required by Regulation 5 of the Accounts and Audit Regulations 2015 to put 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 and evaluating the effectiveness of the Authority’s overall governance and risk management arrangements, by taking into account public sector auditing standards.

3. The purpose of the Governance Framework

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

3.2 The system of internal control is a significant and ongoing part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks connected with failure to achieve policies, aims and objectives, but effective internal systems of control can provide substantial, albeit not absolute assurance, of the effectiveness of the Authority’s policies, aims and objectives. 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 Code has been incorporated into the Authority’s Constitution as a single point of reference for the Authority’s framework for its Governance arrangements.
4. **Vision and Purpose**

4.1 The Authority is responsible for the disposal of waste collected by the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge. The boroughs have a combined population of over one million people living in over 410,000 households, and each are responsible for the collection of household waste in their areas for disposal by the Authority of over 440,000 tonnes.

4.2 The Authority Strategy has the vision “To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value”. The Strategy is now undergoing review to ensure that it continues to align with the current Joint Waste Development Plan 2012 to 2021 and the post 2027 waste disposal arrangements and will require approval by the Authority in accordance with governance arrangements.

4.3 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 and a range of performance indicators assists in the monitoring of activity. The Authority is considering its future waste strategy in light of the Joint Waste Plan including technical options and sites for delivery of waste facilities in line with the waste hierarchy. The Integrated Waste Management Strategy will be reviewed and updated to reflect the Authority’s evolving strategic aims.

4.4 The Integrated Waste Management Strategy underpins the annual service delivery plans (Plans) that are agreed by the Authority and the Contractor. These are required under the IWMS Contract, which was entered into in 2002, at the commencement of the 25 years 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 the Operator (Renewi UK Services Limited to meet the Authority’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) follows a similar format to the other SDPs but provide a greater level of detail, particularly in respect of financial matters. 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 takes the ABSDP into account and can fully reflect the likely expenditure commitments arising from the Contract. The ABSDP process also affords opportunity for the Constituent Councils to provide input into the proposed plans to take into account any planned service changes or requirements in the coming financial year.

4.5 The Authority can apply various penalties under its IWMS contract if these Plans, once approved, are not adhered to and met. In exceptional circumstances, the Authority could terminate the Contract.
4.6 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.

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 discussed and reported throughout all levels of the organisation and those of its partners, in particular 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 progress on the contract review and achievement of efficiencies.

6. **Authority Constitution**

6.1 The Constitution sets out the governance and decision making arrangements of the Authority, including 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 ELWA’s finances and resources effectively.

6.2 Emerging changes to ELWA’s governance structure, including the Constitution, are presented at Authority meetings for approval. The Constitution is currently undergoing review and an updated version is expected to be adopted at an Authority meeting in 2018. This includes a clear reference to the scheme of delegation, which outlines who is authorised to make particular decisions and the remit of those decisions. In addition, clear rules regarding contractual and tendering matters and dealings with land 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 The Constitution (Part E) deals with the Codes of Conduct for Members and Employees. Each of the Authority’s four Constituent Councils has adopted the mandatory provisions of the Model Code and Redbridge Council has included local provisions into its Code of Conduct. The Authority is not required to adopt a Code of Conduct for its Members as it is not included in the list of authorities required to do so by the Local Government Act 2000. Therefore, Authority’s Members are bound by their respective Council Codes when they act in their official capacity for the Authority.
8. **Risk Management**

8.1 The Authority has embedded risk management processes throughout its structure. The Corporate Risk Register which deals with both strategic and operational risks is agreed and reviewed by the Management Board and Authority Members on a regular basis.

8.2 Financial, operational and legal 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. The Authority has the following statutory officers; Head of Paid Service – Managing Director, Section 73 officer (Local Government Act 1985), and Monitoring Officer – Legal Adviser each of whom has the power to refer matters to the Authority where a breach of regulation is possible or suspected. These officers form part of the Management Board. None of these officers have been required to use their powers during the year.

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

10. **Counter Fraud including Whistle-blowing**

10.1 The Authority has an agreed Anti-Fraud and 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, and contractors. The ELWA 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 The current website for the Authority went live in 2017 following a review and development process. The website is used to engage directly with the community on waste reduction, reuse and recycling and disposal 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. The Authority’s 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 if a corporate complaint has not been satisfactorily resolved and maladministration could arise. 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 the Authority 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 Plan to guide improvements in waste management performance.

14. Partnerships

14.1 The most significant partnerships for the Authority are with its four Constituent Councils and through the IWMS Contract with Renewi UK Services Limited (formerly Shanks Waste Management Ltd) 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 Renewi UK Services Limited (formerly Shanks Waste Management Ltd) and include those with ELWA Limited. There are also regular formal meetings with the Councils including those at the Management Board, Operational Management Team and Contract Monitoring group.

15. Review of effectiveness

15.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control, albeit this is treated as an ongoing process. The Managing Director has the responsibility for the maintenance and development of the internal control environment. A new Managing Director was appointed in the latter part of 2017/18. During the recruitment period, the position was covered by two interims to ensure the continuity in governance arrangements and the continued delivery of respective roles and responsibilities of the post. 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. Actions required are set out in sections 19 and 20 of this Statement. Overall, the governance arrangements are regarded as fit for purpose in accordance with the Authority’s governance framework.

16. **Role of the Finance Director**

16.1 The Chief Financial Officer (CFO) fulfils the statutory requirements of the Local Government Act 1985 and is the organisation’s senior executive charged with leading and directing financial strategy and administration and assisting the Head of Paid Service to discharge their corporate responsibilities. This is a pivotal role, both for external stakeholders and within the Management Board. At the Authority, this role is held by the Finance Director. The Authority fully complies with the governance requirements and principles as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

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. 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 Section 73 Officer, following consultation with the Management Board and External Audit as part of the annual planning process.

17.2 The Senior Internal Audit Manager 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 Head of Audit 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 at the time of the audit of the 2017/18 accounts is KPMG. KPMG 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 ELWA has a sound arrangements in place to deliver value for money. This value for money conclusion is based on one overall criterion: that in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. This overall criterion is supported by three sub criteria relating to: informed decision making; sustainable resource deployment; and working with partners and other third parties.
19. **Governance and internal control issues requiring improvement and outcome of 2017/18 action plan**

19.1 There were two key actions arising from the 2017/18 action plan and these are detailed below.

**Contract Management and Service Level Performance**

19.2 Since the previous audit there have been continued improvements made on the monitoring programmes for each of the Constituent Councils that are generally effective although some inconsistent reporting formats remain between the four Constituent Councils and this remains an area to develop in the action plan 2018/19. ELWA and all of the Constituent Councils have undertaken regular visits to the Reuse & Recycling Centres (RRC) to carry out monitoring checks and site inspections.

19.3 Renewi’s self-monitoring still contained gaps within their performance monitoring return although performance reductions appeared to have been correctly applied. Residential checks were being carried out to verify that all site users were resident within one of the four boroughs.

19.4 Another action was for the Authority and Renewi UK Services Limited (formerly Shanks Waste Management Ltd) to work with the Automatic Number Plate Recognition (ANPR) System provider to address weaknesses in the system. The ANPR system is currently being mobilised and the follow-up audit will take place in 2018/19.

19.5 The processes and controls in place for the agreement of the contract invoices, the weighbridge operations and for management information were all found to be effective in the audit conducted in 2017/18.

**Reduce Risk of Fly-tipping at Authority Sites**

The previously noted security risks on landfill sites with potential break in and fly-tipping have been addressed through a number of initiatives as recommended. ELWA has two directly employed staff that perform security and a monitoring function at the relevant sites. Physical barriers in the form of a two metres high earth bund deter access to the specific sites. Following careful consideration CCTV was not installed but ELWA does maintain excellent communication and engagement with external stakeholders to ensure that intelligence is provided about possible fly-tipper movements.

20. **Annual Governance Statement Action Plan 2018/19**

20.1 The actions planned for 2018/19 are detailed below:

<table>
<thead>
<tr>
<th>Number</th>
<th>Area to develop</th>
<th>Ongoing Action</th>
<th>Timescales</th>
<th>Lead Officer</th>
</tr>
</thead>
</table>
| 1      | Contract Monitoring performance with Constituent councils and with the | a) Revised performance proformas and monitoring timings to be agreed and delivered by Constituent Councils.  
   b) Renewi’s health & safety arrangements should minimise identified risks. | Target date 30 September 2018 | Contract Manager |
<table>
<thead>
<tr>
<th>No.</th>
<th>Contractor</th>
<th>Description</th>
<th>Action Plan</th>
<th>Signatures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Corporate Governance – Business Continuity (2525)</td>
<td>c) The implementation of a relevant maintenance programme is recommended</td>
<td>ELWA should embed a testing regime within its business continuity arrangements that also includes obtaining assurance from its partner organisations that they can continue to provide ELWA with the required systems and service in the event of an incident. ELWA should utilise the action plan within the risk registers to manage its residual risks. ELWA should establish its risk appetite to guide its approach to risk. The Constitution should be reviewed, updated and annotated with the document review date. Any errors or inconsistencies should be amended as part of the review.</td>
<td>By September 2018</td>
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</tbody>
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Signed:

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Andrew Lappage (Managing Director)

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Cllr. Ken Clark (Chair)

Date: ...........................................................................

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AUTHORITY REPORT: INTERNAL AUDIT PROGRESS REPORT 2017/18, AUDIT PLAN 2018/19 AND PLANNED AUDIT COVERAGE TO MARCH 2023

1. Confidential Report

2. Recommendation:

   2.1 Members are asked to:

       a) note the audit coverage for 2017/18 as outlined in Section 5;

       b) agree the audit coverage for 2018/19 as outlined in Section 6.

       c) agree the Five Year Strategic Plan set out in Appendix A

3. Purpose

   3.1 To advise Members of the progress of Internal Audit coverage and findings arising during 2017/18.

   3.2 To seek Members’ comments and agreement to the proposed Internal Audit Plan for 2018/19 and the five-year rolling programme attached at Appendix A.

4. Background

   4.1 The objective and responsibility of the Internal Audit function is to provide Members and management with an independent view and assurance concerning the robustness of the systems and procedures within East London Waste Authority (ELWA/the Authority) and in particular for the effective management of the contract with ELWA Ltd, operated by Renewi, thereby safeguarding assets from fraud and wastage. Internal Audit coverage has and will continue to concentrate on reviewing systems and procedures within ELWA to ensure the effective management of the contract.

   4.2 The Internal Audit plan was agreed on 19 June 2017. The purpose of the strategic plan is to ensure total audit coverage of the key systems / areas of activity within ELWA’s unique operational environment. It is intended to fulfil this responsibility by working in conjunction with the External Auditor and aims to avoid any duplication of audit effort.

   4.3 The Internal Audit function is provided by the London Borough of Redbridge (LBR) who report directly to the Finance Director, ELWA, who in turn subsequently reports on Audit matters to the Authority.

5. Current Position

   Internal Audit Coverage During 2017/18

   5.1 The main focus of Internal Audit activity during this year has been to undertake the planned reviews of Contract Management and Internal Control. ELWA’s contract monitoring arrangements for the Integrated Waste Management Strategy (IWMS) Contract have continued to evolve as it looks to maximise the effectiveness of the delivery of the contract and the prevention of non-contract waste being accepted. Within the last annual report it
referred to the internal changes within each of the Constituent Councils and how these had impacted upon the monitoring programmes each of the councils had agreed with ELWA. This year management updated that whilst there were still issues with these monitoring programmes, there had been improvements made and therefore this part of the overall monitoring regime was agreed as one of the main areas of focus. Additional work was also undertaken at the request of the Interim Managing Director who required an independent review of the effectiveness of the contractor’s on-site health & safety arrangements. The audits also looked at the monitoring undertaken by ELWA, the self-monitoring undertaken by the contractor, Renewi, and the effectiveness of the controls for the prevention of non-contract waste. The audit of Contract Management has been finalised and an action plan has been agreed to implement the recommendations made.

5.2 The audit of Internal Control focused purely on the controls that ELWA has in place for the agreement and payment of the monthly IWMS contract invoices. The audit of Internal Control has been finalised and an action plan agreed.

5.3 It was also planned to undertake a follow up review of the implementation of the recommendations of the 2016 audit of the Automatic Number Plate Recognition (ANPR) system however it was decided as there were a number of issues in development regarding the system at the time and that there would be more value from the audit if it were deferred to 2018/19.

5.4 Based upon the audit work undertaken during 2017/18, Internal Audit has reached the opinion that the systems and controls for processing waste and the identification of any associated anomalies are generally sound, although weaknesses were evident within contract monitoring, particularly in the reporting of the Constituent Councils’ monitoring programmes, and also within Renewi’s health & safety arrangements. ELWA will need to liaise, and work with, the Constituent Councils and Renewi to ensure that these elements of contract monitoring and contract delivery are robust, that risks are minimised and the weaknesses identified, together with those also noted from the other areas of monitoring, are addressed before controls can be considered fully effective. It should also be noted that there has been no reported fraud or irregularity during the year.

5.5 All systems of control seek to strike a balance between the cost of control and the potential impact e.g. financial loss, of any given risk. It is therefore not possible or practical to provide absolute assurance that a system of control will guard against all risks and their potential impacts. Internal Audit therefore sets out to provide a reasonable level of assurance and the contents of this statement should be taken in this context.

5.6 The main findings of the audits undertaken during 2017/18 are set out below.

Audit of Contract Management

5.7 The audit identified that there had been improvements in the monitoring of the IWMS Contract and that the monitoring undertaken by ELWA and the Constituent Councils was generally effective, although there were still a number of instances of incomplete and incorrect reporting by the Constituent Councils. As a result of this, ELWA may not be aware of issues and may not therefore address them effectively. ELWA and all of the Constituent Councils have undertaken regular visits to the Reuse & Recycling Centres (RRC) to carrying out monitoring checks and site inspections. Renewi’s self-monitoring still contained gaps within their performance monitoring return however performance deductions appeared to have been correctly applied.
5.8 It was acknowledged that the contract target for waste diverted from landfill was being comfortably exceeded by a large margin however the target for waste recycled was not being achieved. Renewi’s operational plan for 2017/18 forecast that the recycling target would not be achieved. The non-achievement of the target could result in reputational damage to all of the authorities involved.

5.9 Residential checks were being carried out by the contractor, Renewi, to verify that all site users were resident within one of the four boroughs but the checks on commercial waste were of varying degrees of robustness across the various RRC sites. This could lead to non-contract waste being accepted thereby increasing contract costs.

5.10 A major focus of the audit was on-site health & safety and a number of concerns were identified and raised with ELWA, then jointly with Renewi’s Health & Safety Officer. Issues relating to travel management, in particular traffic and pedestrian walkways, were identified at the sites. The potential risk of slips and trips was also reviewed; a particular area of focus being steps up to container bins. While no combination of steps and carrying heavy loads is ideal, with the exception of snowy and icy conditions, the current arrangements do not present a significant risk.

5.11 It was identified that there are some areas of worn high visibility paintwork and also excessive wear to the speed ramps. Given this Renewi should consider a maintenance programme to address the increased risks presented by these weaknesses.

5.12 There were effective procedures in place for dealing with hazardous materials although it was of concern that two of the three containers examined for the storage of asbestos were buckled to an extent which, despite the asbestos being double-wrapped, could allow the asbestos to escape into the surrounding air if the wrapping was attacked by mice or rats.

5.13 The processes and controls in place for the agreement of the contract invoices, the weighbridge operations and for management information were all found to be effective.

5.14 This area of audit received reasonable assurance given the improvements evident in the monitoring of the IWMS Contract. However, the weaknesses in Constituent Council reporting remain and should be addressed together with issues highlighted in relation to on-site health & safety. Six amber risk and three green risk recommendations were agreed for implementation with ELWA management. No red risk recommendations were made for this audit.

Audit of Internal Control

5.15 The in-depth review of a sample of paid invoices for the IWMS contract indicated that they were accurate and that ELWA’s own checking routines were sufficiently robust to detect errors and omissions. The individual tips checked were accurately processed through TIMS and the calculations of total tonnages for each individual waste category, the waste recycled and the waste sent to landfill, were all found to be correct.

a) Following a review spanning six months that covered two months of tips for each facility 206 potential anomalies were identified. Following a full interrogation into each of these tips the following was found:

b) the amount tipped on 20 occasions was greater than the vehicle’s maximum capacity, as set out in TIMS, by more than 1 tonne thus making the vehicle more dangerous which could result in penalties to the council officers responsible for the operating license,
c) 74 tips were inefficient as they carried a weight equal to less than 50% of the vehicle’s capacity, and
d) a further 5 tips related to vehicles whose standing data, including the gross capacity and tare weights, had not been set in TIMS.

These results should be viewed in context of the fact that the tips interrogated were specifically identified by Internal Audit as having a potential issue and that there are in excess of 250,000 tips per year. ELWA do carry out checks for abnormal tonnages and it was therefore recommended that any anomalies, particularly where the maximum weight capacity has been exceeded and where no standing data exists, are referred to the appropriate constituent councils.

5.16 Due to the effectiveness of the monitoring controls in place and the accuracy of the processing of the tips by Renewi substantial assurance has been given for this review. One amber and one green recommendation were agreed with ELWA management for implementation. No red risk recommendations were identified for this audit.

6. **Internal Audit Coverage for 2018/19**

6.1 The annual plan is structured to adapt to changing circumstances while considering the strategic implications/risk management issues for the Authority. The annual audit plan is formulated from discussions with the Finance Director/Section 73 Officer and the Managing Director and is based on an annual risk assessment process so that identified concerns are assessed and evaluated to determine the impact on the Authority. The risk assessment process takes in to consideration the risks identified in the Authority’s risk register, but also considers other factors such as previous audit findings, materiality, volume and value of transactions, complexity and stability of systems, contract compliance and level of irregularities. This ensures the plan is responsive to the needs of the Authority. Based on Internal Audit’s previous work, foremost amongst those aspects, which need to be regularly reviewed, are the arrangements for the management and monitoring of the IWMS contract.

6.2 To enable Internal Audit to target its resources most effectively, coverage has been set at a more strategic level and forms part of a rolling five-year plan, a copy of which is attached at Appendix A.

6.3 The main area of focus for 2018/19 will again be contract management. However it is intended to split the resource in the coming year into two contract management audits. One audit will focus on the general monitoring arrangements and the controls to keep non-contract waste to a minimum while the other audit will focus on the effectiveness of the ANPR system.

6.4 In addition to the audits of contract monitoring and ANPR, as part of the work within Internal Control and Corporate Governance it is intended that a review of ELWA’s Risk Assessment and Business Continuity Planning will be undertaken.

6.5 It is also intended to continue to carry out follow up work to ensure that actions agreed by management have been implemented and to seek explanations where recommendations have not been implemented in the appropriate time scales.

7. **Internal Audit Coverage for 2018 - 2023**

7.1 As stated in paragraph 6.2 above, it is proposed that the updated rolling five-year plan be adopted for future audit coverage with the areas for review set at a higher, strategic level.
This plan is attached for Member approval. The updated plan enables greater flexibility and means that Internal Audit will be able to respond to changing priorities and the concerns of Members and management. Like the previous plan this has been risk assessed and enables internal audit resources to be targeted accordingly.

8. **Performance and Effectiveness of Internal Audit**

8.1 Meeting the requirements of the Accounts & Audit (England) Regulations 2015 provides the necessary assurance to Members and management as to the adequacy of the Internal Audit function. It is important that the effectiveness of the work of Internal Audit is monitored and reported. To do this a range of performance criteria is closely monitored by the Head of Internal Audit throughout the year. During 2015/16 the Internal Audit Service underwent an independent review which concluded that Internal Audit had demonstrated compliance with the more rigorous criteria of the Public Sector Internal Audit Standards (PSIAS) jointly developed by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Institute of Internal Auditors (IIA).

8.2 It is also essential that Internal Audit obtain the views of ELWA regarding the service it delivers and the value it adds to ELWA’s business objectives. At the close of each audit a satisfaction questionnaire, covering key elements of the audit process, is sent to ELWA management for completion and return. The results from these questionnaires have been positive.

8.3 Internal Audit processes and effectiveness are reviewed on a regular basis and have a quality assurance and improvement programme as required by PSIAS. My view based upon my experience of the Internal Audit Section’s advice and performance, external guidance on Internal Audit and the feedback received, is that the Authority has a sound and robust system of Internal Audit, which continues to adapt and respond to the changing needs of the Authority.

9. **Conclusions**

9.1 Based upon the audit work undertaken during 2017/18, Internal Audit has reached the opinion that the Authority’s overall control framework is generally sound, the core financial systems continue to operate effectively and there are no fundamental breakdowns in control resulting in material discrepancy. This view is re-enforced by the Authority’s External Auditors.

9.2 I feel confident that through this process and the assurances received, notably from Internal Audit, External Audit and other sources, I will be well placed to provide an opinion as to the overall adequacy and effectiveness of the Authority’s internal control environment to Members and management.

10. **Relevant officer:**

10.1 John Jones / john.jones@redbridge.gov.uk / 020 8708 3192

11. **Appendices attached:**

11.1 Appendix A: Five Year Strategic Plan
12. **Background papers:**

12.1 19/06/2017 Internal Audit Progress Report 2016/17, Audit Plan 2017/18 and Planned Audit Coverage to March 2022 Report & Minute 8/2017


12.3 Internal Audit Report on Internal Control (Invoice Controls) 2017/18.

13. **Legal considerations:**

13.1 The Accounts and Audit (England) Regulations 2015 (Regulation 3), requires that the Authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.

13.2 Furthermore, the Chief Finance Officer has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer ELWA’s financial affairs.

13.3 This report sets out how the audit team contribute to the financial affairs and operational management of the ELWA through their audit and counter fraud activity.

14. **Financial considerations:**

14.1 The Internal Audit coverage on corporate governance and internal controls is covered within the body of the report.

14.2 The cost of the annual Internal Audit coverage is funded as part of the LB Redbridge Finance service level agreement with ELWA.

15. **Performance management considerations:**

15.1 None.

16. **Risk management considerations:**

16.1 The decision to agree the audit coverage for 2018/19 as outlined in Section 6 should help ensure ELWA’s strategic and operational risks are identified and appropriate control strategies implemented to mitigate these risks.

17. **Equalities considerations:**

17.1 None.

18. **Follow-up reports:**

18.1 None

19. **Websites and e-mail links for further information:**

20. **Glossary:**

ELWA/the Authority = East London Waste Authority

CIPFA = Chartered Institute of Public Finance & Accountancy

Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham & Redbridge

IWMS = Integrated Waste Management Strategy

IIA = Institute of Internal Auditors

LBR = London Borough of Redbridge

PSIAS = Public Sector Internal Audit Standards

RRCs = Reuse and Recycling Centres

21. **Reviewed by management board**


22. **Confidentiality:**

22.1 None
### ELWA - 5 year Strategic Plan 2018/19 - 2022/23

#### Agenda Item 10 - Appendix A

<table>
<thead>
<tr>
<th>Audit Areas</th>
<th>Risk Impact</th>
<th>Likely-hood</th>
<th>Risk Rating</th>
<th>Frequency</th>
<th>Actual</th>
<th>5 year Audit Plan</th>
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<td>10</td>
<td>3 yearly</td>
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<tr>
<td>Audits in this area will include Review of Constitution, Contract Rules, Financial Regs, Corporate Governance, Risk assessment and Business Continuity Planning, Anti Fraud Arrangements, any other matters arising (IT / Personnel Issues), it would be intended to cover all the above over a 6 year period.</td>
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<td>17/18</td>
<td>18/19</td>
<td>19/20</td>
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<td>Audits in this area will include reviews of ELWA's Monitoring Arrangements for the contract, Borough's Monitoring arrangements, Payments to the contractor, Performance Measures, TIM system and the weighbridge. In addition to these audits sample compliance checks on the content within the monthly IWMS contract invoice will be carried out as well as targeted audits focussed at specific areas such as Automatic Number Plate Recognition (ANPR) and site Health &amp; Safety. It would be intended to cover all the above over a 5 year period.</td>
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<td>Audits in this area will include reviews of Financial Management of non IWMS contract costs. The audit would be done once over a 4 year period.</td>
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<td>Audits in this area will review the management of the Authorities assets (predominantly the Landfill Sites) and will undertaken once every 5 years.</td>
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AUTHORITY REPORT: CONSTITUTION UPDATE

1. **Confidential Report:**
   1.1 No.

2. **Recommendation:**
   2.1 Members are asked to note that:
      a) the Managing Director, advised by the Monitoring Officer, has exercised his delegated authority under Part C, Section B, para 1.1(m) of the Authority’s Constitution to approve minor and administrative changes to the Constitution; the revised document is on the Authority’s website.
      b) a comprehensive review of the Constitution is under way to ensure that the corporate governance arrangements of the Authority are fit for purpose in line with the future arrangements for its waste strategy;
      c) the revised Constitution is to be presented to Members for approval by the Authority in accordance with the Constitution by the end of the calendar year 2018.

3. **Purpose:**
   3.1 To update members of the administrative and minor changes to the Constitution which were approved under powers delegated to the Managing Director in June 2018; and
   3.2 To update members of the scope of a full Constitution review and the timescales for delivery of the revised Constitution by the end of the 2018 calendar year.

4. **Executive Summary:**
   4.1 A comprehensive review of the Constitution is being carried out to ensure that the corporate governance arrangements of ELWA are fit for purpose and will support ELWA as it implements arrangements for a future waste strategy beyond 2027 when the current Integrated Waste Management Contract expires.

5. **Background:**
   5.1 The current Constitution (last iteration issued being May 2012) was updated with minor and administrative amendments falling broadly into the following categories: -
      a) To remove outdated references to members, officers, contact points and contact numbers, and cross-referencing within the Constitution for clarity and ease of administration;
      b) To update any references to legislation – for example, references to the new Data Protection Act 2018;
      c) To remove some instances of duplication – these are essentially administrative changes which do not result in any change to functions or lines of responsibility;
      d) Any other typographical, grammatical or referencing corrections to ensure clarity over the intended meaning of substantive provisions.
   5.2 The revisions detailed at 5.1 above are minor and administrative in nature. The Managing Director is authorised to approve under delegated powers any such revisions.
which the Managing Director and Monitoring Officer, being the statutory officers responsible for the Constitution, consider necessary and appropriate at this stage. Although it is not required, the review has been carried out following consultation with the Chief Finance Officer. Members are simply asked to note the changes and that the updated Constitution (June 2018) is made available on ELWA’s website and at its offices at 1st floor, Harvey House, St Edward’s Court, London Road, Romford RM7 9QD for public inspection.

5.3 A report on the current agenda entitled ‘Preparations for future waste management arrangements’ (Item 13) sets out the intended corporate direction of travel to deliver a future East London Joint Waste Strategy among other work to deliver an integrated waste management strategy for ELWA in the next 9 years until 2027 when the current IWMS contract is due to expire. This combined with the change in membership of the Authority presents an opportunity to conduct a comprehensive review of the current governance and financial arrangements of the Authority to ensure that these are fit for purpose and designed to support the Authority as it moves towards a 2027 waste strategy and beyond.

5.4 The review of the Constitution will be comprehensive. However, to give Members a sense of direction for the review, the following themes and items are being considered as part of the review (along with any necessary substantive updating to reflect current legislation, policy or good practice): -

a) Review of the Scheme of Delegation (Part C);

b) The parameters of the Contract Rules (Part D1) - to ensure user friendly provisions, best practice, striking a balance between agility to move forward with any necessary procurement to enable ELWA’s future strategy value for money considerations, e.g:

   i. To ensure best value is obtained at all times – the requirement to obtain 3 quotes may be extended;

   ii. To ensure effective decision making on certain contracts the financial limits for delegated decision and authority approval may be considered for revision.

c) The parameters of the Financial Rules (Part D2) – which may entail recommendations to changes around the quantum of financial virements delegated to officers and reserved to the Authority;

d) The Land Acquisitions and Disposals Rules (Part D5) in line with good practice and responsibility to obtain best consideration whilst enabling effective decision making at the appropriate level, whether delegated or reserved for the Authority;

e) Updating of provisions concerning Codes of Conduct for Members and Employees and the Employment Rules (Part D3) to ensure both good practice and greater clarity about the relevant HR policies and protocols;

f) Review of and any necessary update on the Hospitality Rules (Part D4) to ensure best practice and compliance with relevant legislative developments;

g) Review of and any necessary revisions to the arrangements for whistleblowing investigations; sealing arrangements for documents, contracts and deeds; and handling freedom of information requests to ensure that functions currently being performed by ELWA and services provided by any one or more of the Constituent Councils (such as Barking & Dagenham (LBBD) and Redbridge) are streamlined and reflected in the revised Constitution;
h) Consideration to remove the current restriction of two years (see paragraph 5.9, Part B1 of the Constitution) of tenure for the Chair and Vice Chair of the Authority. This would be to ensure that the Authority can benefit from continuity of political leadership during a critical period of strategy development and construction/planning or procurement of new waste facilities, without an undue limitation on tenure.

5.5 Proposals for revisions to the Constitution will be presented at an Authority meeting, and Members will be invited to comment upon or approve these. If there are substantive Member comments, further revision will be considered subject to legislative requirements and good practice, and a final Constitution presented to Members for approval.

6. Conclusion:

6.1 This report is for noting. The scope of and reasons for administrative changes are set out in the report. A full Constitutional review will be carried out and proposals for revisions presented to members before the end of the calendar year. The reasons for the review is the ensure that the Authority has robust and fit for purpose governance arrangements at a critical time for its future strategy.

7. Relevant officer:

7.1 Suzan Yildiz, Monitoring Officer of ELWA & Deputy Head of Legal (LBBD)

   e-mail: suzan.yildiz@lbbd.gov.uk / 0208 227 5364

8. Appendices attached:

8.1 None.

9. Background Papers:

9.1 None.

10. Legal Considerations:

10.1 The Managing Director has delegated authority under Part C, Section B, para 1.1(m) of the Authority’s Constitution to approve minor and administrative changes to the Constitution and has acted on this authority to approve the minor revisions to the Constitution (rev. June 2018).

10.2 Under Part C, Section A, paragraph 1.2(a) of the Constitution the function of adopting and changing the Constitution is reserved to the Authority following recommendations on revisions by the Monitoring Officer. Following a comprehensive review, the findings of that review together with recommendations to adopt a revised Constitution will be presented to Members for approval later in the 2018 calendar year.

11. Financial considerations:

11.1 None at this time. The financial implications of a future comprehensive review will be considered and reported to the Authority when the substantive review and recommendations to make revisions are presented for approval.
12. **Performance management considerations:**

12.1 The future comprehensive review would support the strategic direction of ELWA as to its future waste strategy by ensuring sound and agile governance arrangements.

13. **Risk management considerations:**

13.1 The administrative revisions made under delegated authority by the Managing Director aid clarity and user-friendliness of the current Constitution. They do not involve substantive changes which raise governance, legal or financial risks.

14. **Equalities considerations:**

14.1 Equality impacts have been identified and the report is for noting only at this stage.

15. **Follow-up reports:**

15.1 A report on the comprehensive review and substantive revisions to the Constitution will be reported to Members for approval at an Authority meeting before the end of the calendar year 2018.

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


17. **Glossary:**

- The Authority = East London Waste Authority
- LBBD = London Borough of Barking & Dagenham

18. **Reviewed by Management Board:**

18.1 15 June 2018.

19. **Confidentiality:**

19.1 Not applicable.
AUTHORITY REPORT: EXTERNAL ANNUAL AUDIT 2018/19

1. Confidential Report
1.1 No.

2. Recommendation:
2.1 Members are asked to note the appointment of External Auditors, Ernst and Young LLP for 2018/19

3. Purpose
3.1 To note the appointment of External Auditors, Ernst and Young LLP for 2018/19.

4. Background
4.1 From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 apply for principal local government and police bodies. These audited bodies are responsible for making their own arrangements for the audit of the accounts. Public Sector Audit Appointments Ltd (PSAA) has appointed auditors for bodies that have opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23. Appointments for all bodies that had opted into the appointing person scheme before 9 March 2017 were confirmed, following consultation, in December 2017.

4.2 ELWA have received formal notification that Ernst and Young LLP will be undertaking the audit for the 2018/19 financial year.

4.3 The PSAA has set aside a scale for each audited body that has opted into its national auditor appointment scheme. The indicative fee for all opted in bodies has reduced by 23 per cent from the fees applicable in 2017/18. For ELWA, the indicative fee is therefore £14,068. The fee reflects the risk based approach to audit planning set out in the National Audit Office’s Code of Audit Practice for the audit of local public bodies and covers:

a) Audit of the financial statements;
b) Value for money conclusion; and
c) Whole of Government accounts

4.4 The External Auditors plan is expected to be issued in January 2019 and will be reported to the relevant Authority Board meeting.

5. Relevant officer:
Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3813

6. Appendices attached:
6.1 None

7. Background papers:
7.1 None
8. **Legal considerations:**

8.1 The Accounts and Audit (England) Regulations 2015 require that the Authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk. Furthermore, the Finance Director:

   a) has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer ELWA’s financial affairs, and

   b) a responsibility in accordance with the Authority’s Constitution to prepare the Authority’s Annual Statement of Accounts in accordance with mandatory and proper accounting practices (Section D, paragraph 6, ELWA Constitution).

These arrangements extend to and include an effective external audit of the Authority’s Statement of Accounts, arranged by the Chief Finance Officer.

8.2 The Local Audit and Accountability Act 2014 places a requirement on relevant public authorities to appoint an external and independent auditor. The Act also sets out the statutory responsibilities of KPMG as appointed auditors for a public body and include a requirement on the auditor to consider value for money implications of the audit.

8.3 In accordance with Section D of ELWA’s Constitution (para. 6.3(c)), the Authority is responsible for approving the draft Annual Statement of Accounts by the statutory date following the end of the financial year on 31 March. The external audit will facilitate the Authority’s decision in respect of its Statement of Account.

9. **Financial considerations:**

9.1 Financial considerations are included within the body of this report.

10. **Performance management considerations:**

10.1 None.

11. **Risk management considerations:**

11.1 None.

12. **Equalities considerations:**

12.1 None.

13. **Follow-up reports:**

13.1 None.

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


15. **Glossary:**

ELWA / Authority = East London Waste Authority

PSAA = Public Sector Audit Appointments Ltd
16. Reviewed by Management Board

17. Confidentiality:
17.1 Not Applicable.
AUTHORITY REPORT: PREPARATIONS FOR FUTURE WASTES MANAGEMENT ARRANGEMENTS

1. Confidential Report
1.1 No.

2. Recommendation:
2.1 To note the report.

3. Purpose
3.1 This report introduces Members to a number of work-streams that require progress given that the end of ELWA’s current contract is in 2027 and lead-times for the delivery of successor arrangements are long. The principal workstreams at this early stage are:

- a) The development of a new East London Joint Waste Strategy by ELWA and the four constituent councils;
- b) The development of a new Joint Waste Development Plan for East London by the four constituent councils in their separate capacity as local planning authorities;
- c) The development of officer arrangements for the management of current services and the delivery of the above within ELWA, or through service level agreements with individual constituent councils where appropriate.

4. Background
4.1 The Authority has an Integrated Waste Management Services contract (IWMS) with ELWA Ltd (for which Renewi UK Services Ltd is the ‘Operator’) for the management of ‘local authority collected waste’ (LACW) in the ELWA area until December 2027. The household waste recycling target for the Authority area in the IWMS is 33%, which was consistent with national targets at the time the contract was awarded.

4.2 The Authority and the constituent councils (the Councils) prepared a joint waste strategy for the period 2006 to 2019/20, which was last reviewed in 2006 to guide the management and development of all our waste services. Collectively we achieve a high level of diversion from landfill (93% in 2017/18), but recycling is more challenging locally. The 2017/18 household waste recycling rate for the Authority area was 24%, whereas the London Mayor’s target in the London Environment Strategy (LES)¹ is 45% by 2025 and 50% by 2030; but with a recognition that the most London is likely to be able to achieve under the current legislative framework for household waste is 42% by 2022. The LES also indicates that London should manage all its waste (not just LACW) by 2026, when only 50% was managed in London in 2015; the London Plan is however the key document here.

4.3 The Councils have, in their separate capacity as local planning authorities, prepared a Joint Waste Development Plan (JWDP) for the period 2012 to 2021 to provide a common set of land-use policies on waste across the four Councils that provides sufficient space for the management of not only LACW but also commercial and industrial wastes arising in the areas. The JWDP was consistent with the national Waste Strategy 2007 and the London Plan 2011. However, given that it is only current to 2021, and in light of the expected growth, regeneration and demographic changes in the areas of the Constituent boroughs, there is now a strategic need to update the JWDP. The Authority can give contribute advice and information to the development of a successor joint waste development plan, but the

¹ See: https://www.london.gov.uk/what-we-do/environment/london-environment-strategy
Authority is an interested stakeholder in the process; development and adoption of a joint waste plan is a matter that the Councils must deliver independently as local planning authorities.

4.4 Some preliminary work has been done on the above, but given the lead times that are associated with major waste treatment facilities, it is necessary to review and refresh past work on the above matters and to develop in partnership with the Councils a programme of activity that will lead to the provision of appropriate new waste treatment arrangements in a timely fashion, with appropriate detail and rigour to form the foundation of future procurement and planning work; Officers are aiming to bring this programme to Members later this year. Initial officer-level observations are that elsewhere it has taken two to three years (or more) to agree a joint waste strategy in two-tier areas\(^2\), some three years to complete a ‘competitive dialogue’ procurement, three or more years to get planning permission (some fifteen years in the case of the Belvedere energy recovery facility in Bexley\(^3\)), and the construction time of a new residual waste facility is typically three years. Whilst there may be some opportunity to have the procurement and planning application waste streams running in parallel to some extent, time is clearly of the essence.

4.5 The IWMS provides that discussions about any possible extension of the contract shall take place from December 2022, and that ELWA must serve notice by December 2026 at the latest. The IWMS can be extended by a period of up to five years, but it would appear reasonable to aim to be prepared for new waste management arrangements from the end of the principal term of the IWMS; the extension period could then provide a buffer if necessary for any unavoidable delays in the delivery of new waste facilities and services.

5. **East London Joint Waste Strategy**

5.1 The current IWMS means that local waste services are constrained in a number of ways until 2027. Members may wish to note the contract reviews in 2011 and 2014. Whilst every opportunity to increase recycling rates under the IWMS will be taken where economically viable to do so and savings will be pursued too, Members will wish to look to the future and develop an agreed set of objectives and priorities for the longer-term future. In doing so, it will be necessary to have full regard to the London Environment Strategy (LES) recently published by the London Mayor as the Authority and the Councils have a duty to be in general conformity with the LES, and it sets out a number of obligations and ambitious targets to improve the management of wastes in London; it will therefore be necessary to maintain a close dialogue with the GLA as the new ELJWS develops.

5.2 The key steps to achieve this will require work on a common basis across the Councils that will consider national and regional policy and will include:

a) agreement on the amounts of LACW that are expected to arise (this will be informed by such matters as forecasts of the quantity and type of housing growth, the future composition of waste, future legislation particularly on ‘extended producer responsibility’, national and local waste prevention activity, and Council policies in relation to trade waste); it is likely to also require waste composition analyses coupled with forecasts of likely changes to current waste composition arising from both policy and technical developments;

b) agreement on the proportions of LACW that the Authority will reuse or recycle at the Reuse and Recycling Centres (RRCs) and the Councils will reuse or recycle through

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\(^2\) Two-tier area are areas where there is a waste disposal authority that serves a number of waste collection authorities (e.g. ELWA), as opposed to unitary authority areas where collection and disposal authority functions are delivered by the same organisation (e.g. LB Tower Hamlets or Thurrock Council).

\(^3\) Developed by the waste management company Cory primarily for the Western Riverside Waste Authority.
their various collection services, and the extent of separation of different wastes by residents and Council trade waste customers within these services;

c) agreement on the optimum ways of arranging the treatment of wastes for reuse and recycling, in terms of collection services and RRCs, treatment processes, their economies of scale, social value including equalities, foreseeable national policy changes that might increase the responsibilities of producers of waste to arrange and/or fund the costs of managing and recovering any particular types of waste (e.g. deposit return schemes and other forms of ‘extended producer responsibility’) and the absolute need to ensure we are producing either recyclates or actual products for which there is a robust demand;

d) having deduced the amount of residual waste requiring treatment (arisings minus reuse and recycling), agreement on the preferred technology(ies) for the recovery of value (e.g. missed recyclables, heat energy, electricity generation) from the residual waste, taking account of relevant national and regional strategies;

e) consideration of any opportunities for joint working with other authorities beyond the ELWA area;

f) agreement of the optimum ways to deliver the above Council and Authority services including any strategic preferences on such matters for waste treatment facilities as performance metrics, merchant versus own dedicated facilities (and the locations thereof), reverting versus non-reverting assets, ideal contract lengths, opportunities for local heat energy usage, affordability, and, in terms of specifying the capacity of any new facility(ies) and the intrinsic uncertainties of forecasting waste tonnages, whether it is preferable to err on the side of over-capacity which may be sold to third party waste producers or to err on the side of under-capacity and possibly have to purchase additional capacity on the open market; and

g) assisting the four Councils with the development of a joint land-use plan for waste as below.

5.3 As part of the development of a new joint waste strategy it may be necessary to include a strategic environmental assessment (SEA). The main purpose of this is to ensure the systematic consideration of a full range of environmental factors and to put in place appropriate indicators by which environmental impacts of the strategy are measured and reported over the period of the strategy. This may incorporate assessments of other impacts such as social value, health and equalities.

5.4 Both the ELJWS and Joint Waste Plan may will require an SEA and public consultations on principles and proposals.

5.5 The above will require substantial officer time at the Authority and from the Councils, and will also require careful programme management; and whilst as much work as possible will be done by Authority and Council officers, developing the ELJWS is also likely to require the commissioning of specialist external advice on a range of environmental, planning, communications, legal and financial matters, particularly as the ELJWS will be a foundation stone of how the Authority and the Councils pursue delivery of future waste facilities and services, be it through any planning applications or the procurement of services likely to of significant value. Well-planned stakeholder engagement will also be essential. Officers are discussing with Local Partnerships the possibility of a workshop for the Authority and Councils to come together and have structured discussions about how best to proceed with the ELJWS and what specific resource implications this is likely to have.


6.1 As noted above, the Councils, when developing the current Joint Waste Development Plan (JWDP) in their separate capacities as local planning authorities, have recognised that to the extent that local authority waste services are to be delivered at new waste treatment
facilities, joint waste planning policy for waste is a strategic means of providing for the management of waste, particularly noting the London Mayor’s objective of regional self-sufficiency, and the general opposition of surrounding regional planning policy to treating London’s waste). A JWDP sets out a common analysis, conclusions and planning policy about where new waste treatment facilities should be situated. The current JWDP for East London runs until 2021.

6.2 Future work is needed on the nature of waste planning policy after 2021 in the ELWA area. A refreshed strategic new JWDP for East London will likely be the best way of identifying the extent of need for any new waste treatment facilities and the optimum locations for these. Larger facilities would allow economies of scale to be optimised for LACW, and would also mean fewer planning applications are necessary (thereby minimising a key delivery risk for the Authority).

6.3 The Authority will need to engage with the plan making process led by the Councils (as local planning authorities). As the waste disposal authority for the area, as a supplier of essential waste data, as the occupier of six protected waste sites, and potentially as a sponsor of new waste facilities in East London, the Authority is a critical stakeholder in the process of developing a new joint waste plan.

6.4 A joint waste development plan forms part of the statutory development plan for the Councils in accordance with which any planning applications for waste facilities in their areas would be determined. The plan will be subject to public consultation, strategic environmental / sustainability appraisals and examination in public prior to adoption. This work would be led by the Councils (local planning authorities) in a manner consistent with the production of their local plans.

7. Authority Officer Arrangements

7.1 The current officer structure is the minimum necessary for the Authority’s current contract management and other administrative activities; there is currently an establishment of five posts in total. This will not suffice for the work on waste strategy and planning, and even more so for the actual procurement and delivery-oversight of new waste management arrangements.

7.2 A senior post focussed on the above is certainly needed now, and the Managing Director will proceed with filling this post on a permanent basis; this post will also improve the Authority’s ability to respond to Government consultations on wastes and resources. Any further changes to the Authority’s establishment will be brought to future Authority meetings.

8. Later Steps

8.1 As the ELJWS is being finalised, it is likely to be necessary to start preparatory work on the actual procurement itself. This will include all necessary contract documents but may, depending on future decisions, also include the acquisition of sites, planning work and/or site preparation works. As with the above, this will require substantial input from the Councils to ensure co-ordination of re-use, collection and disposal activities and interests, notwithstanding that Authority officers are most likely to be leading this work.

9. Relevant officer:

9.1 Andrew Lappage, Managing Director / e-mail: andrew.lappage@eastlondonwaste.gov.uk / 020 8724 5614.

10. Appendices attached:

10.1 None.

11. Background papers:

11.1 None.
12. **Legal considerations:**

12.1 The report mainly provides an update for future arrangements; before such arrangements can be affected, options and proposals would be reported to the Authority in line with its Constitutional arrangements. The comments below provide a steer for the relevant issues and steps that would be required to deliver the East London Joint Waste Strategy and East London Joint Waste Plan.

   a) Preparation of the East London Joint Waste Plan would be led jointly by the constituent Councils as local planning authorities and it would form part of the Local Plans. In preparing their Local Plans, national planning and waste policy requires waste planning authorities, to the extent appropriate to their responsibilities, to:

   b) ensure that the planned provision of new capacity and its spatial distribution is based on robust analysis of best available data and information, and an appraisal of options;

   c) work jointly and collaboratively with other planning authorities to collect and share data and information on waste arisings;

   d) identify sufficient opportunities to meet the identified needs of their area for the management of waste streams;

   e) undertake early and meaningful engagement with local communities so that plans, as far as possible, reflect a collective vision and set of agreed priorities, recognising that incineration can be controversial;

   f) drive waste management up the waste hierarchy, meaning consideration of treating waste as a resource and extracting energy from waste, and recognising the need for a mix of types and scale of facilities, and that adequate provision must be made for waste disposal; and

   g) identify the tonnages and percentages of municipal, and commercial and industrial, waste requiring different types of management.

12.2 The plan making process is subject to consultation, iterative sustainability appraisal and strategic environmental assessments which would be led by the local planning authorities (the constituent councils). Joint arrangements for collaboration are being put in place. ELWA is a significant stakeholder in this process and will collaborate as necessary and update its Members at appropriate stages.

12.3 ELWA will lead on the production of the East London Joint Waste Strategy, the scope of which is described in section 5 of the main report. This document will be produced jointly with the Constituent Councils. It will be subject to consultation and strategic environmental assessment as necessary. Under the Constitution, it is the responsibility of the Managing Director to ensure that the strategy and business plan are in place (Part C, Section B, para 1.1 (c)). The Authority is responsible for setting the corporate direction and policy related matters for ELWA (Part C, Section A, para 1.2(j)). This is an update report, therefore, any options, proposals for the strategy, consultation outcomes and ultimate approval of the ELJWS will be presented to and approved by the Authority.

12.4 The report also notes that the Managing Director, as Head of Paid Service is creating a role to support strategy development. The Head of Paid Service has responsibility for all Human Resources matters and delivery of ELWA’s strategy. As such he has delegated authority to create and recruit to the role. Only the appointment of chief/proper officers is reserved to the Authority. However, the report notes that if there are significant proposals to change the organisational structure and establishment roles within ELWA to support future arrangements, these would be reported to Members.
13. **Financial considerations:**

13.1 The Authority has set up a Strategy reserve to cover the costs arising out of the development and planning for post 2027 waste disposal arrangements. The profile of strategy expenditure will start to be developed during 2018/19, however, there will be some costs incurred during this financial year as outlined earlier in this report, which will be met from the Strategy reserve.

14. **Performance management considerations:**

14.1 Officers will draw on their own experiences and will seek advice from peers and external advisers as necessary in order to develop and implement changes to local services in a way that meets the needs and aspirations of residents, local businesses and Members.

15. **Risk management considerations:**

15.1 Risk management will form a fundamental part of the development and delivery of new waste management arrangements, in terms of project management, technical and planning deliverability assessments, wider stakeholder management, and especially in relation to any potential impacts of the above on current services.

16. **Equalities considerations:**

16.1 The ELJWS will have an equalities impact assessment as part of its development. The same will apply to a new JWDP, and also the sustainability appraisal process which is an iterative part of the plan making process will include equalities considerations. The engagement and management of external advisers will have full regard to equalities considerations. The employment of new ELWA staff will be through Barking & Dagenham’s procedures, so will also have full regard to equalities considerations.

17. **Follow-up reports:**

17.1 As required.

18. **Websites and e-mail links for further information:**


19. **Glossary:**

Constituent Councils / the Councils = London Borough Councils of Barking & Dagenham, Havering, Newham & Redbridge

ELJWS = East London Joint Waste Strategy (to guide the development of waste facilities and services)

ELWA / the Authority = East London Waste Authority

IWMS = Integrated Waste Management Services contract

JWDP = Joint Waste Development Plan (for planning applications for waste facilities to be assessed against)

LACW = Local Authority Collected Waste

LES = London Environment Strategy, published by the London Mayor

RRC = Reuse and Recycling Centre

SEA = Strategic Environmental Assessment

The Operator = Renewi UK Services Ltd (formerly Shanks east.London)
20. Reviewed by Management Board
20.1 15 June 2018.

21. Confidentiality:
21.1 No.
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AUTHORITY REPORT: DEFRA CONSULTATION ON GOVERNANCE OF ENVIRONMENTAL LAW POST-BREXIT

1. Confidential Report:

1.1 No.

2. Recommendation:

2.1 To delegate authority to the Managing Director, in consultation with the Chair and the Monitoring Officer, to submit a response on behalf of the Authority to the Department for Environment Food & Rural Affairs (DEFRA) consultation “Environmental Principles and Governance after the United Kingdom Leaves the European Union, May 2018”.

3. Background:

3.1 DEFRA has indicated it intends to publish an Environmental Principles and Governance Bill that will be “designed to create a new, world-leading, independent environmental watchdog to hold government to account on our environmental ambitions and obligations once we have left the EU. The role which has been played in the past by the EU Commission and courts should be filled now by a UK body embedded in the UK’s parliamentary democracy.”

3.2 It has published a consultation1 that asks how it can make sure the new watchdog works most effectively. How should environmental principles be embedded into law? How should public policy-making and delivery be scrutinised? What functions and powers should the new environmental watchdog have to oversee environmental law and policy?

3.3 The new body’s scope of responsibility and powers are likely to be of importance to the Authority as in overseeing the implementation of a wide range of environmental law it is expected to have a role in the delivery of the circular economy package of legislation recently passed in Europe2, which the Government has said it would support3.

4. Key Points and Issues in the Consultation

4.1 The consultation asks fourteen questions that are set out in Appendix A.

4.2 Detailed responses have not yet been prepared, but key themes that Members might wish to express a view are:

a) That the new body’s guiding environmental principles and aims should be set out in the Act proposed in the consultation paper, and not in a statutory instrument so that they are more securely fixed; the primary means by which it might achieve these might reasonably be set out in a statutory instrument that can be updated if or when circumstances require it.

b) That a definition of “environmental law” is in the above Act and that the relative weight of, on the one hand compliance with environmental laws, and on the other hand the Government achieving other social objectives should be indicated as

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1 See: https://consult.defra.gov.uk/eu/environmental-principles-and-governance/
3 https://ciwm-journal.co.uk/uk-will-vote-in-favour-of-eu-circular-economy-package/
clearly as possible within the above Act. It appears likely that fiscal instruments as well as other policy levers may be part of the way in which the Government legislates to implement the guiding environmental principles (particularly those informing the circular economy package, noted at para 3.3 above), in which case these must be within the scope of the environmental law that the new body is established to oversee.

c) That bringing the key principles into practice through environmental law may require fiscal or other interventions in the specification of manufactured and imported goods to minimise initial resource use and then to minimise environmental impacts during their distribution, their use and their return to further productive use (re-use or recycling) thereafter; and similar principles will pertain to crops and other grown products such that nutrients can be returned to soils. It may also require interventions in land-use planning policy.

d) That the principal means by which the environmental impacts of imported goods and services are assessed and made comparable with goods and services from the UK are set out in the above Act. This may include taxation and tariffs.

e) The new body should be (and seen to be) independent of government and be able and equipped to hold the Government effectively to account such that environmental laws meet the agreed principles and aims and are then fully complied with, with appropriate internal expertise as well as the power and means to draw upon external expertise. It will then be for the Government to hold others to account and ensure compliance through bodies such as the Environment Agency.

f) That the new body should be charged with overseeing and holding the Government to account both for its policies (such as in the 25 Year Environment Plan) as well as actual legislation.

g) That the Government must be sure that any differences that might emerge between the devolved areas and the rest of the UK do not create barriers for the effective movement of wastes and secondary resources.

4.3 Members are invited to comment on the above or other aspects of the questions at Appendix A in order to inform the preparation of a formal response to the consultation.

5. Relevant officer:

5.1 Andrew Lappage, e-mail: andrew.lappage@eastlondonwaste.gov.uk / 020 8724 5614

6. Appendices attached:

6.1 Appendix A.

7. Background Papers:

7.1 None.

8. Legal Considerations:

8.1 Under the Constitution, the Authority sets policy, corporate direction and policy related matters for ELWA. The report has identified the relevant themes arising from the
proposed Bill and seeks Members’ views on those environmental matters. A more
detailed and technical consultation response is intended to be prepared by the Managing
Director following Members’ feedback in consultation with the Chair and others. It is
appropriate to delegate authority to the Managing Director to produce and issue a
response to the consultation as requested.

8.2 The Environmental Principles and Governance Bill is at an early stage with consultation
open until August 2018 via online response.

8.3 The consultation document ‘Environmental Principles and Governance after the United
Kingdom leaves the European Union Consultation on environmental principles and
accountability for the environment May 2018’ stresses that where environmental
principles are contained in specific pieces of EU legislation, these will be maintained as
part of our domestic legal framework through the retention of EU law under the EU
(Withdrawal) Bill.

8.4 Any question as to the interpretation of retained EU law will be determined by UK courts
in accordance with relevant pre-exit Court of Justice of the European Union (CJEU) case
law and general principles, subject to the other exceptions and restrictions within the
Bill. For example, CJEU case law on chemicals, waste and habitats includes judgments
on the application of the precautionary principle to those areas. This will therefore be
preserved by the Bill.

8.5 Currently Defra publishes significant data on the implementation of environmental laws
(e.g. waste, water quality, air quality), for scrutiny by parliamentary committees as well
as the EU. The reporting requirements post EU exit, for systematic reporting on
implementation of environmental laws will be replicated with requirements for the
Secretary of State to publish implementation reports and data.

8.6 Furthermore, various EU environmental laws, such as those dealing with waste, water
quality and air quality, require submission of periodic implementation reports to the
Commission. Post EU exit the Secretary of State may delegate this reporting to delivery
bodies responsible for implementing the laws. This would allow the delivery bodies to
demonstrate their application of the law and the environmental outcomes achieved.

8.7 The function of the Environment Agency sponsored by DEFRA, includes responsibilities
relating to the protection and enhancement of the environment. To this end it has a
wide range of regulatory, operational and advisory functions relating to waste
management, climate change, industrial emissions, land quality, water quality and
water resources, fisheries, navigation and flood and coastal erosion risk management.
This role will continue.

8.8 The Planning regime shall remain, with large scale energy, transport, waste, water, and
waste water projects being able to use the Nationally Significant Infrastructure Projects
planning regime set out in the Planning Act 2008. These applications are dealt with for
decision by the relevant Secretary of State.

8.9 Finally, the Government confirms that international arrangements such as the Basel
Convention on the Movement of Hazardous Wastes will remain in place.

9. Financial considerations:

9.1 There are no direct financial implications arising from this report.
10. Performance management considerations:

10.1 If there is no body to hold the Government to account for any failings that might emerge in UK environmental law, it may increase the difficulty ELWA and the Constituent Councils have in achieving improved or required re-use and recycling rates.

11. Risk management considerations:

11.1 As at 10 above.

12. Equalities considerations:

12.1 At this early stage it is not possible to identify and assess equalities considerations as the proposals are UK-wide.

13. Follow-up reports:

13.1 Members will be informed of future relevant legislative proposals.

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

14.1 http://eastlondonwaste.gov.uk/east-london-waste-authority/

15. Glossary:

DEFRA = Department for Environment Food & Rural Affairs

ELWA/the Authority = East London Waste Authority

EU = European Union

16. Reviewed by Management Board:

16.1 15 June 2018

17. Confidentiality:

17.1 Not applicable.
**Consultation Questions**

**Question 1:** Which environmental principles do you consider as the most important to underpin future policy-making?

**Question 2:** Do you agree with these proposals for a statutory policy statement on environmental principles (this applies to both Options 1 and 2)?

**Question 3:** Should the Environmental Principles and Governance Bill list the environmental principles that the statement must cover (Option 1) or should the principles only be set out in the policy statement (Option 2)?

**Question 4:** Do you think there will be any environmental governance mechanisms missing as a result of leaving the EU?

**Question 5:** Do you agree with the proposed objectives for the establishment of the new environmental body?

**Question 6:** Should the new body have functions to scrutinise and advise the government in relation to extant environmental law?

**Question 7:** Should the new body be able to scrutinise, advise and report on the delivery of key environmental policies, such as the 25 Year Environment Plan?

**Question 8:** Should the new body have a remit and powers to respond to and investigate complaints from members of the public about the alleged failure of government to implement environmental law?

**Question 9:** Do you think any other mechanisms should be included in the framework for the new body to enforce government delivery of environmental law beyond advisory notices?

**Question 10:** The new body will hold national government directly to account. Should any other authorities be directly or indirectly in the scope of the new body?

**Question 11:** Do you agree that the new body should include oversight of domestic environmental law, including that derived from the EU, but not of international environmental agreements to which the UK is party?

**Question 12:** Do you agree with our assessment of the nature of the body’s role in the areas outlined above?

**Question 13:** Should the body be able to advise on planning policy?

**Question 14:** Do you have any other comments or wish to provide any further information relating to the issues addressed in this consultation document?
By virtue of paragraph 3 of Part 1, Agenda Items 18 and 19
Schedule 12A of the
Local Government Act 1972 (as amended)

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