EAST LONDON WASTE AUTHORITY
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

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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.

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

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.

Summary Budget	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Strategy Reserve						
Opening balance	**1.285**	**6.642**	**7.817**	**10.317**	**12.817**	**15.317**
Less Strategy spend	-	-	-	-	-	-
In year movement :						
- MTFS	1.972	1.175	2.500	2.500	2.500	2.500
- Contribution	3.385	-	-	-	-	-
Closing balance	**6.642**	**7.817**	**10.317**	**12.817**	**15.317**	**17.817**
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.

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

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

Approval of Accounts

The Statement of Accounts was approved by East London Waste Authority.

Chair

___ 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.

	Revenue Reserve Balance	Strategy Reserve	Business Risk Reserve	Capital Reserve (Revenue Contributions)	**Total Usable Reserves**	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	**Unusable Reserves**	**Total Authority Reserves**
	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	**£000**	**£000**
Balance at 31 March 2017	**(3,000)**	**(1,285)**	**-**	**(100)**	**(4,385)**	**8,459**	**(32,521)**	**1,663**	**3**	**(22,396)**	**(26,781)**
Movement in Reserves during 2017/2018											
Total Comprehensive Income and Expenditure	(7,201)	**-**	**-**	**-**	**(7,201)**	**-**	**(363)**	**(146)**	**-**	**(509)**	**(7,710)**
Adjustment between accounting basis and funding basis under regulations (Note 5)	7,201	(5,357)	(1,000)	-	**844**	(1,777)	880	53	-	**(844)**	**-**
Decrease / (Increase) in 2017/18	**-**	**(5,357)**	**(1,000)**	**-**	**(6,357)**	**(1,777)**	**517**	**(93)**	**-**	**(1,353)**	**(7,710)**
Balance at 31 March 2018 carried forward	**(3,000)**	**(6,642)**	**(1,000)**	**(100)**	**(10,742)**	**6,682**	**(32,004)**	**1,570**	**3**	**(23,749)**	**(34,491)**

2. 2016/17 Movement

	Revenue Reserve Balance	Strategy Reserve	Capital Reserve (Revenue Contributions)	Capital Receipts Reserve	**Total Usable Reserves**	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	**Unusable Reserves**	**Total Authority Reserves**
	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	**£000**	**£000**
Balance at 31 March 2016	**(1,793)**	**-**	**(400)**	**(115)**	**(2,308)**	**9,633**	**(33,061)**	**1,494**	**5**	**(21,929)**	**(24,237)**
Movement in Reserves during 2016/2017											
Total Comprehensive Income and Expenditure	(2,554)	**-**	**-**	**-**	**(2,554)**	**-**	**(115)**	125	-	**10**	**(2,544)**
Adjustment between accounting basis and funding basis under regulations (Note 5)	1,347	(1,285)	300	115	**477**	(1,174)	655	44	(2)	**(477)**	**-**
Decrease / (Increase) in 2016/17	**(1,207)**	**(1,285)**	**300**	**115**	**(2,077)**	**(1,174)**	**540**	**169**	**(2)**	**(467)**	**(2,544)**
Balance at 31 March 2017 carried forward	**(3,000)**	**(1,285)**	**(100)**	**-**	**(4,385)**	**8,459**	**(32,521)**	**1,663**	**3**	**(22,396)**	**(26,781)**

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.

	Restated 2016/17					2017/18
Gross Expenditure	**Gross Income**	**Net Expenditure /Income**		**Gross Expenditure**	**Gross Income**	**Net Expenditure /Income**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
1,072	-	1,072	Supplies and Services	1,131	-	1,131
44,098	-	44,098	Service Charges (Note 25)	43,605	-	43,605
353	-	353	Employee Costs	419	-	419
139	-	139	Premises Related Expenditure	134	-	134
1	-	1	Transport Related Expenditure	-	-	-
5,858	-	5,858	Depreciation and Impairment of Fixed Assets (Note 8)	6,087	-	6,087
2,985	-	2,985	Third Party Payments & Support Services	2,758	-	2,758
-	3,084	(3,084)	Commercial Waste Charges	-	2,933	(2,933)
-	4,061	(4,061)	PFI and other Grants (Note 21)	-	4,006	(4,006)
-	1,880	(1,880)	Other Income	-	1,057	(1,057)
54,506	**9,025**	**45,481**	**Cost of Services**	**54,134**	**7,996**	**46,138**
8,687	32	8,655	Financing and investment income and Expenditure (Note 7)	8,552	68	8,484
-	56,567	(56,567)	Income from Levy	-	61,542	(61,542)
-	123	(123)	PFI Deferred Income released (Note 25)	-	281	(281)
63,193	**65,747**	**(2,554)**	**Deficit/(Surplus) on provision of services**	**62,686**	**69,887**	**(7,201)**
		(115)	Surplus on revaluation of Property, plant and equipment assets (Note 8)			(363)
		125	Actuarial (gains)/losses on pension assets/Liabilities (Note 26)			(146)
		10	**Other Comprehensive Income and Expenditure**			**(509)**
		(2,544)	**Total Comprehensive Income and Expenditure**			**(7,710)**

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.

		2016/17				2017/18
Net Expenditure chargeable to the Revenue Reserve	**Adjustments between the funding and accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Gross Net Expenditure chargeable to the Revenue Reserve**	**Adjustments between the funding and accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
402	670	1,072	Supplies and Services (including Contingency Expenditure)	110	1,021	1,131
59,804	(15,706)	44,098	Contractor / Service Charge (Note 25)	59,656	(16,051)	43,605
360	(7)	353	Employee Costs	413	6	419
140	-	140	Transport & Premises Related Expenditure	133	1	134
-	5,858	5,858	Depreciation and Impairment of Fixed Assets (Note 8)	-	6,087	6,087
2,586	399	2,985	Third Party Payments & Support Services	2,993	(235)	2,758
(3,084)	-	(3,084)	Commercial Waste Charges	(2,933)	-	(2,933)
(3,991)	(70)	(4,061)	PFI and other Grants (Note 21)	(3,991)	(15)	(4,006)
(1,880)	-	(1,880)	Other Income	(1,310)	253	(1,057)
54,337	**(8,856)**	**45,481**	**Cost of Services**	**55,071**	**(8,933)**	**46,138**
180	(180)	-	Capital Financing Costs	179	(179)	-
(32)	32	-	Bank Interest Receivable	(65)	65	-
-	8,655	8,655	Financing and investment income and Expenditure (Note 7)	-	8,484	8,484
(56,567)	-	(56,567)	Income from Levy	(61,542)	-	(61,542)
-	(123)	(123)	PFI Deferred Income released (Note 25)	-	(281)	(281)
(2,082)	**(472)**	**(2,554)**	**Surplus or Deficit on Provision of Services**	**(6,357)**	**(844)**	**(7,201)**

		2016/17				**2017/18**
Net Expenditure chargeable to the Revenue Reserve	**Adjustments between the funding and accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Gross Net Expenditure chargeable to the Revenue Reserve**	**Adjustments between the funding and accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(2,082)	**(472)**	**(2,554)**	**(Surplus) or Deficit on Provision of Services**	**(6,357)**	**(844)**	**(7,201)**
5	(5)	-	Accumulated Absence previous year reversal	-	-	-
(2,077)	**(477)**	**(2,554)**	**Net Expenditure chargeable to Reserves**	**(6,357)**	**(844)**	**(7,201)**
(2,308)			**Opening Usable Reserve Balance**	**(4,385)**		
(2,077)			Plus (Surplus) or Deficit on Revenue Reserve in Year	(6,357)		
(4,385)			**Usable Reserve Balance C/Fwd.**	**(10,742)**		

BALANCE SHEET

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'.

31 March 2017 £000		**Notes**	**31 March 2018 £000**
100,688	Property, Plant & Equipment	**8**	96,948
100,688	**Long Term Assets**		**96,948**
8,313	Short Term Investments	**29**	14,762
2,364	Short term Debtors	**10**	2,270
11	Cash and Cash Equivalents	**11**	28
10,688	**Current Assets**		**17,060**
(26)	Short Term Borrowing	**29**	(26)
(5,842)	Short Term Creditors	**12**	(5,885)
(250)	Provisions	**27**	-
(6,118)	**Current Liabilities**		**(5,911)**
(1,250)	Long Term Borrowing	**29**	(1,250)
(72,987)	PFI Finance Lease Liability	**25**	(67,766)
(1,663)	Pension Liability	**26**	(1,570)
(2,577)	PFI Deferred Income	**25**	(3,020)
(78,477)	**Long Term Liabilities**		**(73,606)**
26,781	**Net Assets / Liabilities**		**34,491**
(4,385)	Usable Reserves	**13/MIR**	(10,742)
(22,396)	Unusable Reserves	**14**	(23,749)
(26,781)	**Total Reserves**		**(34,491)**

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.

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

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.

Financial Liabilities

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

b) 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

Recognition

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

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 statutorily required payments to the LPFA and the IAS 19 accounting cost charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. Further information relating to the Net Pension Liability is shown in Note 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

Provisions

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:

Item	Uncertainties	Effect if actual results differ from assumptions
Private Finance Initiative	The PFI contract costs are based on estimation over a period of 25 years. The assumptions made at the beginning of the contract will be subject to unknown future change.	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.
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A consulting actuary is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the present value of the pension's total obligation can be measured. For instance a 0.1% decrease in the discount rate assumption would result in the total obligation increasing by £0.070m. However, the assumptions interact in complex ways. The Authority's actuary uses their experience to make the necessary adjustments accordingly.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, based upon current depreciation a one year's reduction in useful life would result in an increased depreciation of £0.388m per year.

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.

2017/18

	Reserves				
	Revenue Reserve Balance	**Strategy Reserve**	**Business Risk Reserve**	**Capital Reserve (Revenue Contrib.)**	**Movement in Unusable Reserves**
Adjustments to the Revenue Resources:	**£000**	**£000**	**£000**	**£000**	**£000**
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:					
Pensions costs transferred to (or from) the Pensions Reserve (see note 26.3)	(53)	-	-	-	53
Holiday pay - transferred to the Accumulated Absences	(3)	-	-	-	3
Total adjustments to the Revenue Resources	**(56)**	**-**	**-**	**-**	**56**
Adjustments between Revenue and Capital Resources:					
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	56	-	-	-	(56)
Reversal of Charges for depreciation and impairment of PFI non-current assets (transfer to/from the Capital Adjustment Account)	(6,087)	-	-	-	6,087
Statutory provision for the financing of PFI capital investment (transfer to/from the Capital Adjustment Account)	6,647	-	-	-	(6,647)
Reversal of PFI deferred income credit (transfer to/from CAA)	281	-	-	-	(281)
Use of capital receipt to fund capital expenditure	-	-	-	-	-
Total adjustments between Revenue and Capital Resources	**897**	**-**	**-**	**-**	**(897)**
Other adjustments between Reserves					
Contribution to Strategy & Business Risk Reserves	6,357	(5,357)	(1,000)	-	-
Reversal of Previous year's Accumulated absence	3	-	-	-	(3)
Total adjustments between Reserves	**6,360**	**(5,357)**	**(1,000)**	**-**	**(3)**
Total Adjustments as shown in Movement in Reserves Statement	**7,201**	**(5,357)**	**(1,000)**	**-**	**(844)**

2016/17 Comparative Figures

	Reserves				
	Revenue Reserve Balance	Strategy Reserve	Capital Receipts Reserve	Capital Reserve (Revenue Contrib.)	Movement in Unusable Reserves
Adjustments to the Revenue Resources:	**£000**	**£000**	**£000**	**£000**	**£000**
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:					
Pensions costs transferred to (or from) the Pensions Reserve (see note 26.3)	(44)	-	-	-	44
Holiday pay - transferred to the Accumulated Absences	(3)	-	-	-	3
Total adjustments to the Revenue Resources	**(47)**	**-**	**-**	**-**	**47**
Adjustments between Revenue and Capital Resources:					
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	58	-	-	-	(58)
Reversal of Charges for depreciation and impairment of PFI non-current assets (transfer to/from the Capital Adjustment Account)	(5,858)	-	-	-	5,858
Statutory provision for the financing of PFI capital investment (transfer to/from the Capital Adjustment Account)	6,196	-	-	-	(6,196)
Reversal of PFI deferred income credit (transfer to/from CAA)	123	-	-	-	(123)
Use of capital receipt to fund capital expenditure	(115)	-	115	-	-
Total adjustments between Revenue and Capital Resources	**404**	**-**	**115**	**-**	**(519)**
Other adjustments between Reserves					
Contribution to Strategy Reserve	985	(1,285)	-	300	-
Reversal of Previous year's Accumulated absence	5	-	-	-	(5)
Total adjustments between Reserves	**990**	**(1,285)**	**-**	**300**	**(5)**
Total Adjustments as shown in Movement in Reserves Statement	**1,347**	**(1,285)**	**115**	**300**	**(477)**

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.

	Balance at 1 April 2016	Transfers Out 2016/17	Transfers in 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers in 2017/18	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Revenue Reserve:							
Strategy Reserve	-	-	(1,285)	(1,285)	-	(5,357)	(6,642)
Business Risk Reserve	-	-	-	-	-	(1,000)	(1,000)
Capital Reserve (RCCO)	(400)	300	-	(100)	-	-	(100)
Capital Receipts	(115)	115	-	-	-	-	-
Total	**(515)**	**415**	**(1,285)**	**(1,385)**	**-**	**(6,357)**	**(7,742)**

7. Financing and Investment Income and Expenditure

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

8. Property, Plant and Equipment

Comprehensive Movements on Balances

Movements in 2017/18:

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

Comparative Movements in 2016/17:

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2016	41,642	66,612	108,254	107,962
Additions – Life Cycle costs	197	709	906	906
Additions – Life Cycle (in advance)	-	165	165	165
Additions – Leased Assets	-	2,700	2,700	2,700
Additions – New Asset	-	52	52	-
Revaluation Increase recognised in the Revaluation Reserve – Landfill Sites	115	-	115	-
At 31 March 2017	41,954	70,238	112,192	111,733
Accumulated Depreciation and Impairment				
At 1 April 2016	1,773	3,873	5,646	5,646
Depreciation charge	1,786	4,072	5,858	5,858
At 31 March 2017	3,559	7,945	11,504	11,504
Net Book Value				
At 31 March 2016	39,869	62,739	102,608	102,316
At 31 March 2017	38,395	62,293	100,688	100,229

Additions and Revaluations

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).

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.

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.

Depreciation

8.4 Depreciation has been calculated on a straight-line basis based on a remaining useful life.

8.5 From the 1 April 2015, the Authority's assets are assessed as per the Authority's component accounting policy. (See page 28)

Non-operational Property, Plant and Equipment (Surplus Assets)

8.6 The Authority does not have material surplus assets.

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.

8.8 In 2016/17, the Authority purchased a flare for the Aveley Landfill site for £0.052m.

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.

Fixed Assets Fair Value Annual Comparison

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Total
	£000	£000	£000
Carried at historical cost	86,584	10,976	97,560
Valued at fair value as at:			
31 March 2014	65,352	16,108	**81,460**
31 March 2015	41,532	65,038	**106,570**
31 March 2016	39,869	62,739	**102,608**
31 March 2017	38,395	62,293	**100,688**
31 March 2018	37,337	59,611	**96,948**
Total Cost or Valuation	37,337	59,611	**96,948**

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

	2016/17 £000	2017/18 £000
Central Government Bodies	1,389	1,228
Other Local Authorities	929	1,014
Other entities and individuals	46	28
Total	2,364	2,270

11. Cash and Cash Equivalents

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

	2016/17 £000	2017/18 £000
Bank current accounts	-	-
Short term deposits	11	28
Total Cash and Cash Equivalents	11	28

12. Short Term Creditors

	2016/17 £000	2017/18 £000
Central Government Bodies	3	4
Other Local Authorities	118	376
Other entities and individuals	5,721	5,505
Total	5,842	5,885

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

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

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.

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

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.

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

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.

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

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.

2016/17 £000		2017/18 £000
5	Balance at 1 April	3
(5)	Reversal of Previous Years accrual	(3)
3	Amounts accrued at the end of the current year by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	3
3	Balance at 31 March	3

15. Cash Flow Statement – Operating Activities

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

2016/17 £000		2017/18 £000
	The cash flows for operating activities include the following items	
32	Interest Received	65
(4,661)	Interest Paid	(4,352)
(4,629)	Net Interest	(4,287)

15.2 Cash Flow for Operating Activities:

2016/17 £000		2017/18 £000
2,554	Net Surplus on the Provision of Services	7,201
	Adjustments to net surplus or deficit on the provision of services for the following non cash movements	
5,858	Depreciation	6,087
(653)	Increase/(Decrease) in Creditors & Provisions	(207)
(737)	(Increase)/Decrease in Debtors	94
44	Actuarial adjustments on pension assets/liabilities	53
(123)	Other non-cash adjustments	(281)
(1)	Adjustment for rounding	1
4,388		5,747
6,942	Net cash flows from operating activities	12,948

16. Cash Flow Statement – Investing Activities

2016/17 £000		2017/18 £000
(1,122)	Purchase of property, plant and equipment	(1,261)
-	Proceeds from sale of property, plant and equipment	-
(475)	Net movement in short-term investments	(6,449)
(1,597)	Net cash flows from investing activities	(7,710)

17. Cash Flow Statement – Financing Activities

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

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.

Adjustments Between Funding and Accounting Basis **2017/18**

Adjustments from Revenue Reserve to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Supplies and Support Services including Contingency Expenditure	-	-	1,021	1,021
Contractor Service Charge (Note 25)	(15,030)	-	(1,021)	(16,051)
Employee Costs	-	6	-	6
Transport & Premises Related Expenditure	-	-	1	1
Depreciation and Impairment of Fixed Assets (Note 8)	6,087	-	-	6,087
Third Party Payments	-	-	(235)	(235)
PFI and other Grants (Note 21)	-	-	(15)	(15)
Other Income	-	-	253	253
Cost of Services	**(8,943)**	**6**	**4**	**(8,933)**
Capital Financing Costs	(179)	-	-	(179)
Bank Interest Receivable	-	-	65	65
Financing and investment income and Expenditure (Note 7)	8,505	47	(68)	8,484
PFI Deferred Income released	(281)	-	-	(281)
(Surplus) or Deficit on Provision of Services	**(898)**	**53**	**1**	**(844)**
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:

Adjustments Between Funding and Accounting Basis				**2016/17**
Adjustments from Revenue Reserve to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes £000**	**Net change for the Pensions Adjustments £000**	**Other Differences £000**	**Total Adjustments £000**
Supplies and Support Services including Contingency Expenditure	-	-	670	670
Contractor Service Charge (Note 25)	(14,707)	-	(999)	(15,706)
Employee Costs	-	(10)	3	(7)
Depreciation and Impairment of Fixed Assets (Note 8)	5,858	-	-	5,858
Third Party Payments	-	-	399	399
PFI and other Grants (Note 21)	-	-	(70)	(70)
Cost of Services	**(8,849)**	**(10)**	**3**	**(8,856)**
Capital Financing Costs	(180)	-	-	(180)
Bank Interest Receivable	-	-	32	32
Financing and investment income and Expenditure (Note 7)	8,633	54	(32)	8,655
PFI Deferred Income released	(123)	-	-	(123)
(Surplus) or Deficit on Provision of Services	**(519)**	**44**	**3**	**(472)**
Accumulated Absence 15/16 reversal	-	-	(5)	(5)
Difference between Usable Reserve Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(519)**	**44**	**(2)**	**(477)**

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:

a) Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

b) 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.

c) 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:

2017/18

	Remuneration £	Pension Contribution £	Total £
Managing Director (Apr – Jun 17)	23,350	3,222	26,572
Interim Managing Director (Jun 17 – Feb 18)	90,950	-	90,950
Interim Managing Director (Mar 18)	6,534	-	6,534

2016/17 Comparative Figures

	Remuneration £	Pension Contribution £	Total £
Managing Director	92,474	15,351	107,825

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:

Remuneration Band	2016/17 Number of employees	2017/18 Number of employees
£50,000 - £54,999	1	-
£55,000 - £59,999	-	-
£60,000 - £64,999	-	1
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	1	1
	2	2

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:

	2016/17 £000	2017/18 £000
Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor for the year – accounts.	18	18
Total	18	18

21. Grant Income

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

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

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:

	2016/17		2017/18	
	Expenditure £000	Income £000	Expenditure £000	Income £000
Barking & Dagenham	1,065	(11,787)	1,082	(12,576)
Havering	940	(14,131)	938	(15,238)
Newham	847	(17,291)	847	(18,863)
Redbridge	504	(16,442)	440	(17,798)
Aveley Methane Limited	-	-	-	-
ELWA Limited	59,466	(460)	59,095	(1,031)

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.

Members of the Authority and Chief Officers

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

Membership of Other Organisations

Managing Director, Mark Ash:	Director of Aveley Methane Plc (to 20/09/17).
Councillor Steven Kelly:	Director of ELWA Limited.
Contract Manager, Dave Hawes:	Director of Aveley Methane Plc (from 20/09/17).

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:

	2016/17 £000	2017/18 £000
Up to one year	317	317
Two to Five Years	1,266	1,266
Six Years to end of lease	2,216	1,583
	3,799	3,166

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.

	2016/17 £000	**2017/18 £000**
Opening Capital Financing Requirement	79,179	73,832
Capital Investment:		
Property, Plant & Equipment	906	1,426
Sources of Finance:		
Direct Revenue Contributions	(906)	(1,426)
Minimum Revenue Provision	(5,347)	(5,277)
Closing Capital Financing Requirement	73,832	68,555
Explanation of movements in year:		
Assets acquired under PFI Contract	906	1,426
Decrease in underlying need for borrowing	(6,253)	(6,703)
Decrease in Capital Financing Requirement	(5,347)	(5,277)

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:

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

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

	2016/17	2017/18
	£000	£000
Balance outstanding at start of the year	78,277	72,987
Payments during the year	(5,290)	(5,221)
Balance outstanding at year-end	72,987	67,766

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.

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

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

	2016/17 £000	2017/18 £000
Balance B/Fwd	-	2,577
Life Cycle – additional expenditure	-	558
Life Cycle – 16/17 adjustment		166
Asset provided	2,700	-
Deferred income released to CI&E	(123)	(281)
Balance C/fwd	**2,577**	**3,020**

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:

	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement		
Cost of Services, employee & support services:		
Current Service Cost	57	66
Financing and Investment Income and Expenditure:		
Net Interest Expense	51	44
Administration Expenses	3	3
Total Post Employment Benefit charged to the Surplus or Deficit on the provision of Services	**111**	**113**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets	(372)	(72)
Other actuarial (gains)/losses	93	-
Change in financial assumptions	686	(74)
Change in demographic assumptions	(94)	-
Experience (gain)/loss on defined benefit obligation	(188)	-
Total Re-measurements	**125**	**(146)**
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**236**	**(33)**
Movement in Reserve Statement		
Reversal of net charges made to the Surplus or Deficit on the provision of Services for post-employment benefits in accordance with the code	(125)	146
Actual amount charged against the Revenue Reserve Balance for pensions in the year	(44)	(53)
Employer's contributions payable to scheme	**67**	**60**

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):

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

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

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

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:

Assets	**2016/17 %**	**2016/17 £000**	**2017/18 %**	**2017/18 £000**
Equities	59	1,502	61	1,619
LDI/Cash-flow matching	-	-	-	-
Target Return Portfolio	21	535	22	594
Infrastructure	5	133	5	116
Commodities	-	-	-	-
Property	5	129	7	191
Cash	10	234	5	129
Total	**100**	**2,533**	**100**	**2,649**

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:

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

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:

	Funded Liabilities Local Government Pension Scheme	
	2016/17	**2017/18**
	£000	**£000**
Present value of the defined benefit obligation	4,196	4,219
Fair value of plan assets	(2,533)	(2,649)
Net liability arising from defined benefit obligation	**1,663**	**1,570**

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:

	2016/17	**2017/18**
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	22.0	22.1
Women	25.5	25.6
Longevity at 65 for future pensioners:		
Men	24.3	24.4
Women	27.7	27.8
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

	Impact on the Defined Benefit Obligation in the Scheme – based on £4,219 (2017/18)	
	Increase in Assumption by 0.1%	**Decrease in Assumption by 0.1%**
Adjustment to:		
- discount rate	4,150	4,289
- long term salary increase	4,224	4,214
- pension increases and deferred revaluation	4,285	4,154
- mortality age rating assumption	4,385	4,060

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.

	2016/17 £000	**2017/18 £000**
Balance at 1 April	250	250
Reversal of Provision	-	(250)
Balance at 31 March	**250**	**-**

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 Remedying 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.

	Long-Term		Current	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Cash at Bank				
Loans and Receivables (note 11)	-	-	11	28
Total Cash at Bank	-	-	11	28
Investments				
Loans and receivables	-	-	8,313	14,762
Total Investments	-	-	8,313	14,762
Debtors				
Loans and receivables	-	-	2,364	2,270
Total Debtors (note 10)	-	-	2,364	2,270
Borrowings				
Financial liabilities at amortised cost	(1,250)	(1,250)	(26)	(26)
Total Borrowings	(1,250)	(1,250)	(26)	(26)
Other long term liabilities				
PFI and finance lease liabilities	(75,564)	(70,786)	-	-
Total other long term liabilities	(75,564)	(70,786)	-	-
Creditors & Provisions				
Financial Liabilities at amortised cost	-	-	(6,092)	(5,885)
Total Creditors & Provisions (notes 12 & 27)	-	-	(6,092)	(5,885)

29.2 Financial Instrument impact on the Comprehensive Income and Expenditure Statement is as follows:

Income, Expense, Gains and Losses

	2016/17					2017/18				
	Financial Liabilities measured at amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through profit and loss	Total	Financial Liabilities measured at amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through profit and loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense (note 7)	4,661	-	-	-	4,661	4,352	-	-	-	4,352
Contingent Rent	3,972	-	-	-	3,972	4,153	-	-	-	4,153
Pension Interest & expected return on pension assets (note 7)	54	-	-	-	54	47	-	-	-	47
Total expense in Surplus or Deficit on the Provision of Services	**8,687**	**-**	**-**	**-**	**8,687**	**8,552**	**-**	**-**	**-**	**8,552**
Other Investment income (note 7)	-	-	-	-	-	-	(3)	-	-	(3)
Interest Income (note 7)	-	(32)	-	-	(32)	-	(65)	-	-	(65)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(32)**	**-**	**-**	**(32)**		**(68)**	**-**	**-**	**(68)**
Net loss /(gain) for the year	**8,687**	**(32)**	**-**	**-**	**8,655**	**8,552**	**(68)**	**-**	**-**	**8,484**

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:

	2016/17		2017/18	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Liabilities				
Long-term creditors				
PFI Liabilities	72,987	72,987	67,766	67,766
Public Works Loan Board	1,250	2,302	1,250	2,172
Short-term creditors				
Public Works Loan Board	26	26	26	26
Creditors (note 12)	5,842	5,842	5,885	5,885
Provisions	250	250	-	-
Loans and Receivables				
Short-term debtors				
Debtors (note 10)	2,364	2,364	2,270	2,270
Cash Investments	8,313	8,313	14,762	14,762

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

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 Gilts).

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

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:

Invoiced Payments for Services	2016/17 £000	2017/18 £000
Three months or less	151	251
Four to six months	-	-
Seven months to one year	-	-
One year and over	-	-
	151	251

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:

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

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:

	£000
Decrease in fair value of long term fixed rate investments assets – No impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities - No impact on Other Comprehensive Income and Expenditure	143

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

Earmarked Reserves

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

Fair Value

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

Finance Lease

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

Financial Instruments Adjustment Account (FIAA)

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

Financing activities

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

Historic Cost

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

Impairment

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

Intangible Fixed Assets

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

Investing activities

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

Minimum Revenue Provision (MRP)

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Non Current Assets (Tangible Fixed Assets)

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

Non-Operational Assets

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

Operating activities

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

Operating Lease

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

Operational Assets

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

Other Comprehensive Income and Expenditure

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

Other Comprehensive Income

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

Outturn

The actual level of expenditure and income for the year.

Post Balance Sheet Events

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

Private Finance Initiative

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

Projected Unit Method

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

Provisions

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

Public Works Loans Board (PWLB)

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

Reclassification adjustments

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Reserve

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

Surplus or Deficit on the Provision of Services

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

Support Services

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

Total Comprehensive Income and Expenditure

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

ABBREVIATIONS USED IN ACCOUNTS

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