EAST LONDON WASTE AUTHORITY
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2019

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Contents

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 2015.

1.2 This publication presents the Authority's Accounts for the year ended 31 March 2019. 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 Department, Lynton House, 255-259 High Road, Ilford, IG1 1NN.

2. Key Financial Statements

2.1 The Statement of Accounts for 2018/19 sets out the Authority's income and expenditure for the financial year ended 31 March 2019 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 on Local Authority Accounting in the UK and International Financial Reporting Standards. The key financial statements and disclosure notes contained in the Statement of Accounts for 2018/19 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 the 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 shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the levy. The Authority raises a levy to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The levy position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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.

3. Organisational Overview and External Environment

3.1 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 1.1 million people living in over 430,000 households, and each is responsible for the collection of household waste in their areas for disposal by the Authority of over 445,000 tonnes.

3.2 The Authority's 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/.

3.3 The Authority also seeks to bring about greater awareness of the environmental impact of waste through the Recycle for your Community Schools Programme.

3.4 The Statement of Accounts sets out the Authority's financial position for the year to 31 March 2019. 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/meetings/

4. Governance

4.1 The Annual Governance Statement accompanying the Statement of Accounts (Appendix A) covers the Authority's governance arrangements as well as internal control issues. The Managing Director has responsibility for the maintenance and development of the internal control environment. The framework for this is in the Constitution and support is provided by the regular review processes carried out by Internal Audit, External Audit and other review agencies.

5. Performance

5.1 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 waste patterns, potential population growth and economic recovery, the 2018/19 budget and levy setting process assumed 469,000 tonnes. Actual tonnages for the year were 445,706. This year the tonnages have been lower than initially forecast resulting in an underspend of £1.844m 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.

5.2 ELWA's outturn includes income higher than initially budgeted in commercial waste income from Constituent Councils and royalty income.

5.3 Recycling began the year reasonably well, but not strongly enough to offset the consistently lower performing autumn and winter months, ending the year on 24.91%.

5.4 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 2018/19 was 93.42% against a contract target of 67.00%. This was the highest annual diversion performance to date. Barring complications such as a disruptive Brexit (which could affect exports of Refuse Derived Fuel to Europe), this level of diversion should be expected through 2019/20.

6. Income and Expenditure Account

6.1 The Authority set a balanced budget for 2018/19 in accordance with government legislation. The budget set included a further contribution to building up the Strategy Reserve and maintaining a Revenue Reserve at £3.000m. The improved financial performance of the Authority has been outlined in the previous section.

Authority Revenue Outturn to 31 March 2019	Budget £000	Actual £000
Net expenditure on services	66,586	62,294
PFI grant	(3,991)	(3,991)
Levy raised	(64,770)	(64,770)
Net revenue outturn before accountancy adjustments and contribution from reserves	**(2,175)**	**(6,467)**
Contribution to reserves	2,175	6,467
Net Revenue balance	**-**	**-**

6.2 As a result of the accounting adjustments that are required to be made under International Financial Reporting Standards (IFRS), the underspend for the year as shown in the Comprehensive Income and Expenditure Statement is a surplus of £5.152m. The table on page 6 provides a reconciliation between this net surplus figure and the final surplus of £6.467m, before contributions to reserves, as shown above. Further detailed analysis can be found in the Expenditure and Funding Analysis on pages 15-16 and Note 18.

7. Reserves Strategy

7.1 The Authority maintains reserves to meet specific purposes. This is a vital part of its financial management arrangements that cushion the impact of uneven cash flows, avoid unnecessary temporary borrowing and minimise 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.

7.2 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.

7.3 Further details can be found in the 2018/19 Levy report (5 February 2018) and the 2019/20 Levy Report (4 February 2019). Both reports are available at: http://eastlondonwaste.gov.uk/meetings

7.4 The table below shows the final reserves balances as at 31 March 2019 and the anticipated levels for the next five financial years. These balances includes future anticipated contributions to the Strategy reserve to build up the reserve to meet 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) A planned contribution of £1.000m was made to the Business Risk Reserve in 2018/19 as well as an additional £1.000m contribution which was made following a review of the 2018/19 financial position and evaluation of risks.

b) A total contribution of £4.467m was made to the Strategy Reserve in 2018/19, comprising a planned contribution of £1.175m and an additional contribution of £3.292m from the underspend for the year. The profile of expenditure from the Strategy Reserve will start to be developed during 2019/20.

7.5 **Reconciliation of the Accounting Adjustments required under IFRS**

	Actual £000	Actual £000
Balance before accountancy adjustments		**(6,467)**
Accountancy adjustments		2,098
Balance of net expenditure to be financed by reserves		(4,369)
PFI contract accountancy adjustments (see Note 25):		
Service Charge	(4,874)	
Lifecycle Asset Addition	(1,620)	
Contingent Rent	(4,416)	
Depreciation and Impairment of PFI assets	6,208	
Interest Payable on Finance Leases	3,919	(783)
Surplus for the year after PFI adjustments		**(5,152)**
Movement between Revenue Reserve and Other Reserves		
Transfer from Capital Adjustment Account	(1,247)	
Accumulated Absences Account	(2)	
Transfer to Pensions Reserve	(66)	
Business Risk Reserve	2,000	
Strategy Reserve Transfer	4,467	5,152
Net Effect on Revenue Reserve		**-**
Revenue Reserve Brought Forward		(3,000)
Revenue Reserve Carried Forward		**(3,000)**

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

8. Capital Programme/Borrowing Facilities

8.1 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.

8.2 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 2018/19.

9. ELWA Operations

9.1 ELWA transferred its principal operations and contracts to Renewi UK Services Ltd 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. The Authority is responsible for three sites.

10. Local Government Pension Scheme (LGPS)

10.1 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.

10.2 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 and this information will be used in the 2019/20 accounts.

10.3 As at 31 March 2019 the Authority's estimated liability for retirement benefits exceeded the value of assets by £1.458m (31 March 2018: £1.570m) 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.

11. Future Outlook, Risks and Opportunities

11.1 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.

11.2 The current five-year Medium Term Financial Strategy to 2023/24 considers the major influences and activity drivers outlined earlier in this report and regularly reviews the risks the Authority faces which it manages through maintaining and adequate and prudent level of reserves. The average levy increase per year between 2019/20 and 2023/24 ranges from 3.75 per cent to 5.39 per cent, being a smoother profile than the previous Medium Term Financial Strategy, and aims to bring more stability to Constituent Council budget planning.

11.3 The Authority's 2018/19 financial position since setting the budget and levy for 2019/20 enables the Strategy Reserve and Business Risk Reserve to be increased. The profile of strategy expenditure will start to be developed during 2019/20 and is a key factor in determining the level of the 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.

11.4 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.

12. Conclusion

12.1 The Statement of Accounts provides a detailed and comprehensive picture of the Authority's performance for 2018/19, as required by statute.

12.2 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.

12.3 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
18 July 2019

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 Finance Director's Responsibilities

2.1 The Finance Director is responsible for the preparation of the Authority'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 ('the Code').

2.2 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.

2.3 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.

3. Statement of the Finance Director

I certify that the Statement of Accounts presents a true and fair view of the Authority's financial position as at 31 March 2019 and of its income and expenditure for the year then ended.

Maria G Christofi, BA (Hons), FCCA, CPFA
Finance Director
18 July 2019

Approval of Accounts

The Statement of Accounts was approved by East London Waste Authority.
Cllr. Osman Dervish
Chair
18 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST LONDON WASTE AUTHORITY

1. Opinion

1.1 We have audited the financial statements of East London Waste Authority for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- Related notes 1 to 30, the Expenditure and Funding Analysis and Statement of Accounting Policies

1.2 The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

1.3 In our opinion the financial statements:

- give a true and fair view of the financial position East London Waste Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. Basis for opinion

2.1 We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

2.2 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Conclusions relating to going concern

3.1 We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Finance Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

4. Other information

4.1 The other information comprises the information included in the Statement of Accounts for the Year Ended 31 March 2019, other than the financial statements and our auditor's report thereon. The Financial Director is responsible for the other information.

4.2 Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

4.3 In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

4.4 We have nothing to report in this regard.

5. Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

5.1 In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) 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 2019.

6. Matters on which we report by exception

6.1 We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

6.2 We have nothing to report in these respects.

7. Responsibility of the Finance Director

7.1 As explained more fully in the Statement of the Finance Director's Responsibilities set out on page 9, the Finance Director is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statement, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

7.2 In preparing the financial statements, the Finance Director is responsible for 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 unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

7.3 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.

8. Auditor's responsibilities for the audit of the financial statements

8.1 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

8.2 A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

9. Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

9.1 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 (C&AG) 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 2019.

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

9.3 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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

9.4 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.

10. Certificate

We certify that we have completed the audit of the accounts of East London Waste Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

11. Use of our report

This report is made solely to the members of East London Waste Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the levy. The Authority raises a levy to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The levy position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017/18				2018/19		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure /Income £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure /Income £000**
1,131	-	1,131	Supplies and Services	1,374	-	1,374
43,605	-	43,605	Service Charges (Note 25)	45,421	-	45,421
419	-	419	Employee Costs	478	-	478
134	-	134	Premises Related Expenditure	111	-	111
6,087	-	6,087	Depreciation and Impairment of Fixed Assets (Note 8)	8,490	-	8,490
2,758	-	2,758	Third Party Payments & Support Services	3,051	-	3,051
-	2,933	(2,933)	Commercial Waste Charges	-	2,957	(2,957)
-	4,006	(4,006)	PFI and other Grants (Note 21)	-	3,991	(3,991)
-	1,057	(1,057)	Other Income	-	515	(515)
54,134	**7,996**	**46,138**	**Cost of Services**	**58,925**	**7,463**	**51,462**
8,552	68	8,484	Financing and Investment Income and Expenditure (Note 7)	8,500	146	8,354
-	61,542	(61,542)	Income from Levy	-	64,770	(64,770)
-	281	(281)	PFI Deferred Income released (Note 25)	-	295	(295)
			Programmed PFI Lifecycle excess (Note 25)	97	-	97
62,686	**69,887**	**(7,201)**	**Deficit/(Surplus) on provision of services**	**67,522**	**72,674**	**(5,152)**
		(363)	Surplus on revaluation of Property, Plant and Equipment assets (Note 8)			1,222
		(146)	Actuarial (gains)/losses on pension assets/liabilities (Note 26)		178	(178)
		(509)	**Other Comprehensive Income and Expenditure**			**(1,044)**
		(7,710)	**Total Comprehensive Income and Expenditure**			**(4,108)**

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 the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2017/18				2018/19	
Net Expenditure chargeable to the Revenue Reserve	**Adjustments between the funding and accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**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**
110	1,021	1,131	Supplies and Services (including Contingency Expenditure)	43	1,331	1,374
59,656	(16,051)	43,605	Contractor / Service Charge (Note 25)	62,078	(16,657)	45,421
413	6	419	Employee Costs	451	27	478
133	1	134	Transport & Premises Related Expenditure	111	-	111
-	6,087	6,087	Depreciation and Impairment of Fixed Assets (Note 8)	-	8,490	8,490
2,993	(235)	2,758	Third Party Payments & Support Services	3,051	-	3,051
(2,933)	-	(2,933)	Commercial Waste Charges	(2,957)	-	(2,957)
(3,991)	(15)	(4,006)	PFI and other Grants (Note 21)	(3,991)	-	(3,991)
(1,310)	253	(1,057)	Other Income	(513)	(2)	(515)
55,071	**(8,933)**	**46,138**	**Cost of Services**	**58,273**	**(6,811)**	**51,462**
179	(179)	-	Capital Financing Costs	176	(176)	-
(65)	65	-	Bank Interest Receivable	(146)	146	-
-	8,484	8,484	Financing and Investment Income and Expenditure (Note 7)	-	8,354	8,354
(61,542)	-	(61,542)	Income from Levy	(64,770)	-	(64,770)
-	(281)	(281)	PFI Deferred Income released (Note 25)	-	(295)	(295)
-	-	-	Programmed PFI Lifecycle excess (Note 25)	-	97	97
(6,357)	**(844)**	**(7,201)**	**Surplus on Provision of Services**	**(6,467)**	**1,315**	**(5,152)**

2017/18				2018/19		
Net Expenditure chargeable to the Revenue Reserve	Adjustments between the funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		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
(6,357)	**(844)**	**(7,201)**	**Surplus on Provision of Services**	**(6,467)**	**1,315**	**(5,152)**
(6,357)	**(844)**	**(7,201)**	**Net Expenditure chargeable to Reserves**	**(6,467)**	**1,315**	**(5,152)**
(4,385)			**Opening Usable Reserve Balance**	**(10,742)**		
(6,357)			Plus (Surplus) or Deficit on Revenue Reserve in Year	(6,467)		
(10,742)			**Usable Reserve Balance C/Fwd**	**(17,209)**		

MOVEMENT IN RESERVES STATEMENT

1. 2018/19 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'.

	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 2018	**(3,000)**	**(6,642)**	**(1,000)**	**(100)**	**(10,742)**	**6,682**	**(32,004)**	**1,570**	**3**	**(23,749)**	**(34,491)**
Movement in Reserves during 2018/19											
Total Comprehensive Income and Expenditure	(5,152)	**-**	-	**-**	**(5,152)**	**-**	**1,222**	**(178)**	**-**	**1,044**	**(4,108)**
Adjustment between accounting basis and funding basis under regulations (Note 5)	5,152	(4,467)	(2,000)	-	**(1,315)**	(9,430)	1,005	66	2	**(8,357)**	**(9,672)**
(Increase)/ Decrease in 2018/19	**-**	**(4,467)**	**(2,000)**	**-**	**(6,467)**	**(9,430)**	**2,227**	**(112)**	**2**	**(7,313)**	**(13,780)**
Balance at 31 March 2019	**(3,000)**	**(11,109)**	**(3,000)**	**(100)**	**(17,209)**	**(2,748)**	**(29,777)**	**1,458**	**5**	**(31,062)**	**(48,271)**

2017/18 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 2017	**(3,000)**	**(1,285)**	**-**	**(100)**	**(4,385)**	**8,459**	**(32,521)**	**1,663**	**3**	**(22,396)**	**(26,781)**
Movement in Reserves during 2017/18											
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)**	**-**
(Increase)/ Decrease in 2017/18	**-**	**(5,357)**	**(1,000)**	**-**	**(6,357)**	**(1,777)**	**517**	**(93)**	**-**	**(1,353)**	**(7,710)**
Balance at 31 March 2018	**(3,000)**	**(6,642)**	**(1,000)**	**(100)**	**(10,742)**	**6,682**	**(32,004)**	**1,570**	**3**	**(23,749)**	**(34,491)**

BALANCE SHEET

The Balance Sheet shows the value as at the 31 March 2019 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 includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018 £000		Notes	31 March 2019 £000
96,948	Property, Plant & Equipment	8	88,761
96,948	**Non-current Assets**		**88,761**
14,762	Short Term Investments	29	20,924
2,270	Short term Debtors	10	2,415
28	Cash and Cash Equivalents	11	9
17,060	**Current Assets**		**23,348**
(26)	Short Term Borrowing	29	(26)
(5,885)	Short Term Creditors	12	(5,655)
(5,911)	**Current Liabilities**		**(5,681)**
(1,250)	Long Term Borrowing	29	(1,250)
(67,766)	PFI Finance Lease Liability	25	(52,723)
(1,570)	Pension Liability	26	(1,458)
(3,020)	PFI Deferred Income	25	(2,726)
(73,606)	**Long Term Liabilities**		**(58,157)**
34,491	**Net Assets / Liabilities**		**48,271**
(10,742)	Usable Reserves	13/MIRS	(17,209)
(23,749)	Unusable Reserves	14	(31,062)
(34,491)	**Total Reserves**		**(48,271)**

Maria G Christofi, BA (Hons), FCCA, CPFA
Finance Director
18 July 2019

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.

2017/18 £000		**2018/19 £000**
7,201	Surplus on the provision of services	5,152
5,747	Adjustments to net deficit on the provision of services for non-cash movements	7,886
12,948	**Net cash flows from Operating Activities (Note 15)**	**13,038**
(7,710)	Investing Activities **(Note 16)**	(7,686)
(5,221)	Financing Activities **(Note 17)**	(5,371)
17	**Net (decrease)/increase in cash and cash equivalents**	**(19)**
11	Cash and cash equivalents at the beginning of the reporting period	28
28	**Cash and cash equivalents at the end of the reporting period (Note 11)**	**9**

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

1.1 The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its financial position as at 31 March 2019. 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 2018/19* 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 2019.

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 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 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 £0.024m higher (£0.006m higher in 2017/18).

b) Pension costs have decreased to £0.042m. 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 £1.458m (£1.570m in 2017/18).

d) An actuarial gain of £0.178m (£0.146m gain in 2017/18) 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 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

9.5 Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are two main classes of financial assets measured at:

a) amortised cost.

b) fair value through profit or loss (FVPL).

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

Financial Assets Measured at Amortised Cost

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

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

9.9 The Authority currently holds no investments longer than 1 year.

Expected Credit Loss Model

9.10 The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The Code requires that all local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the other party is central government or a local authority for which relevant statutory provisions prevent default.

9.11 The expected credit loss model also applies to lease receivables and contract assets and trade receivables (debtors) held by the Authority. The Authority adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance at an amount equal to lifetime expected credit losses.

9.12 Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

9.13 Financial Assets are amalgamated into the following groups to assess risk and associated loss allowances, also using a simplified approach contained in regulations for the later category.

a) Group 1 – Investments in line with treasury management policy including counterparties that have external credit ratings of B or better. Loss allowances will be assessed based on default risk;

b) Group 2 – Other assets, expected loss is based on provision matrix or default risk.

Financial Assets Measured at Fair Value through Profit or Loss

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

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

a) instruments with quoted market prices – the market price

b) other instruments with fixed and determinable payments – discounted cash flow analysis.

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

a) Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

b) Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

c) Level 3 inputs – unobservable inputs for the asset.

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

10. Government Grants and Contributions

10.1 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.

10.2 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.

10.3 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.

11. Interests in Companies and Other Entities

11.1 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.

11.2 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.

12. Leases

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

<u>The Authority as Lessee</u>

<u>Finance Leases</u>

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

12.3 Lease payments are apportioned between:

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

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

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

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

<u>Operating Leases</u>

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

The Authority as Lessor

Finance Leases

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

12.8 Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

13. Property, Plant and Equipment

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

Recognition

13.2 Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred to the Comprehensive Income and Expenditure Statement.

13.3 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

13.4 The last full revaluation of the PFI Scheme fixed assets was 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 2018/19 Code of Practice on Local Authority Accounting and are included in the balance sheet at fair value.

13.5 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.

13.6 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.

13.7 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.

13.8 The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

13.9 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.

14. Depreciation

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

14.2 Operational assets are depreciated on a straight-line basis over the useful life of the asset as estimated by the valuer.

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

14.4 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.

15. Component Accounting

15.1 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.

15.2 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.

15.3 The principal asset that the Authority holds on its balance sheet relates to its PFI asset. This can be broken down into six individual sites.

15.4 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;

15.5 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)

16. Private Finance Initiative (PFI) and Similar Contracts

16.1 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.

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

16.3 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.

16.4 The non-current 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.

16.5 A change in the allocation of the cash payment to the PFI contractor between the PFI liability and the CIES has been applied in 2018/19. This change has been made to more accurately reflect the nature of the payments made to the contractor. This has resulted in decrease in the PFI Liability in 2018/19 and any other changes to the CIES in 2018/19 were not material and have therefore not been reflected in the accounts.

16.6 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.

17. Reserves

17.1 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.

17.2 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.

17.3 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.

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

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

17.6 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.

17.7 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 2019. 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.

17.8 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.

17.9 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.

17.10 The Accumulated Absences Account reflects untaken leave balances outstanding as at the 31 March 2019.

18. Value Added Tax

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

19. Fair Value Measurement

19.1 The authority measures some of its non-financial assets such as surplus assets and some of its financial instruments such as equity at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

19.2 The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

19.3 When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

19.4 The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

19.5 Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

c) Level 3 – unobservable inputs for the asset or liability.

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 2018/19 (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 2019/20 Code:

a) Amendments to IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property.

b) Annual Improvements to IFRS Standards 2014 - 2016 Cycle, which covers IFRS 1 first time adoption of IFRS, IFRS 12 disclosure of interest in other entities covering interest classified as held for sale, as held for distribution or as discontinued operations and IAS28 investments in associates and joint ventures.

c) IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods.

d) IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty.

e) Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.

1.3 These accounting policy changes come into effect from the 1 April 2019 and are not expected to have a material impact on the Authority’s financial statements.

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 high 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 2019 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 £0.072m. 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 £0.430m 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 2019. 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 2019, 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 note 17 on page 30-31.

2018/19

	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)	(66)	-	-	-	66
Holiday pay - transferred to the Accumulated Absences	(5)	-	-	-	5
Total adjustments to the Revenue Resources	**(71)**	**-**	**-**	**-**	**71**
Adjustments between Revenue and Capital Resources:					
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	54	-	-	-	(54)
Reversal of Charges for depreciation and impairment of PFI non-current assets (transfer to/from the Capital Adjustment Account)	(8,490)	-	-	-	8,490
Statutory provision for the financing of PFI capital investment (transfer to/from the Capital Adjustment Account)	6,894	-	-	-	(6,894)
Reversal of PFI deferred income credit (transfer to/from CAA)	295	-	-	-	(295)
Use of capital receipt to fund capital expenditure	-	-	-	-	-
Total adjustments between Revenue and Capital Resources	**(1,247)**	**-**	**-**	**-**	**1,247**
Other adjustments between Reserves					
Contribution to Strategy & Business Risk Reserves	6,467	(4,467)	(2,000)	-	-
Reversal of Previous year's Accumulated absence	3	-	-	-	(3)
Total adjustments between Reserves	**6,470**	**(4,467)**	**(2,000)**	**-**	**(3)**
Total Adjustments as shown in Movement in Reserves Statement	**5,152**	**(4,467)**	**(2,000)**	**-**	**1,315**

2017/18 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)	(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 Reserve	6,357	(5,357)	(1,000)	-	-
Reversal of Previous year's Accumulated absence	3	-	-	-	(3)
Total adjustments between Reserves	**6,370**	**(5,357)**	**(1,000)**	**-**	**(3)**
Total Adjustments as shown in Movement in Reserves Statement	**7,201**	**(5,357)**	**(1,000)**	**-**	**(844)**

6. Movements in 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 2018/19.

	Balance at 1 April 2017 £000	**Transfers in 2017/18 £000**	**Balance at 31 March 2018 £000**	**Transfers in 2018/19 £000**	**Balance at 31 March 2019 £000**
Revenue Reserve:					
Strategy Reserve	(1,285)	(5,357)	(6,642)	(4,467)	(11,109)
Business Risk Reserve	-	(1,000)	(1,000)	(2,000)	(3,000)
Capital Reserve (RCCO)	(100)	-	(100)	-	(100)
Capital Receipts	-	-	-	-	-
Total	**(1,385)**	**(6,357)**	**(7,742)**	**(6,467)**	**(14,209)**

7. Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
4,352	Interest payable and similar charges	4,042
47	Net Pensions interest cost	42
4,153	Contingent Rent	4,416
(65)	Interest receivable and similar income	(146)
(3)	Other investment income	-
8,484	**Total**	**8,354**

8. Property, Plant and Equipment

Comprehensive Movements on Balances

Movements in 2018/19:

	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	**£000**
Cost or Valuation		
At 1 April 2018	114,539	113,717
Additions – Lifecycle	1,640	1,640
Disposals	(115)	(115)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(24,405)	(24,405)
Revaluation decrease recognised in the Surplus on the Provision of Service	(2,278)	(2,278)
At 31 March 2019	89,381	88,560
Accumulated Depreciation and Impairment		
At 1 April 2018	17,591	17,588
Depreciation charge	6,212	6,208
Depreciation (and impairment reversal) written out to the Revaluation Reserve upon revaluation	(23,183)	(23,183)
At 31 March 2019	620	613
Net Book Value		
At 31 March 2018	96,948	96,129
At 31 March 2019	88,761	87,947

Comparative Movements in 2017/18:

	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000
Cost or Valuation		
At 1 April 2017	112,192	111,733
Additions – Lifecycle	1,426	1,426
Additions – Lifecycle (deferred credit)	558	558
Additions – Leased Assets	-	-
Revaluation Increase recognised in the Revaluation Reserve – Landfill Sites	363	-
At 31 March 2018	114,539	113,717
Accumulated Depreciation and Impairment		
At 1 April 2017	11,504	11,504
Depreciation charge	6,087	6,084
At 31 March 2018	17,591	17,588
Net Book Value		
At 31 March 2017	100,688	100,229
At 31 March 2018	96,948	96,129

Additions and Revaluations

8.1 Additions relate to PFI Lifecycle 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 last revalued in 2014/15. 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. As a result of a market review, some elements of the asset were revalued as at 31 March 2019. The next full revaluation is due as at 31 March 2020.

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 29)

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 2019 is £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 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**
31 March 2019	19,982	68,779	**88,761**
Total Cost or Valuation	19,982	68,779	**88,761**

9. Investments

9.1 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.

9.2 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 2018 were £15.159m (2016/17: £13.394m). The profit after taxation for the year ended 31 March 2018 was £0.666m (2016/17: £1.662m). The 2018/19 accounts will be available in July 2019.

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

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

9.5 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.

9.6 In the opinion of the Directors, the investment in ELWA Limited is not of material interest for the purposes of Group Accounts as defined in the Code and therefore, there is no requirement to produce Group Accounts.

9.7 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

	2017/18	2018/19
	£000	£000
Trade Receivables		
Other local authorities	1,014	1,336
Prepayments		
Other entities and individuals	-	1,079
Other Receivable amounts		
Central government bodies	1,228	-
Other entities and individuals	28	-
Total	2,270	2,415

11. Cash and Cash Equivalents

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

	2017/18 £000	2018/19 £000
Short term deposits	28	9
Total Cash and Cash Equivalents	28	9

12. Short Term Creditors

	2017/18 £000	2018/19 £000
Trade Payables		
Other local authorities	376	242
Other entities and individuals	5,505	4,672
Other Payables		
Central government bodies	4	727
Other entities and individuals	-	14
Total	5,885	5,655

12.1 The 2017/18 Other entities and individuals total of £5.505m has been reclassified to Trade Payables.

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

2017/18 £000		2018/19 £000
(32,004)	Revaluation Reserve	(29,777)
6,682	Capital Adjustment Account	(2,748)
1,570	Pensions Reserve	1,458
3	Accumulated Absences Account	5
(23,749)	Total Unusable Reserves	(31,062)

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.

2017/18 £000		2018/19 £000
(32,521)	Balance at 1 April	(32,004)
(363)	Upward revaluation of non-current assets not posted to the Provision of Services	0
0	Downward revaluation of assets and impairment losses not charged to the surplus / deficit on the Provision of Services	1,222
880	Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	1,005
(32,004)	Balance at 31 March	(29,777)

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.

2017/18 £000		2018/19 £000
8,459	Balance at 1 April	6,682
6,087	Reversal of charges for depreciation and impairment of non-current assets	8,490
(6,647)	Statutory provision for the financing of PFI capital investment	(6,894)
(56)	Statutory provision for the repayment of debt	(54)
-	Adjustment to Statutory provision for the financing of PFI capital investment	(9,672)
(880)	Difference between fair value depreciation and historical cost depreciation written out of the Revaluation Reserve	(1,005)
(281)	PFI Leased Asset deferred credit released to Comprehensive Income and Expenditure Statement	(295)
6,682	Balance at 31 March	(2,748)

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 the pension fund 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.

2017/18 £000		2018/19 £000
1,663	Balance at 1 April	1,570
(146)	Actuarial gains on pension assets and liabilities	(178)
53	Employer's pension contributions and direct payments payable in the year	66
1,570	Balance at 31 March	1,458

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.

2017/18 £000		2018/19 £000
3	Balance at 1 April	3
(3)	Settlement or cancellation of previous year 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 accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5
3	Balance at 31 March	5

15. Cash Flow Statement – Operating Activities

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

2017/18 £000		2018/19 £000
	The cash flows for operating activities include the following items	
65	Interest Received	146
(4,352)	Interest Paid	(4,041)
(4,287)	Net Interest	(3,895)

15.2 Cash Flow for Operating Activities:

2017/18 £000		2018/19 £000
7,201	Net Surplus on the Provision of Services	5,152
	Adjustments to net surplus or deficit on the provision of services for the following non cash movements	
6,087	Depreciation	8,490
(207)	Increase/(Decrease) in creditors and provisions	(230)
94	(Increase)/Decrease in Debtors & Payments in advance	(145)
53	Actuarial adjustments on pension assets/liabilities	66
(281)	Other non-cash adjustments	(295)
1	Adjustment for rounding	-
5,747		7,886
12,948	Net cash flows from operating activities	13,038

16. Cash Flow Statement – Investing Activities

2017/18 £000		2018/19 £000
(1,261)	Purchase of property, plant and equipment	(1,640)
(6,449)	Net movement in short-term investments	(6,161)
-	Proceeds of Sale of Property, Plant & Equipment	115
(7,710)	Net cash flows from investing activities	(7,686)

17. Cash Flow Statement – Financing Activities

2017/18 £000		2018/19 £000
(5,221)	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	(5,371)
(5,221)	Net cash flows from financing activities	(5,371)

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.

2018/19

Adjustments Between Funding and Accounting Basis

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 Adjustments £000	Total Adjustments £000
Supplies and Services including Contingency Expenditure	-	-	1,331	1,331
Contractor Service Charge	(15,326)	-	(1,331)	(16,657)
Employee Costs	-	27	-	27
Depreciation and Impairment of Fixed Assets	8,490	-	-	8,490
Other Income	-	-	(2)	(2)
Cost of Services	**(6,836)**	**27**	**(2)**	**(6,811)**
Capital Financing Costs	(176)	-	-	(176)
Bank Interest Receivable	-	-	146	146
Financing and Investment Income and Expenditure	8,458	42	(146)	8,354
PFI Deferred Income Released	(295)	-	-	(295)
Programmed Lifecycle Excess	97			97
(Surplus) or Deficit on Provision of Services	**1,248**	**69**	**(2)**	**1,315**
Difference between Usable Reserve (Surplus) or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**1,248**	**69**	**(2)**	**1,315**

Comparative Adjustments in 2017/18:

2017/18

Adjustments Between Funding and Accounting Basis

Adjustments from Revenue Reserve to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Supplies and Services including Contingency Expenditure	-	-	1,021	1,021
Contractor Service Charge	(15,030)	-	(1,021)	(16,051)
Employee Costs	-	6	-	6
Transport & Premises Related Expenditure	-	-	1	1
Depreciation and Impairment of Fixed Assets	6,087	-	-	6,087
Third Party Payments	-	-	(235)	(235)
PFI and other Grants	-	-	(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	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)**

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 Adjustments

18.5 Other adjustments represent 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:

2018/19

	Remuneration	Pension Contribution	Total
	£	£	£
Interim Managing Director (Apr – July 2019)	40,132	-	40,132
Managing Director (From May 2018)	103,253	14,249	117,502

2017/18 Comparative Figures

	Remuneration	Pension Contribution	Total
	£	£	£
Managing Director (Apr – Jun 2017)	23,350	3,222	26,572
Interim Managing Director (Jun 2017 – Feb 2018)	90,950	-	90,950
Interim Managing Director (Mar 2018)	6,534	-	6,534

19.2 The Authority does not directly employ the Finance Director, who is employed by the London Borough of Redbridge. During 2018/19 the Finance Director received an honorarium of £5,000 (2017/18: £5,000) for services 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) levies a further charge on the Authority based on their valuation of the pension fund. This additional charge of £36,710 for 2018/19 (2017/18: £35,853) cannot be attributed to any particular officer and is declared here for reasons of transparency.

19.4 The number of employees excluding senior officers whose remuneration, excluding employer's pension contributions, was £50,000 or more was:

Remuneration Band	2017/18 Number of employees	2018/19 Number of employees
£55,000 - £59,999	-	1
£60,000 - £64,999	1	-
£70,000 - £74,999	-	1
	1	2

19.5 The Managing Director post was vacated in June 2017. The post was covered by two interims during the recruitment period in 2017/18, who 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 provided by the Authority's external auditors:

	2017/18 £000	2018/19 £000
Fees payable to KPMG LLP in 2017/18 and EY in 2018/19 with regard to external audit services carried out by the appointed auditor for the year	18	14
Total	18	14

21. Grant Income

21.1 The Authority credited the following grants to the Comprehensive Income and Expenditure Statement:

	2017/18 £000	2018/19 £000
PFI/Waste Infrastructure Capital Grant (WICG)	3,991	3,991
London Waste and Recycling Board (LWARB) Match Recycling Funding	15	-
Total	4,006	3,991

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

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

22. Related Party Transactions

22.1 Since 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 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 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:

	2017/18		2018/19	
	Expenditure £000	Income £000	Expenditure £000	Income £000
Barking & Dagenham	1,082	(12,576)	1,209	(12,974)
Havering	938	(15,238)	954	(16,245)
Newham	847	(18,863)	849	(19,882)
Redbridge	440	(17,798)	458	(18,627)
ELWA Limited	59,095	(1,031)	61,392	(453)

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 interests in the following organisations, which arise from official Authority Appointments.

Membership of Other Organisations

Councillor Steven Kelly: Director of ELWA Limited (to 3 May 2018).

Councillor Dorothy Akwaboah: Director of ELWA Limited (appointed 29 June 2018).

23. Leases

Authority as Lessee

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 2032 with rent reviews taking place every five years. The last rent review was during 2018/19 with effect from 1 January 2018. Based upon current figures, the minimum lease payments due in future years are:

	2017/18 £000	2018/19 £000
Up to one year	317	358
Two to Five Years	1,266	1,430
Six Years to end of lease	1,583	1,430
	3,166	3,218

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 £0.367m, including backdated rent (2017/18: £0.316m).

Authority as Lessor

Operating Leases

23.3 The Authority leases out land and property under operating leases for community service and economic development purposes.

Subleases

23.4 The sites referred to in note 23.1 above have subsequently been sublet to ELWA Ltd as part of the PFI contract at nil value.

Other leases

23.5 Other leases totalled £0.039m for 2018/19 (2017/18: £0.003m).

24. Capital Expenditure and Capital Financing

24.1 Capital expenditure additions of £1.640m relate to PFI Lifecycle costs as referred to in note 25.7. 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. From 2018/19 the CFR is reported as per the gross position instead of the net position.

	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement	73,832	68,555
Adjustment to opening balance	-	3,020
Adjusted opening balance	73,832	71,575
Capital Investment:		
Property, Plant and Equipment	1,426	1,640
Sources of Finance:		
Direct Revenue Contributions	(1,426)	(1,640)
Minimum Revenue Provision/the Statutory Repayment of Loans Fund Advances	(5,277)	(5,719)
Closing Capital Financing Requirement	68,555	65,856
Explanation of movements in year:		
Assets acquired under PFI Contract	1,426	1,640
Decrease in underlying need for borrowing	(6,703)	(7,359)
Decrease in Capital Financing Requirement	(5,277)	(5,719)

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 to be made in 2026/27. This did not affect the overall total grant in cash terms which has remained the same.

25.4 The Code 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 30.

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 2019 (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 2019/20	39,418	5,869	3,596	48,883
Payable within 2 to 5 years	163,785	24,847	10,933	199,565
Payable within 6 to 10 years	159,408	22,007	4,143	185,558
Total	362,611	52,723	18,672	434,006

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

	2017/18 £000	**2018/19 £000**
Balance outstanding at start of the year	72,987	67,766
Payments during the year	(5,221)	(5,371)
Additional adjustment to PFI Liability due to changes in calculation	-	(9,672)
Balance outstanding at year-end	67,766	52,723

Unitary Charge

25.6 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.

	2017/18 £000	**2018/19 £000**
Payments to Renewi	58,635	60,747
Capital Repayment	(5,221)	(5,371)
Interest Payable	(4,230)	(3,919)
Programmed Lifecycle Costs	(1,426)	(1,620)
Contingent Rent	(4,153)	(4,416)
Service Charges	**43,605**	**45,421**

25.7 The 2018/19 programmed lifecycle cost of £1.620m has been charged to the Unitary Payment. The actual lifecycle cost incurred by the PFI contractor totalled £1.640m. The excess between programmed and actual lifecycle costs has been charged to the Comprehensive Income and Expenditure Statement.

25.8 2017/18 additional lifecycle expenditure incurred by the contractor was 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

	2017/18 £000	**2018/19 £000**
Balance B/fwd	2,577	3,020
Lifecycle – additional expenditure	558	-
Lifecycle – 2016/17 adjustment	166	-
Deferred income released to Comprehensive Income and Expenditure Statement	(281)	(295)
Balance C/fwd	**3,020**	**2,725**

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 benefits 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:

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement		
Cost of Services, Employee and Support Services:		
Current Service Cost	66	100
Financing and Investment Income and Expenditure:		
Net Interest Expense	44	39
Administration Expenses	3	3
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	**113**	**142**
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	(72)	(172)
Change in financial assumptions	(74)	180
Change in demographic assumptions	-	(186)
Total Re-measurements	**(146)**	**(178)**
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**(33)**	**(36)**
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	146	178
Actual amount charged against the Revenue Reserve Balance for pensions in the year	(53)	(66)
Employer's contributions payable to scheme	**60**	**76**

26.4 The underlying assets and liabilities attributable to the Authority with the London Pensions Fund Authority (LPFA) as at 31 March 2019 are as follows:

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

	Funded Liabilities Local Government Pension Scheme	
	2017/18 £000	**2018/19 £000**
Opening balance at 1 April	4,196	4,219
Current service cost	66	100
Interest cost	112	106
Contributions by scheme participants	21	22
Actuarial gains from changes in demographic assumptions	-	(186)
Actuarial gains and losses from changes in financial assumptions	(74)	180
Benefits paid	(102)	(152)
Closing balance at 31 March	**4,219**	**4,289**

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

	Funded Assets Local Government Pension Scheme 2017/18 £000	Funded Assets Local Government Pension Scheme 2018/19 £000
Opening fair value of scheme assets	2,533	2,649
Interest income	68	67
Return on plan assets less interest	72	172
Administration expenses	(3)	(3)
Employer contributions	60	76
Contributions by scheme participants	21	22
Benefits paid	(102)	(152)
Closing fair value of scheme assets	**2,649**	**2,831**

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	2017/18 %	2017/18 £000	2018/19 %	2018/19 £000
Equities	61	1,619	54	1,540
Target Return Portfolio	22	594	27	755
Infrastructure	5	116	6	171
Property	7	191	9	266
Cash	5	129	4	99
Total	**100**	**2,649**	**100**	**2,831**

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 2019 is £0.239m (2017/18: £0.140m).

26.9 The asset share as at 31 January 2019 is as follows:

Employer Asset Share – Bid Value		31 January 2019	
		% Quoted	**% Unquoted**
Equities			
Segregated	Materials	1.3	-
	Telecommunication services	2.5	-
	Consumer, Discretionary	4.3	-
	Consumer, Staples	6.3	-
	Health Care	3.3	
	Energy	0.6	-
	Financials	5.4	-
	Industrials	5.1	-
	Information Technology	6.1	-
	Utilities	1.0	-
	Real Estate	1.4	-
Unsegregated	Investment funds and unit trusts	-	-
	Trade Cash/Pending	2.2	-
	Synthetic Equity (Futures)	0.6	-
Private Equity		-	10.1
Fixed Income		4.7	-
Total Return		-	-
	Investment/Hedge Funds and unit trusts	14.0	-
Credit		-	7.9
Infrastructure		-	6.0
Real Estate		-	9.4
Cash			
	Cash	2.2	-
	LDI	5.2	-
	Currency Hedge (Forward Contracts)	-	0.2
BlackRock DDG		0.0	-
Rounding		0.1	0.1
Total		**66.3%**	**33.7%**

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	
	2017/18 £000	**2018/19 £000**
Present value of the defined benefit obligation	4,219	4,289
Fair value of plan assets	(2,649)	(2,831)
Net liability arising from defined benefit obligation	**1,570**	**1,458**

26.11 The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The net pension liability of £1.458m (2017/18: £1.570m) 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.

26.12 The projected employer contributions for the year to 31 March 2019 are £0.074m.

Basis for Estimating Assets and Liabilities

26.13 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, adjusting for known membership and scheme changes where applicable.

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

	2017/18	**2018/19**
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	22.1	21.1
Women	25.6	24.5
Longevity at 65 for future pensioners:		
Men	24.4	22.9
Women	27.8	26.1
Financial Assumptions:		
Rate of Inflation CPI	2.4%	2.5%
Rate of increase in salaries	3.9%	4.0%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	2.6%	2.4%
Take up of option to convert annual pension into retirement lump sum	-	-

26.15 The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table.

26.16 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. 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 £4.289m (2018/19)	
	Increase in Assumption by 0.1%	**Decrease in Assumption by 0.1%**
	£000	£000
Adjustment to:		
- discount rate	4,219	4,361
- long term salary increase	4,293	4,285
- pension increases and deferred revaluation	4,356	4,223
- mortality age rating assumption	4,441	4,142

27. Provisions

27.1 In 2016/17 the Authority created a provision for the cost of settling business losses incurred by Aveley Methane Limited. As the provision was no longer required, it was closed in 2017/18.

	2017/18 £000	2018/19 £000
Balance at 1 April	250	-
Reversal of Provision	(250)	-
Balance at 31 March	**-**	**-**

28. Contingent Liabilities

28.1 As at 31 March 2019 the Authority had two contingent liabilities:

Fly Tipping Clearance

28.2 There is an ongoing 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. The fire at the Authority's Mechanical Biological Treatment (MBT) facility on Frog Island in 2014 and fires at other waste facilities elsewhere in the country have increased the perceived level of risk. The Contractor is working with its insurers on agreeing the need for a number of changes to reduce fire risks, and at 31 March 2019 it remains open as to whether (and if so, to what extent) the Authority will have to contribute towards the costs of any such changes that may be required.

29. Financial Instruments

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

Financial Assets	Current				
	Investments		Debtors		Total
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2018/19 £000
Amortised cost	14,762	20,924	-	-	20,924
Total financial assets	**14,762**	**20,924**	**-**	**-**	**20,924**
Non-financial assets	-	-	2,270	2,415	2,415
Total	**14,762**	**20,924**	**2,270**	**2,415**	**23,339**

Financial Liabilities	Non-Current		Current				
	Borrowings		Borrowings		Creditors		Total
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2018/19 £000
Amortised cost	(1,250)	(1,250)	(26)	(26)	-	-	(1,276)
Total financial liabilities	**(1,250)**	**(1,250)**	**(26)**	**(26)**	**-**	**-**	**(1,276)**
Non-financial liabilities	-	-	-	-	(5,885)	(5,655)	(5,655)
Total	**(1,250)**	**(1,250)**	**(26)**	**(26)**	**(5,885)**	**(5,655)**	**(6,931)**

29.2 IFRS 9 introduces fundamental changes to the classification of financial assets. For the Authority, those items previously identified as Loans and Receivables from 1 April 2018 now fall within the Amortised Cost Business Model.

29.3 The Code of Practice states that disclosures of fair value are not required when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables.

29.4 Due to the simplified long term and short-term nature of the Authority's financial assets and liabilities, the reclassification and re-measurements required by IFRS 9 has had no impact on the accounts.

29.5 The impact of Financial Instruments on the Comprehensive Income and Expenditure Statement is as follows:

Income, Expense, Gains and Losses

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Financial Assets measured at amortised cost				
Interest revenue (note 7)	(65)	-	(146)	-
Other investment income (note 7)	(3)	-	-	-
Total Income	**(68)**	**-**	**(146)**	**-**
Financial Liabilities measured at amortised cost				
Interest expense (note 7)	4,352	-	4,042	-
Contingent rent (note 7)	4,153	-	4,416	-
Pension interest and expected return on pension assets (note 7)	47	-	42	-
Total Expense	**8,552**	**-**	**8,500**	**-**
Total	**8,484**		**8,354**	

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

29.6 Except for those financial assets carried at fair value, all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost.

29.7 Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

a) For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the borrowing rates, highlighting the impact of the alternative valuation;

b) For loans receivable prevailing benchmark market rates have been used to provide the fair value;

c) No early repayment or impairment is recognised;

d) Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

e) The fair value of trade and other receivables is taken to be the invoiced or billed amount.

29.8 The fair values calculated are as follows:

	2017/18		2018/19	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
Long Term PFI Liabilities	67,766	67,766	52,723	52,723
Long Term Public Works Loan Board	1,250	2,172	1,250	2,128
Short Term Public Works Loan Board	26	26	26	26
Short Term Creditors (note 12)	5,885	5,885	5,655	5,655
Financial Assets				
Short Term Debtors (note 10)	2,270	2,270	2,415	2,415
Short Term Cash Investments	14,762	14,762	20,924	20,924

29.9 The fair value of Public Works loan Board (PWLB) loans as at 31 March 2019 is £2.128m. (31 March 2018: £2.172m). This is calculated using the premature repayment rate published by the PWLB on 31 March 2019, using level 2 inputs and making the following assumptions:

a) Estimated ranges of interest rates at 31 March 2019 are 0.55% to 1.48% for loans from the PWLB.

b) No early repayment or impairment is recognised.

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

29.10 The fair value of the Public Works Loan Board (PWLB) loans is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the current market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

29.11 The Authority has pledged no collateral in respect of repayment of any loan to another entity.

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

29.13 Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. The valuation of PFI and finance lease liabilities have been based on level 2 inputs using a discounted cashflow analysis, with the most significant inputs being the discount rate.

Transfers between Levels of the Fair Value Hierarchy

29.14 There have been no transfers between input levels during the year.

Changes in the Valuation Technique

29.15 There has been no change in the valuation technique used during the year for the financial instruments.

29.16 Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value:

Recurring fair value measurements	**Other significant observable inputs (Level 2) 31 March 2018**	**Other significant observable inputs (Level 2) 31 March 2019**
	£000	£000
Financial liabilities		
Financial liabilities held at amortised cost:		
Long Term PFI Liabilities	67,766	62,395
Long Term Public Works Loan Board	1,250	1,250
Short Term Public Works Loan Board	26	26
Short Term Creditors (note 12)	5,885	5,655
Total	**74,927**	**69,326**
Financial assets		
Financial assets held at amortised cost:		
Short Term Debtors (note 10)	2,270	2,415
Short Term Cash Investments	14,762	20,924
Total	**17,032**	**23,339**

29.17 As at 31 March 2019 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.

This risk is minimised through the Annual Investment Strategy, which is available on the Authority's website.

Credit Risk Management Practices

30.4 The Authority's credit risk management practices are set out in the Annual Investment Strategy. The Authority maintains 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 through Treasury Management Practices (TMP's). The TMP's are a requirement of the Code of Practice and are reviewed periodically.

30.5 The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

a) by formally adopting and following the requirements of the Code of Practice;

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

   a) the Authority's overall borrowing;

   b) maximum and minimum exposure to fixed and variable interest rates;

   c) maximum and minimum debt repayment profile;

   d) maximum annual exposure to investments maturing beyond one year.

30.6 The Investment Strategy for the forthcoming year sets out criteria for both investing and selecting investment counterparties in compliance with government guidance. The Strategy's objective is to prioritise the security and liquidity of the Authority's investments over the investment yield. Performance is reported bi-annually to the Authority. The Annual Investment Strategy for 2018/19 was approved by the Authority Members on 5 February 2018 and is available to view on the Authority's website – item 6 at: http://eastlondonwaste.gov.uk/wp-content/uploads/05.02.18-Agenda-Pack-Public.pdf

Credit risk arising from deposits with Banks and Financial Institutions

30.7 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.

30.8 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 is also collated and assessed and then used to produce a matrix to monitor each individual institution against the Authority's criteria.

30.9 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 £3.000bn.

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.

30.10 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.

30.11 The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £20.924m 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 31 March 2019 that this was likely to crystallise.

30.12 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:

Asset Class Percentages		
Type of Asset	**% of Total Investment as set by 2018/19 Treasury Management Strategy** **%**	**% Of Total Investment as at 31 March 2019** **%**
UK Government	100	-
Local Authorities	100	48
UK Banks – Specified	100	14
Money Market Funds	75	33
Building Societies – Specified	50	5
Total Unspecified Investments	50	-
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	-

30.13 The asset class percentages are well within the upper limits prescribed in the Authority's Treasury Management Strategy for 2018/19.

30.14 The boundary is set at £2.000m for long-term investments as specified in the Authority's Treasury Management Strategy. The Authority currently has no investments for longer than one year.

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

Amounts Arising from Expected Credit Losses

30.16 Using the expected credit loss model the calculated loss allowance for investments at amortised cost is negligible therefore having no impact on the carrying value of investments.

Credit risk arising from Authority's exposure from other debtors

30.17 There is no impairment allowance for doubtful debt as 31 March 2019 (£nil provision 31 March 2018), as all outstanding debtors are expected to pay.

30.18 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.

30.19 Invoiced payments for services are either required in advance or due at the time the service is provided. As at 31 March 2019, £0.614m (31 March 2018: £0.251m) is due to the Authority from its trade debtors, which 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	**2017/18 £000**	**2018/19 £000**
Three months or less	251	614
Total	251	614

Liquidity Risk

30.20 The Authority manages its liquidity position through the risk management procedures above (the setting and approval of Prudential Indicators and the approval of the treasury and investment strategy reports). It 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.

30.21 As at 31 March 2019, all of the Authority's outstanding loans were with the PWLB.

Refinancing and Maturity Risk

30.22 The maturity analysis for borrowing is as follows:

Renewal Period	**Market Loans Outstanding as at 31 March 2019 £000**	**Limit of Projected Fixed Rate Borrowing for Each Period %**	**% of Total Borrowing as at 31 March 2018 %**	**% of Total Borrowing as at 31 March 2019 %**
Less than one year	26	37	-	2
Between one and two years	450	45	-	35
Between two and five years	-	60	36	-
Between five and ten years	360	80	10	28
More than 10 Years	440	100	54	35
Total	1,276		100	100

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

<u>Market Risk</u>

30.24 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.

30.25 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 receivable 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.

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

a) Setting a maximum for the Authority's borrowings at variable rates. For 2018/19 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.

30.27 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.

30.28 According to this assessment strategy, at 31 March 2019, 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	130

30.29 As at 31 March 2019 the Authority holds no variable interest rate investments or borrowings as they are all at fixed rates. Therefore, there is no predicted impact for this on the Comprehensive Income and Expenditure Statement.

30.30 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 Financial Assets and Liabilities.

Price Risk

30.31 The Authority, excluding its Pension Fund, does not invest in equity shares and therefore is not exposed to losses arising from movement in the price of shares.

Foreign Exchange Risk

30.32 The Authority, excluding its Pension Fund, has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

GLOSSARY

Actuary

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

Actuarial Valuation

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.

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. A measure of the costs of economic benefits derived from intangible assets that are consumed during the period.

Balance Sheet

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 Expenditure

Expenditure on the acquisition of non-current or intangible assets, or expenditure that adds to the value of an existing asset.

Capital Adjustment Account

Represents amounts set aside from revenue resources or capital receipts to finance expenditure on 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 in hand and available-on-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 flow

A statement that shows the changes in cash and cash equivalents during the financial year.

Comprehensive Income and Expenditure Statement

A Statement showing the net cost of the Authority's services during the year. It demonstrates how costs have been financed from general Government Grants and Income from Local Taxpayers.

Contingent Liability

A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Authority, or a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

Credit Ratings for Investments

A scoring system used by credit rating agencies such as Fitch, Moodys and Standard and Poors to indicate the credit-worthiness and other factors of Governments, Banks, Building Societies, and other financial Institutions.

Creditors

Amount of money owed by the Authority for goods and services received but not paid for as at 31 March.

Debtors

Amount of money owed to the Authority by individuals and organisations for goods and services provided but where income was not received as at 31 March.

Defined Benefit Scheme

A pension scheme where the benefits payable on retirement are determined by predetermined formula and not dependent on market returns.

Depreciation

A measure of the cost of the economic benefits of the tangible fixed asset consumed during the year which is charged to the revenue account.

Depreciation Replacement Cost

The current cost of replacing or recreating an asset with its modern equivalent asset less deduction for all physical deterioration and all relevant obsolesce and optimisation.

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 where a finance company owns an asset and leases it to the Lessor in exchange for rentals. The Lessor will remain a large part, or all of the cost of the assets in rentals. At the end of the lease, the Lessee has the option to acquire ownership of the asset by paying, the last rental, or a final purchase price. This is a lease that substantially transfers the risks and rewards of a fixed asset to the lessee. With a Finance Lease, the present value of the lease payments would equate to the fair value of the leased asset.

Financial Instruments Adjustment Account (FIAA)

Provides a balancing mechanism between the different rates at which gains and losses are recognised under the Code and are required by Statute to be met from the General Fund.

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.

IAS 19

A complex accounting standard based on the principle that an organisation should account for retirement benefits when it is committed to do so even though the benefits will not be paid for years in the future.

Impairment

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

Infrastructure Assets

Assets that have an indeterminate life and, although valuable, do not have a readily realisable value e.g. roads.

Intangible Assets

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

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 assets are included in the Balance Sheet after depreciation has been provided for.

Net Realisable Value

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

Non-Current Assets

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

Operating Lease

This is a lease other than a finance lease. An operating lease contract allows the use of an asset, but does not convey rights similar to ownership of the asset. The lessee pays rentals to the lease company and, the asset is returned at the end of the lease period.

Operational Assets

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

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 Chief Financial Services Officer.

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.

Public Works Loans Board (PWLB)

Central Government Agency, which funds much of local government borrowing.

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

Revaluation Reserve

Represents the increase in 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 expense, excluding the components of Other Comprehensive Income and Expenditure.

Surplus or Deficit on the Provision of Services

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

Support Services

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

Total Comprehensive Income and Expenditure

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

ABBREVIATIONS USED IN ACCOUNTS

AGS	Annual Governance Statement
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
ELWA	East London Waste Authority
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IWMS	Integrated Waste Management Strategy
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

ANNUAL GOVERNANCE STATEMENT

31. Introduction

31.1 Each year the East London Waste Authority (Authority) is required by regulation to produce a statement that details the framework for making decisions and controlling the resources of the Authority. The statement covers the Authority's governance arrangements as well as internal control issues. This statement should enable stakeholders to have substantial assurance that decisions are properly made and public money is being properly spent on citizens' behalf. The statement below complies with the Accounts and Audit Regulations 2015.

32. Scope of Responsibility

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

32.2 In discharging these obligations, the Authority is required by Regulation 5 of the Accounts and Audit Regulations 2015 to put in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk and evaluating the effectiveness of the Authority's overall governance and risk management arrangements, by taking into account public sector auditing standards.

33. The Purpose of the Governance Framework

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

33.2 The system of internal control is a significant and ongoing part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks connected with failure to achieve policies, aims and objectives, but effective internal systems of control can provide substantial, albeit not absolute assurance, of the effectiveness of the Authority's policies, aims and objectives. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

33.3 The Authority's governance framework is established through its systems, processes, cultures and values. Its systems and controls are regularly reviewed to reflect changing needs.

34. Vision and Purpose

34.1 The Authority is responsible for the disposal of waste collected by the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge. The boroughs have a combined population of approximately 1.1 million people living in over 430,000 households, and each is responsible for the collection of household waste in their areas for disposal by the Authority in total over 445,000 tonnes per annum.

34.2 The Authority's Strategy as reviewed in 2006[1] sets out its vision "To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value". It sets out how the Authority, together with the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge, intend to manage municipal solid waste by means of a Vision, Objectives and Targets.

34.3 The Authority is working with Constituent Councils to develop a new East London Joint Resources and Waste Strategy to plan for the delivery of services, infrastructure and communication and engagement at the end of the existing Integrated Waste Management Services (IWMS) contract. This will be undertaken in three parts with the initial focus being on forecasting waste arisings and then maximising waste reduction, reuse and recycling. The Authority is also continuing to engage in and monitor the development of proposals and initiatives under the national resources and waste strategy.

34.4 The IWMS Contract, which runs from 2002 to 2027, has a number of requirements designed to implement the original Strategy:

a) The Overall Service Delivery Plan (OSDP) of ELWA Limited is a Plan that covers the 25 years of the Contract. This is a schedule to the Contract and is essentially the operational and technical proposal by the Operator (Renewi UK Services Limited) to meet the Authority's requirements.

b) The five Year Service Delivery Plan (SDP) follows a similar format to the OSDP but provides a greater level of detail. The first five Year SDP is also a schedule to the Contract.

c) The Annual Budget and Service Delivery Plan (ABSDP) follows a similar format to the other SDPs but provide a greater level of detail, particularly in respect of financial matters. The ABSDP is considered prior to the commencement of the relevant financial year to which it relates. This ensures that the levy report in February takes the ABSDP into account and can fully reflect the likely expenditure commitments arising from the Contract. The ABSDP process also affords an opportunity for the Constituent Councils to provide input into the proposed plans to take account of any planned service changes or requirements in the coming financial year.

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

34.6 It is recognised that the Authority cannot achieve its vision alone. It needs to work in partnership with its four Constituent Councils, other agencies and the community to make this happen.

35. Performance Management and Reporting

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

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

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

[1] See: http://eastlondonwaste.gov.uk/minutes/east_london_waste_authority_strategy.pdf

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

b) Mechanisms whereby performance is discussed and reported throughout all levels of the organisation and those of its partners, in particular to Members and Officers in Authority meetings, Management Board, Operational Management Team and Contract Monitoring Group. Such performance reporting includes not only regular financial monitoring and contract monitoring but also progress on the contract review and achievement of efficiencies.

36. Authority Constitution

36.1 The Constitution sets out the governance and decision-making arrangements of the Authority, including the roles and responsibilities of Members and Officers. It provides details of how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively.

36.2 A comprehensive update of the Constitution was undertaken in 2018/19 and presented to the Authority meeting in February 2019. The Constitution includes a clear reference to the scheme of delegation, which outlines who is authorised to make particular decisions and the remit of those decisions. In addition, clear rules regarding contractual and tendering matters and dealings with land are outlined within the Constitution. Alongside these are financial regulations relating to income and expenditure and financial authority limits.

37. Codes of Conduct

37.1 The Constitution (Part E) deals with the Codes of Conduct for Members and Employees. The Authority is not required to adopt a statutory Code of Conduct for its Members as it is not a 'relevant authority' as defined by the by the Localism Act 2011. Therefore, the Authority's Members are bound by their respective Council Codes when acting in their official capacity for the Authority. Copies of each Constituent Council's Members' Code of Conduct are available on the respective Councils' websites.

38. Risk Management

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

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

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

39. Compliance with Policies, Laws and Regulations

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

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

40. Counter Fraud including Whistle-blowing

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

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

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

40.2 The current website for the Authority has been in place since 2016, following a review and development process. The website is used to engage directly with the community on waste reduction, reuse and recycling and disposal matters.

41. Complaints Process

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

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

41.3 Members of the public may also complain to the Local Government Ombudsman if a corporate complaint has not been satisfactorily resolved and maladministration could arise. The Authority has had no previous history of any such complaints.

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

42. Training and Development

42.1 Members receive a briefing to keep them up to date with changes and to supplement training received via their Constituent Councils. This is supplemented by formal and informal information about the Authority through briefings, workshops and conferences where necessary.

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

43. Communication and Engagement

43.1 The Authority has a responsibility to communicate how to access basic services and information. The Authority's primary communication methods are comprehensive reporting, its website and briefings for Constituent Councils. In addition, the Authority employs the IWMS contractor to provide a waste education programme for local schools.

44. Partnerships

44.1 The most significant partnerships for the Authority are with its four Constituent Councils and through the IWMS Contract with Renewi UK Services Limited and John Laing Investments Limited that make up ELWA Limited.

44.2 There are sound governance arrangements in place for partnerships. These are implemented via regular formal meetings with Renewi UK Services Limited and include those with ELWA Limited. There are also regular formal meetings with the Constituent

Councils including those at the Management Board, Operational Management Team and Contract Monitoring Group.

45. Review of Effectiveness

45.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control, albeit that this is undertaken as an ongoing process. The Managing Director has the responsibility for the maintenance and development of the internal control environment. The framework for this is in the Constitution and support is provided by the regular review processes carried out by Internal Audit, External Audit and other review agencies.

45.2 The five yearly and annual processes, conducted within a formal framework provided by the IWMS Contract, enforce a disciplined review of objectives and effectiveness. Actions required are set out in sections 19 and 20 of this Statement. Overall, the governance arrangements are regarded as fit for purpose in accordance with the Authority's governance framework.

46. Role of the Finance Director

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

47. Internal Audit

47.1 Internal Audit and External Audit operate a joint working arrangement to maximise the effectiveness of the audit scrutiny of the Authority. An effective Internal Audit function is a core part of the Authority's arrangements to ensure the proper conduct of its financial affairs. Internal Audit priorities are risk based and agreed with the Section 73 Officer, following consultation with the Management Board and External Audit as part of the annual planning process.

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

47.3 Based upon the audit work undertaken during 2018/19, Internal Audit has reached the opinion that the Authority's overall control framework is generally sound, the core financial systems continue to operate effectively, there is a proactive approach to risk and there are no fundamental breakdowns in control resulting in material discrepancy. There was no reported fraud or irregularity during the year.

48. External Audit

48.1 The Authority's External Auditor is Ernst & Young (EY). EY has an annual audit plan in place that is risk based and focuses on undertaking areas of work that enables them to fulfil their duties in providing an opinion on the Authority's financial statements and whether or not ELWA has sound arrangements in place to deliver value for money. This value for money conclusion is based on the overall evaluation criterion, that "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". "Proper arrangements" comprise the Authority's arrangements to take informed decisions, deploy resources sustainably and work with partners and other third parties.

49. Governance and internal control issues requiring improvement and outcome of 2017/18 action plan

49.1 There were two key areas for development identified in the 2017/18 Annual Governance Statement. Progress against these areas is detailed below.

Contract Monitoring Performance with Constituent Councils and with the Contractor

49.2 During 2018/19, there has been some improvement in the consistency and standard of contract monitoring information provided by the Constituent Councils. However, there remains scope to further improve the standard and consistency of the completion of contract monitoring proformas by the Constituent Councils. Progress will continue to be monitored throughout 2019/20.

49.3 Health and safety arrangements are in place which minimise the majority of identified risks, however there remain specific issues of concern at reuse and recycling centres which could pose a health and safety risk. The recommendation made in 2017/18 to implement a relevant maintenance programme has been dealt with through the Operator making regular plant inspections and undertaking repairs as necessary. This action will be reviewed as part of the follow up of the internal audit of contract monitoring during 2019/20 as it is an ongoing matter.

Corporate Governance – Business Continuity

49.4 Business continuity arrangements have been reviewed and a revised framework put in place, which is being embedded throughout the Authority's operations. Controls are in place across all areas although there remains scope to strengthen some existing controls, in particular in relation to the support boroughs' contingency arrangements to ensure the continuity of the systems they operate on behalf of ELWA.

49.5 The risk management system has been reviewed and a revised framework put in place which describes the Authority's risk appetite. The system could be further improved by the inclusion in risk registers of an action plan detailing responsible officers and target dates.

49.6 During 2018/19, a comprehensive update of the Constitution was undertaken and details of significant changes were reported to the Authority meeting in February 2019. The document, which is now being finalised with minor changes and corrections, clearly states the date of review.

50. Annual Governance Statement Action Plan 2018/19

50.1 The governance issues arising from the review of the effectiveness of the Authority's governance framework for 2018/19 are detailed below:

Number	Area to Develop	Ongoing Action	Target Date	Lead Officer
1	Contract Management	The reduction in the number of inspections of key sites undertaken by Constituent Councils should be highlighted, proactively reviewed and escalated if necessary.	31 March 2020	Contract Manager
2	Management of Automatic Number Plate Recognition (ANPR) Systems	Systems for monitoring and managing frequent site users should be strengthened.	31 March 2020	Managing Director

Signed:

18 July 2019

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Andrew Lappage (Managing Director) Date:

18 July 2019

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Cllr. Osman Dervish (Chair) Date: