

**EAST LONDON WASTE AUTHORITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2005**

**East London Waste Authority  
Financial Statements  
For the Year Ended 31 March 2005**

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**East London Waste Authority  
Financial Statements  
For the Year Ended 31 March 2005**

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**PREFACE**

This publication presents the Authority's Accounts for the year ended 31st March 2005. Its purpose is to give clear and concise information about the financial affairs of the Authority to both Members of the Authority and the Public.

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

**EXPLANATORY FOREWORD**

The accounts for 2004/05 are set out on the following pages and consist of:

- The Balance Sheet on page 18 is a summary of the Authority's financial position at 31st March 2005.
- The Revenue Account on page 19 summarises the costs of the services provided by the Authority. It also shows how these costs are met from Service Income, Government Grants and the Levy Income.
- The Cash Flow Statement on page 20 shows the total cash received by the Authority and how it was used.

The Authority's Accounts are accompanied by explanatory notes.

The Finance Director's Statement on page 2 identifies the more significant matters included within the Authority's Accounts and provides a summary of the Authority's overall financial position.

**East London Waste Authority  
Financial Statements for the Year Ended 31 March 2005  
Finance Director's Statement**

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**Introduction**

The East London Waste Authority (ELWA) was created by Regulations made under the Local Government Act 1985. From 1 April 1986, ELWA assumed responsibility for the disposal of waste arising in the area covered by the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge. Under the Environmental Protection Act 1990, the Government required ELWA to put its waste disposal functions out to tender.

In December 2002, ELWA awarded a 25-year Integrated Waste Management Service (IWMS) Contract backed by Private Finance Initiative (PFI) funding, to its contracting partner, Shanks Waste Services Limited.

The financial statements on the following pages set out the Authority's financial position for the year to 31 March 2005. Further information on the nature and purposes of the Authority's expenditure is contained in the annual Revenue and Capital Budgets.

**Revenue Account**

The Authority's position at different points during the year is summarised below.

	<b><u>Original Budget (£'000)</u></b>	<b><u>Revised Budget (£'000)</u></b>	<b><u>Actual (£'000)</u></b>
Levy Raised	28,415	28,415	28,415
Less:			
Net Revenue Expenditure (inc. Contingency and Contribution from Revenue Reserve)	(23,287)	(19,942)	(19,592)
Contribution to Reserves (see below)	5,128	8,473	8,823
Contribution to PFI Contract Reserve	5,128	5,128	5,128
Contribution to Revenue Reserve	-	3,345	3,695
	<b>5,128</b>	<b>8,473</b>	<b>8,823</b>

The Original Budget was set in February 2004 and revised in February 2005

The variances from the Original Budget were primarily due to lower IWMS/PFI Contract payments than anticipated as a result of less than expected waste arising during the year. In addition, there was an underspend on recycling/disposal credits and extra income from commercial waste charges and bank interest. Also, the actual circumstances experienced by the Authority in 2004/05 resulted in certain Contingency sums set aside for the potential financial impact of increased waste volumes and new regulations and initiatives not being required or fully utilised during the year.

**East London Waste Authority  
Financial Statements for the Year Ended 31 March 2005  
Finance Director's Statement (continued)**

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The levels of the year end Cash balances are relatively high due principally to the surplus on the Revenue Account for the year and the building of the PFI Contract Reserve for future utilisation.

**Capital Programme/Borrowing Facilities**

The Government controls the amount the Authority can spend on capital schemes. The Local Government and Housing Act 1989 specifies that all new capital receipts generated from the sale of non-housing land, buildings and other assets are available to finance capital expenditure.

ELWA can borrow for any purpose for which it is legally entitled to incur expenditure. Loans are raised not only for new capital requirements and to replace maturing debt, but also to meet short-term revenue deficits.

**ELWA Operations**

ELWA transferred its principal operations and contracts to Shanks Waste Services Limited as part of the new IWMS/PFI Contract in December 2002. Since then ELWA's limited operational responsibilities have been in relation to its closed landfill sites.

**Conclusion**

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

**G. PEARCE**  
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Signed G Pearce, BA, CPFA  
Finance Director

Dated 31<sup>st</sup> October 2005

**East London Waste Authority  
Statement of Responsibilities for the Statement of Accounts  
For the Year ended 31 March 2005**

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**The Authority's Responsibilities**

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Director;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

**The Finance Director's Responsibilities**

The Finance Director is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

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

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

**I certify that the Statement of Accounts, the Revenue Account and the Balance Sheet present fairly the Authority's income and expenditure for the year ended 31 March 2005 and the Authority's financial position as at 31 March 2005.**

	<b>G. PEARCE</b> -----		<b>M. McKENZIE</b> -----
Signed	G Pearce Finance Director	Signed	Councillor Milton McKenzie Chairman
Dated	31 <sup>st</sup> October 2005	Dated	31 <sup>st</sup> October 2005

**East London Waste Authority  
Statement on the System of Internal Control  
For The Year Ended 31 March 2005**

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**1. Introduction**

The Accounts and Audit Regulations (England) 2003 require the Authority to be responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. Coupled with this the Authority now has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control and for including a Statement on Internal Control (SIC), prepared in accordance with proper practices, with its published accounts.

Robust internal control arrangements are in place in ELWA. These arrangements include the following: Waste Management Strategy, governance arrangements, standing orders, internal audit, financial regulations, performance monitoring and other personnel related procedures. Without such existing arrangements the Authority could not effectively conduct its business. The SIC is intended to ensure that such arrangements are reviewed to provide assurance of their soundness and, at the same time, provide an early warning system for areas requiring action.

The internal control regime has been evaluated as described in the following section below. On the basis of their evaluation, the Directors' overall view is that internal control is generally sound as described in the following sections and that there are no major control risks. However, further work needs to be carried out in respect of a few areas of minor control weaknesses.

**2. Scope of Responsibility**

The East London Waste Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. 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. In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

**3. Financial Systems**

The Authority uses the financial systems of all four of its Constituent Councils for processing its transactions but primarily those of the London Borough of Redbridge. Consequently, the Authority's system of internal financial control is heavily reliant on the internal financial control systems within its four Constituent Councils, especially those of the London Borough of Redbridge.

The Head of Audit for the London Borough of Redbridge is authorised to co-ordinate the completion of a programme of audit reviews within the Authority and each Constituent Council.

#### **4. The Purpose of the System of Internal Control**

The system of internal control is designed to manage such risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2005 and up to the date of the publication of the Statement of Accounts and accords with proper practice.

#### **5. The Internal Control Environment**

The key elements of the internal control environment include the following:

- establishing and monitoring of the Authority's objectives
- having appropriate arrangements for policy and decision making
- ensuring compliance with established policies, procedures, laws and regulations
- having appropriate systems of financial management and internal financial control
- performance management and reporting
- maintaining a review of effectiveness

#### **Establishing and Monitoring of the Authority's Objectives**

The Authority operates in a complex environment, providing community leadership and working with partners to deliver a joined up service within the area of the four Constituent Councils. The Authority's Waste Management Strategy is kept under review and is used to:

- Set objectives and targets
- Review progress and performance
- Set best value and value for money plans
- Help manage and plan better services

**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2005**

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**Policy and Decision Making**

The Authority has an agreed Constitution which details how the Authority operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. Members are responsible for major decisions. Key decisions required are published in advance and the vast majority are discussed in a meeting open to the public. All decisions must be in line with the Authority's overall policies and budget. Any decisions that designated officers wish to take outside the Budget or Policy framework must be referred to Members as a whole to decide.

Currently, overall management arrangements for the Authority include the following:

- a) ELWA operates from one office with five full-time trained and experienced staff who are either seconded from the Boroughs (or agency). This unit reports to the Management Board of one Director from each Constituent Council and to the Authority (directly);
- b) the activities of ELWA staff are monitored by the Boroughs, by Internal Auditor and by External Audit; and
- c) there is one major service (waste disposal) which is contracted out and comprehensively documented in accordance with PFI guidance.

**Compliance with established policies, procedures, laws and regulations**

The Authority has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Authority and to the public. Key documents include the Constitution, which includes the Scheme of Delegations, Standing Orders, and Financial Regulations. These are available to all officers via the Authority's website. The Constitution is reviewed and revised as necessary. There is guidance on a range of topics such as Data Protection, ICT Security, Whistleblowing and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Authority keeps staff aware of changes in policy and new legislation as necessary, by a variety of documentation, attending seminars, and other means, and where appropriate arranging training for relevant officers.

Statutory instruments setting out the roles and responsibilities of the Authority, in terms of both what it can and cannot do, are all reflected in the Authority's Constitution. This is overseen by both the Managing Director and the Authority's Legal Advisor. The management of, and adherence to, the Authority's wider statutory obligations rely heavily on devolved working arrangements. There is provision for further advice from Finance and Legal Services within Constituent Councils as required.

**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2005**

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Fundamental to the system of internal control is the requirement to develop and maintain robust systems for identifying and evaluating all principal risks to the achievement of the Authority's objectives and ensuring that the control framework includes controls to mitigate those risks.

The Authority has access to effective operational risk management practices in professional disciplines, (e.g. financial management, health and safety). The Authority takes the subject of risk management seriously and is aware that there is more work to be done in codifying risk management across all the activities of the Authority. This should enable consistent practice to be followed.

**Securing Value for Money and Continuous Improvement**

The Authority maintained robust budgetary monitoring and control processes during the year to ensure that financial resources were being used to their best advantage, including regular management reporting to the Management Board and Members. Service planning is linked to financial planning, with increased expenditure in any area being approved by the Members through the annual levy setting process. Increased expenditure is allocated in line with the Authority's policy priorities and contractual obligations. The element of challenge is encouraged as part of regular routines including Management Board and Member meetings and comparison with other waste authorities also taking place through consideration of comparative information and engagement in benchmarking.

The Authority's Best Value duty i.e. the economic, effective and efficient use of resources is subject to independent review through the work of both External and Internal Audit.

**Financial Management and Internal Financial Control**

The Finance Director has responsibility for ensuring that an effective system of internal financial control is functioning. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2005**

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The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Officers within the Authority and Constituent Councils undertake development and maintenance of the system. In particular, the system includes:

- comprehensive budgeting systems;
- regular review of periodic and annual financial reporting;
- setting targets to measure financial and other performance;
- anti fraud and corruption workshops, the re-launch of “whistle blowing” arrangements and the finalisation of the Fraud Response Plan.

Internal audit is an independent appraisal function that acts as a control by measuring, **evaluating and reporting upon the effectiveness of internal controls, financial and others**, as a contribution to the efficient use of resources within the Authority.

The Annual Audit Plan is used to set out the cyclical coverage of fundamental financial systems and other audits. This plan is based on the identification of the Authority's systems and activities to be audited, each assessed for risk. The delivery of the previous year's plan is also used to identify and learn from any trends that might be established. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process. Internal Audit focuses mainly on meeting the basic regularity and probity threshold.

Internal Audit operates to defined standards as set out in the Chartered Institute of Public Finance (CIPFA) Code of Practice for Internal Audit in Local Government; its audit reviews provide an independent opinion on the adequacy and effectiveness of the system of internal financial control. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. The Head of Audit for the London Borough of Redbridge is empowered to report any matter of concern and reports on the outcomes of the annual programme of audit work to Management Board and Members.

### **Performance Management and Reporting**

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

- An established reporting process in place to link strategic aims with operational functions
- performance in individual areas is reported to Management Board and Members. This information is also available to the public through printed reports and via related web sites, and by the publication of a Best Value Performance Plan containing key performance data.

## **6. Review of Effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors within the Constituent Councils and senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors in their annual audit letter and other reports. The Authority's review of the effectiveness of the system of internal financial control is informed by:

- The Authority procedures and management structure set out in the Constitution;
- The responsibilities of designated officers within the Authority;
- Regular performance reporting to the Management Board and the Authority covering finance and key performance information;
- The findings of the external auditors in their annual audit letter and other reports;
- The provision of an effective internal audit function within the Constituent Councils;

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

Internal audit operates to the following standards of service:

- CIPFA Code of Practice for Internal Audit in Local Government in the UK;
- Auditing guidelines of the CCAB;
- Codes of ethics and standards of the Institute of Internal Auditors

**East London Waste Authority**  
**Statement on the System of Internal Control (continued)**  
**For The Year Ended 31 March 2005**

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The Head of Audit 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 and the Constituent Councils give authority for Internal Auditors to have full, free and unrestricted access to all its assets, records, documents, correspondence and personnel for the purposes of that audit. Recommendations arising from the work of both internal and external auditors are discussed and agreed with management, including acceptable timescales for their implementation. The Head of Audit for the London Borough of Redbridge reports on the outcomes of the annual programme of audit work to Management Board and Members. The annual report by the Auditor contains a view on the adequacy and effectiveness of the system of internal controls.

To support and reinforce the routine review processes such as internal audit, the Executive Director and his officers used a Key Controls Diagnostic checklist, consisting of around sixty lines of enquiry, to undertake a review of the adequacy and effectiveness of our internal control arrangements grouped in the following areas:

- Risk Management
- Organisational Processes
- Operational Management
- Finance
- Compliance Issues

For controls to be considered sound the officers sought to identify evidence to substantiate this. Similarly where further work was considered necessary actions have been identified. Other key documents such as the audit reports and risk assessment registers have also been used as part of the process for producing this Statement.

Following the commencement of the IWMS/PFI Contract in December 2002, there have been and there will continue to be some changes in the way that the financial management of the Authority is conducted. While some of these changes remain to be considered, it is likely that they will be largely modeled on the systems of internal financial control within the London Borough of Redbridge. Internal Audit within the London Borough of Redbridge will contribute to these ongoing developments to ensure the adequacy and effectiveness of the new arrangements especially in relation to the management and monitoring of the IWMS/PFI Contract.

**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2005**

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**7. Improvements during the year**

During the year we have strengthened our strategic review process and achieved significantly higher operational performances and stayed well within the budget. The Authority and the IWMS/PFI project continues to be a focus of considerable national attention and ELWA and Shanks have hosted a number of visits including representatives from other Authorities, the Environment Agency, the Office of Government Commerce and the Department of the Environment.

In the period covered by this Statement, improvements have also been made to the Authority's arrangements in respect of previously identified areas for improvement. For example, on risk management and financial accounting significant progress has been made including training being provided to officers supported by appropriate guidance. In addition, progress has also been made in compiling operational risk registers and action plans for managing the identified risks in respect of the closed landfill sites. The Authority's Risk Register has also been reviewed.

**8. Statement of Internal Control**

We have been advised on the implications of the review of the effectiveness of internal control, and plan to address weaknesses and ensure continuous improvement of the system is in place.

Based upon the review of the effectiveness of internal control the areas of weakness below have been identified. In our opinion, these are not significant and do not have a material impact upon the figures presented in the Statement of Accounts. These areas are being addressed and will be kept under review over the next few years. There is also an appropriate mechanism in place to identify areas of weakness within specific services and to take corrective action, through implementation of recommended actions from Internal and External Audit reports, Best Value Improvement Plans and Performance Management arrangements.

There are no major areas of internal control weakness. However, minor areas requiring review include the monitoring of complaints and the formalisation of risk management processes.

**M. McKENZIE**

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Councillor Milton McKenzie  
Chair  
Date: 17<sup>th</sup> October 2005

**R. WHITEMAN**

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Robert Whiteman  
Managing Director  
Date: 17<sup>th</sup> October 2005

**East London Waste Authority  
Auditors' Report to the Authority  
For The Year Ended 31 March 2005**

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**Independent Auditors' report to East London Waste Authority**

We have audited the statement of accounts on pages 15 to 31 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 15 to 17.

This report is made solely to East London Waste Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

**Respective Responsibilities of the Finance Director and Auditor**

As described on page 4, the Finance Director is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts present fairly the financial position of the Authority and its income and expenditure for the year.

We review whether the statement on internal control on pages 5 to 12 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

**Basis of Audit Opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the statement of

**East London Waste Authority  
Auditors' Report to the Authority (continued)  
For The Year Ended 31 March 2005**

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accounts, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the statement of accounts.

**Opinion**

In our opinion, the statement of accounts presents fairly the financial position of East London Waste Authority as at 31 March 2005 and its income and expenditure for the year then ended.

**Certificate**

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

Signature: **S. MARTIN**.....

Date: **31 October 2005**.....

**Sharon Martin**  
**Audit Manager**  
Audit Commission  
1<sup>st</sup> Floor  
Millbank Tower  
Millbank  
LONDON  
SW1P 4HQ

**East London Waste Authority  
Statement of Accounting Policies  
For The Year Ended 31 March 2005**

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**1 General Principles**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (2004) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs). In addition, the accounts follow the Accounts and Audit Regulations 2003 under the Local Government Finance Act 1982 and the Local Government Housing Act 1989 that defines proper practices to be observed.

**2 Accruals Basis Of Accounting**

The Accounts have been prepared on the normal accruals basis whereby debtors and creditors are included in the balance sheet in respect of goods supplied and services rendered but not paid for at the 31 March.

**3 Fixed Assets**

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2000 Code of Practice on Local Authority Accounting. Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.

Surpluses arising on the initial valuation of fixed assets have been credited to the Fixed Asset Restatement Account. Subsequent re-valuations of fixed assets are planned at five yearly intervals, although material changes to assets valuations will be adjusted in the interim period, as they occur.

Assets acquired under finance leases are capitalised in the Authority's Accounts, together with the liability to pay future rentals.

In 2002/03, under the terms of the IWMS/PFI Contract, ELWA transferred its operational land, buildings and fixed plant (via a 25 year lease) and its mobile plant for nil consideration to ELWA Limited. The leased assets will revert to the Authority at nil cost at the end of the Contract. On the grounds of prudence, Directors have assumed no residual value for these assets at the end of the 25-year Contract term. Consequently, the full net book value of these fixed assets was written-off against both the Fixed Asset Restatement and Capital Financing Accounts. As a result, the fixed assets are shown at £nil as at 31<sup>st</sup> March 2004 and 2005.

**East London Waste Authority  
Statement of Accounting Policies (continued)  
For the Year Ended 31 March 2005**

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**East London Waste Authority  
Statement of Accounting Policies (continued)  
For the Year Ended 31 March 2005**

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**4 Charges to Revenue**

External interest payable (charged on an accruals basis) and the provision for depreciation are charged to the Asset Management Revenue Account (AMRA), which is also credited with capital charges charged to services. Capital charges therefore have a neutral impact on the Levy amounts required to be raised from Constituent Councils. There were no capital charges for the year ended 31<sup>st</sup> March 2005 as the value of fixed assets was £Nil as at 31<sup>st</sup> March 2004 and 2005.

Amounts set aside from revenue for the repayment of external loans to finance capital expenditure or as transfers to other reserves are disclosed separately as appropriations on the face of the Revenue Account, below net operating expenditure.

**5 Value Added Tax**

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

**6 Reserves**

- a) A Capital Reserve exists primarily to enable expenditure to be financed without the need to borrow or use capital receipts.
- b) The PFI Contract Reserve has been set-up in pursuance of the Authority's agreed policy to match income and expenditure in respect of the IWMS/PFI Contract. The reserve will ensure a smoother levy profile by avoiding exceptional levy increases especially in years when, under the terms of the IWMS/PFI Contract, the cost is expected to be subject to significant stepped increases to meet higher recycling and recovery targets.
- c) The Fixed Asset Restatement Account is a non-cash backed reserve, which represents principally the balance of the surplus or deficit arising on the periodic revaluation of fixed assets and the writing-off of the net book value of fixed assets disposed.
- d) The Capital Financing 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.
- e) Other Reserves have been established to finance future expenditure.

**7 Capital Receipts And Provision For Credit Liabilities**

The Local Government and Housing Act 1989 specifies the proportion of capital receipts that are available to finance capital expenditure (usable part of receipts) and that amount that must be used to repay debt (reserved part of receipts). Reserved capital receipts are included in the Capital Financing Account.

**East London Waste Authority  
Statement of Accounting Policies (continued)  
For the Year Ended 31 March 2005**

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**8 Stocks**

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

**9 Redemption Of Debt**

ELWA's loan fund is administered by the London Borough of Redbridge on behalf of ELWA. The Local Government and Housing Act 1989 requires the principal element of capital financing charges to be shown as Provision for Credit Liabilities until the time external debt is repaid. The Authority has provided for the Minimum Revenue Provision that must be made under the Local Government and Housing Act 1989.

**10 Support Service Costs**

The costs of the Authority's Support Functions (e.g. salaries, other expenses and accommodation) are fully allocated over services.

**11 Financial Relationship Between The Authority And Constituent Councils**

The Authority's day to day operations are run on an agency basis utilising resources from the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge. Upto 31<sup>st</sup> March 2004 detailed financial transactions were carried out at Borough level with reimbursement being provided mid-quarter against the Levy instalments from the four Councils. However, with effect from 1<sup>st</sup> April 2004, the Authority centralised its financial and accounting arrangements and operated its own independent systems. Consequently, the levels and composition of the year end Debtors and Creditors balances are different due to the above changes and timing differences in the receipts and payments of cash.

**12 Deferred Consideration**

This represents the notional deferred consideration from the transfer of fixed assets to ELWA Limited as part of the IWMS/PFI Contract. This will be written-off to the Capital Financing Reserve via the Revenue Account over the 25 year Contract period on a straight-line basis.

**13 Government Grants and Contributions**

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

**East London Waste Authority  
Balance Sheet  
As At 31 March 2005**

The Balance Sheet reflects the Authority's position at the end of the year for all activities and services.

	<u>Note</u>	<u>2005</u>		<u>2004</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Fixed Assets</b>					
Operational Assets	8,11		-		-
Deferred Consideration	12		7,666		8,003
<b>Total Long Term Assets</b>			<u>7,666</u>		<u>8,003</u>
<b>Current Assets</b>					
Debtors	13	3,226		3,998	
Cash at Bank	22	16,199		8,105	
			<u>19,425</u>		<u>12,103</u>
<b>Current Liabilities</b>					
Creditors	14	(3,471)		(4,067)	
			<u>(3,471)</u>		<u>(4,067)</u>
<b>Net Current Assets</b>			15,954		8,036
<b>Total Assets less Current Liabilities</b>			<u>23,620</u>		<u>16,039</u>
Long Term Borrowing	15,23		(2,273)		(2,273)
<b>Total Assets less Liabilities</b>			<u>21,347</u>		<u>13,766</u>
<b>Equity</b>					
Fixed Asset Restatement Account	16		-		-
Capital Financing Account	17		5,939		6,181
Capital Reserve	19		400		400
PFI Contract Reserve	18		7,894		2,766
Revenue Balance			7,114		4,419
<b>Total Equity</b>			<u>21,347</u>		<u>13,766</u>

**East London Waste Authority  
Revenue Account  
For the Year Ended 31 March 2005**

The Revenue Account shows the final outturn expenditure and income of the Authority's services for the year.

	<u>Note</u>	<u>2004/05</u> <u>£'000</u>	<u>2003/04</u> <u>£'000</u>
<b>Expenditure</b>			
Employee and Support Services	6	565	534
Premises Related Expenditure		209	39
Transport Related Expenditure		11	17
Supplies and Services	1	27,111	25,817
Third Party Payments		1,063	1,246
		<b>28,959</b>	<b>27,653</b>
<b>Less: Income</b>			
Commercial Waste Charges		2,692	2,190
PFI Grant		5,128	5,342
Other Income		11	34
		<b>7,831</b>	<b>7,566</b>
<b>Net Cost of Services</b>			
Net Expenditure on the AMRA	2	217	221
Interest and Investment Income		(511)	(41)
<b>Net Operating Expenditure</b>			
		<b>20,834</b>	<b>20,267</b>
<b>Appropriations</b>			
Contributions from Capital Financing Account		(242)	(238)
Contribution to Capital Reserve		-	200
Contribution to PFI Contract Reserve		5,128	2,554
Contributions from Revenue Reserve		(1,000)	-
<b>Amount to be met from the Levy</b>			
Income from the Levy		28,415	27,078
<b>Surplus for the year</b>			
		<b>3,695</b>	<b>4,295</b>
<b>Revenue Balance</b>			
As at 1.4.2004		4,419	
Less: Transfer to Revenue Account		(1,000)	
Add: Surplus for the year		3,695	

**East London Waste Authority  
Statement of Accounting Policies (continued)  
For the Year Ended 31 March 2005**

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As at 31.3.2005

7,114

**East London Waste Authority**  
**Cash Flow Statement**  
**For the Year Ended 31 March 2005**

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	<u>Note</u>	<u>2004/05</u> <u>£'000</u>	<u>2003/04</u> <u>£'000</u>
<b>Revenue Activities</b>			
<i>Cash Outflows</i>			
Cash Paid to and on behalf of Employees	6	399	-
Other Operating Costs		27,550	27,242
		<b>27,949</b>	<b>27,242</b>
<i>Cash Inflows</i>			
Precept Receipts		28,415	27,078
Other Government Grants	7	6,463	4,007
Cash Received for Goods & Services		1,382	2,415
		<b>36,260</b>	<b>33,500</b>
Revenue Activities Net Cash Inflow	21	8,311	6,258
<b>Returns on Investment and Servicing of Finance</b>			
<i>Cash Outflows</i>			
Loan Interest Paid	2	(217)	(221)
<i>Cash Inflows</i>			
Interest Received		-	41
Net Inflow before Financing		<b>8,094</b>	<b>6,078</b>
<b>Financing</b>			
<i>Cash Outflows</i>			
Repayments of amounts borrowed	23	-	(97)
<b>Increase in Cash</b>	<b>22</b>	<b>8,094</b>	<b>5,981</b>

**East London Waste Authority  
Statement of Total Movements in Reserves  
For the Year Ended 31 March 2005**

This Statement brings together all the recognised gains and losses of the Authority during the financial year. The Statement separates the movements between revenue and capital reserves.

	<b>CAPITAL</b>			<b>REVENUE</b>		<b>Total</b>
	<b><u>Fixed Asset Re-statement Account</u></b>	<b><u>Capital Financing Account</u></b>	<b><u>Capital Reserve</u></b>	<b><u>PFI Contract Reserve</u></b>	<b><u>Revenue Reserve</u></b>	
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Balance at 1.4.2004	-	6,181	400	2,766	4,419	13,766
Contribution from Revenue Account	-	-	-	5,128	-	5,128
Net surplus for year	-	-	-	-	3,695	3,695
Contributions to Revenue Account	-	(242)	-	-	(1,000)	(1,242)
<b>Balance at 31.3.2005</b>	<b>-</b>	<b>5,939</b>	<b>400</b>	<b>7,894</b>	<b>7,114</b>	<b>21,347</b>

**East London Waste Authority  
Notes To The Financial Statements  
For the Year Ended 31 March 2005**

**1 Revenue Account**

The Supplies and Services expenditure includes the following:

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Auditor fees – Audit of Accounts	28	28
Auditor fees – Audit of Grant Claims	-	2

**2 Transactions on the Asset Management Revenue Account**

The Asset Management Revenue Account is credited with notional charges made to services for the capital employed in the delivery of services. It is debited with actual capital financing costs incurred during the year. The balance on the account is then transferred back to the Revenue Account to ensure that the notional charges for capital do not impact on the level of the Levy.

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
<b>Income</b>		
Capital Charges	-	-
<b>Expenditure</b>		
Provision for depreciation	-	-
External interest charges	217	221
<b>Balance to Consolidated Revenue Account</b>	<b>217</b>	<b>221</b>

**3 Minimum Revenue Provision**

The Local Government and Housing Act 1989 requires the Authority to charge the Revenue Account a minimum revenue provision (MRP) for the repayment of external loans. The provision is shown under the Appropriation Account in the Revenue Account. The details of the MRP for 2004/05 are shown below:

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Non-housing (4% of Credit Ceiling)	95	99
Amount charged as depreciation	-	-
Adjustment to Revenue Account – Appropriation	95	99
	<b>95</b>	<b>99</b>

**4 Leasing**

**East London Waste Authority**  
**Statement of Accounting Policies (continued)**  
**For the Year Ended 31 March 2005**

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No new finance leases were entered into during 2004/05 (2003/04: None).

**East London Waste Authority**  
**Notes To The Financial Statements (continued)**  
**For the Year Ended 31 March 2005**

**5 Publicity Account**

Under Section 5(1) of the Local Government Act 1986, Authorities are required to account separately for publicity. The details of relevant expenditure included in the Revenue Account are as follows:

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Promotions, Publications and Advertising	11	35

**6 Officers' Emoluments**

The Authority itself does not have any employees. The four Constituent Boroughs, as agents of the Authority, employ all staff working on the Authority's activities. The number of such full-time, seconded employees whose remuneration, excluding pension contributions, was £40,000 or more, in bands of £10,000 were:

	<u>2005</u> <u>Number</u>	<u>2004</u> <u>Number</u>
£40,000 to £49,999	-	-
£50,000 to £59,999	1	-
£60,000 to £69,999	1	1

**7 Analysis of Other Government Grants**

The Cash Flow Statement includes the following Other Government Grants:

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
PFI Grant	6,463	4,007
	<b>6,463</b>	<b>4,007</b>

**8 Movement in Fixed Assets**

In 2002/03, under the terms of the IWMS/PFI Contract, ELWA transferred its land, buildings and fixed plant (via a 25 year lease), and its mobile plant for nil consideration to ELWA Limited. The leased assets will revert to the Authority at nil cost at the end of the Contract. On the grounds of prudence, Directors have assumed no residual value for these assets at the end of the 25-year Contract term. Consequently, the full net book value of these fixed assets was been written-off against both the Fixed Asset Restatement and Capital Financing Accounts. As a result, the fixed assets are shown at £nil as at 31<sup>st</sup> March 2004 and 2005.

**East London Waste Authority  
Notes To The Financial Statements (continued)  
For the Year Ended 31 March 2005**

**9 Fixed Asset Valuation**

- a) All the Authority's assets, except its Landfill sites, are valued on the bases of open market value for the existing use and/or depreciated replacement cost on the assumption that the properties will continue in the occupation of the Authority for the foreseeable future, having regard to the prospect and viability of the continuance of occupation. The Directors are of the opinion that the Authority's Landfill sites have a £nil value in accordance with professional advice received from its appointed Consultants and on the grounds of prudence.
- b) In 2002/03, under the terms of the IWMS/PFI Contract, ELWA transferred its land, buildings and fixed plant (via a 25 year lease), and its mobile plant for nil consideration to ELWA Limited. The leased assets will revert to the Authority at nil cost at the end of the Contract. On the grounds of prudence, Directors have assumed no residual value for these assets at the end of the 25-year Contract term. Consequently, the full net book value of these fixed assets was been written-off against both the Fixed Asset Restatement and Capital Financing Accounts. As a result, the fixed assets are shown at £nil as at 31<sup>st</sup> March 2004 and 2005.

**10 Financing of New Capital Expenditure**

No new capital expenditure was incurred by the Authority during the years ended 31 March 2004 and 2005.

**11 Investments**

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

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Loan repayable in more than one year	93	93
Less: Provision against loan	(93)	(93)
	-	-

**East London Waste Authority**  
**Notes To The Financial Statements (continued)**  
**For the Year Ended 31 March 2005**

**11 Investments (continued)**

The net assets of Aveley Methane Limited as at 31 March 2005 were £93,659 (2003/04: Net Assets £87,785). The profit after taxation for the year ended 31 March 2005 was £5,874 (2003/04: Loss after taxation £14,281). These figures are based on unaudited draft management accounts.

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

- b) Until 23<sup>rd</sup> December 2002, the Authority owned 100% of the share capital of ELWA Limited, its Local Authority Waste Disposal Company (LAWDC). As part of the IWMS/PFI Contract, the Authority transferred all its equity shareholding to Shanks Waste Services Limited on 23<sup>rd</sup> December 2002. Following the transfer, the Authority owns 19 Class 'A' non-equity, voting shares in ELWA Limited with a nominal value of £0.01p each. ELWA Limited commenced trading on 24<sup>th</sup> December 2002 and its principal activity is the operation of waste disposal services for ELWA.

The net liabilities of ELWA Limited as at 31 March 2005 were £2,581,000 (2003/04: Net Liabilities £1,628,000). The loss after taxation for the year ended 31 March 2005 was £953,000 (2003/04: Loss after taxation £1,296,000). These figures are based on unaudited draft financial statements.

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

- c) In the opinion of the Directors, the investments in Aveley Methane Limited and ELWA Limited are not material interests for the purposes of Group Accounts as defined in the Code of Practice on Local Authority Accounting (2004) and therefore, there is no requirement to produce Group Accounts.

**12 Deferred Consideration**

Represents the notional deferred consideration of £8,424,000 for the transfer of fixed assets to ELWA Limited as part of the IWMS/PFI Contract. This amount was firstly written-off against the the total of the Fixed Asset Restatement Account and then the balance against the Capital Financing Account. This amount will be written-off to the Capital Financing Account via the Revenue Account over the Contract period on a straight-line basis.

	<b><u>2005</u></b> <b><u>£'000</u></b>	<b><u>2004</u></b> <b><u>£'000</u></b>
Balance brought forward	8,003	8,340
Amount written-off in the year	(337)	(337)

**East London Waste Authority  
Notes To The Financial Statements (continued)  
For the Year Ended 31 March 2005**

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**Balance carried forward**

**7,666**

**8,003**

**East London Waste Authority**  
**Notes To The Financial Statements (continued)**  
**For the Year Ended 31 March 2005**

**13 Debtors**

	<b><u>2005</u></b> <b><u>£'000</u></b>	<b><u>2004</u></b> <b><u>£'000</u></b>
Commercial Waste Charges	1,535	-
VAT	644	708
Amounts due from Constituent Councils	503	1,865
PFI Grant	-	1,335
Payments in advance – Land Lease Rentals	22	50
Bank Interest Receivable	511	-
Sundry Debtors	11	40
	<b>3,226</b>	<b>3,998</b>

With effect from 1<sup>st</sup> April 2004, the Authority has centralised its financial and accounting arrangements and has operated its own independent systems. Consequently, the levels and composition of the year end Debtors balances are different due to the above changes and timing differences in the receipts and payments of cash.

**14 Creditors**

	<b><u>2005</u></b> <b><u>£'000</u></b>	<b><u>2004</u></b> <b><u>£'000</u></b>
Amounts due to Constituent Councils	23	-
IWMS/PFI Contract payment	2,271	1,948
Tonne Mileage payments	706	510
Disposal & Recycling Credit payments	18	381
London Recycling Fund Grant payments	-	760
Commercial Waste Charge refunds	-	225
External Loan Interest payable	40	40
Employees & Support Services	166	-
Sundry Creditors and Accruals	247	203
	<b>3,471</b>	<b>4,067</b>

With effect from 1<sup>st</sup> April 2004, the Authority has centralised its financial and accounting arrangements and has operated its own independent systems. Consequently, the levels and composition of the year end Creditors balances are different due to the above changes and timing differences in the receipts and payments of cash.

**East London Waste Authority**  
**Notes To The Financial Statements (continued)**  
**For the Year Ended 31 March 2005**

**15 Long Term Borrowing**

	<b><u>2005</u></b> <b><u>£'000</u></b>	<b><u>2004</u></b> <b><u>£'000</u></b>
<b>Analysis of Long Term Loans by Maturity</b>		
Maturing in:		
1 - 2 years	129	-
2 - 5 years	534	663
5 - 10 years	360	360
More than 10 years	1,250	1,250
	<b>2,273</b>	<b>2,273</b>

All long-term loans are with the Public Works Loans Board. The range of average interest rates payable is between 8.13% to 10.00%.

**16 Fixed Asset Restatement Account**

The system of Capital Accounting introduced in 1994/95 required the establishment of the Fixed Asset Restatement Account. This Account is non-cash backed and therefore, is not available to finance expenditure. The balance as at 31<sup>st</sup> March 2002 mainly represented the difference between the valuation of assets under the previous system of capital accounting prior to 1 April 1994 and the revaluation as at 1 April 1995 and the subsequent writing down of the net book value of assets as they are disposed of and with deficits or surpluses arising on periodic revaluations.

In 2002/03, under the terms of the IWMS/PFI Contract, ELWA transferred its land, buildings and fixed plant (via a 25 year lease), and its mobile plant for nil consideration to ELWA Limited. The leased assets will revert to the Authority at nil cost at the end of the Contract. On the grounds of prudence, Directors have assumed no residual value for these assets at the end of the 25-year Contract term. Consequently, the full net book value of these fixed assets was written-off against both the Fixed Asset Restatement and Capital Financing Accounts. The Statement of Total Movements in Reserves on page 21 shows an analysis of the movement in the year on this Account.

**17 Capital Financing Account**

The Capital Financing Account was established as part of the new system for capital accounting. The balance on this Account is non-cash backed and therefore, is not available to finance expenditure. This Account contains amounts, which are required by statute to be set aside from capital receipts for the repayment of external loans, the amount of capital expenditure financed from revenue and capital receipts and other capital financing transactions. It also contains the difference between the amount provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

**East London Waste Authority**  
**Notes To The Financial Statements (continued)**  
**For the Year Ended 31 March 2005**

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In 2002/03 an amount of £8,424,000 has been credited to this reserve and represents the notional deferred consideration for the transfer of fixed assets to ELWA Limited as part of the IWMS/PFI Contract. A Deferred Consideration asset has been debited with an equivalent amount. This amount will be written-off to the Capital Financing Account via the Revenue Account over the Contract period on a straight-line basis.

Also, in 2002/03 under the terms of the IWMS/PFI Contract, ELWA transferred its land, buildings and fixed plant (via a 25 year lease), and its mobile plant for nil consideration to ELWA Limited. The leased assets will revert to the Authority at nil cost at the end of the Contract. On the grounds of prudence, Directors have assumed no residual value for these assets at the end of the 25-year Contract term. Consequently, the full net book value of these fixed assets was written-off against both the Fixed Asset Restatement and Capital Financing Accounts. The Statement of Total Movements in Reserves on page 21 shows an analysis of the movement in the year on this Account.

**18 PFI Contract Reserve**

The PFI Contract Reserve has been set-up in pursuance of the Authority's agreed policy to match income and expenditure in respect of the IWMS/PFI Contract. The Revenue Account will receive the annual PFI Grant in full. Appropriations from the Revenue Account to this Reserve will be made each year and will be mainly utilised to support the cost of the Contract over the Contract period. This will ensure a smoother levy profile by avoiding exceptional levy increases especially in years when, under the terms of the Contract, the cost is expected to be subject to significant stepped increases to meet higher recycling and recovery targets. The Statement of Total Movements in Reserves on page 21 shows an analysis of the movements in the year on this Reserve.

**19 Capital Reserve**

This Capital Reserve will be utilised for the potential development needs and/or liabilities in respect of the Authority's closed landfill site at Aveley. The Statement of Total Movements in Reserves on page 21 shows an analysis of the movement in the year on this Reserve.

**East London Waste Authority**  
**Notes To The Financial Statements (continued)**  
**For the Year Ended 31 March 2005**

**20 Provision for Credit Liabilities (Memorandum Account)**

This account shows the sums which the Government requires the Authority to set aside each year from revenue and from capital receipts to meet credit liabilities. The accumulation of these provisions and their application to debt redemption is now reflected in a memorandum account (as shown below) but the actual transactions are recorded in the Fixed Assets and in the Capital Financing Account.

	<b><u>2005</u></b> <b><u>£'000</u></b>	<b><u>2004</u></b> <b><u>£'000</u></b>
Balance brought forward	510	508
Minimum Revenue Provision	95	99
Repayment of external debt	-	(97)
<b>Balance carried forward</b>	<b>605</b>	<b>510</b>

**21 Reconciliation of Net Surplus for the year to Net Cash Inflow from Operating Activities**

	<b><u>2005</u></b> <b><u>£'000</u></b>	<b><u>2004</u></b> <b><u>£'000</u></b>
Surplus for the year	3,695	4,295
Add: Items not involving transfer of funds		
Contributions to Reserves	4,128	2,754
Minimum Revenue Provision	95	99
Decrease/(Increase) in Debtors	772	(3,477)
(Decrease)/Increase in Creditors	(596)	2,407
Add: Servicing of Finance	217	180
<b>Net Cash Inflow from Operating Activities</b>	<b>8,311</b>	<b>6,258</b>

**22 Movements in Cash**

	<b><u>2005</u></b> <b><u>£'000</u></b>	<b><u>2004</u></b> <b><u>£'000</u></b>
Balance brought forward	8,105	2,124
Net Cash Inflow in year	8,094	5,981
<b>Balance carried forward</b>	<b>16,199</b>	<b>8,105</b>

**East London Waste Authority**  
**Notes To The Financial Statements (continued)**  
**For the Year Ended 31 March 2005**

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The levels of the year end Cash balances are relatively high due principally to the surplus on the Revenue Account for the year and the building of the PFI Contract Reserve for future utilisation.

**East London Waste Authority**  
**Notes To The Financial Statements (continued)**  
**For the Year Ended 31 March 2005**

**23 Movement in Borrowing**

	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Balance brought forward	2,273	2,370
Repayments in year	-	(97)
Balance carried forward	<u>2,273</u>	<u>2,273</u>
Long Term Borrowing	2,273	2,273
	<b><u>2,273</u></b>	<b><u>2,273</u></b>

**24 Related Party Disclosures**

Since the 1st April 1986, ELWA has assumed the statutory responsibility for the disposal of waste arising in the area covered by the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge and has an interest in Aveley Methane Limited and ELWA Limited. The material expenditure and income transactions with these related parties are set out below.

	<b><u>2005</u></b>		<b><u>2004</u></b>	
	<b><u>Exp</u></b>	<b><u>Inc</u></b>	<b><u>Exp</u></b>	<b><u>Inc</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
London Boroughs of:				
Barking and Dagenham	316	5,538	230	5,211
Havering	260	8,792	194	8,416
Newham	197	7,986	79	7,678
Redbridge	566	8,791	24,171	8,170
	-	-	-	9
ELWA Limited	26,563	-	25,017	-

## **25 Private Finance Initiative**

In December 2002, the Authority finalised the contract with ELWA Limited, its LAWDC, to provide an Integrated Waste Management Service (IWMS) under the Private Finance Initiative (PFI) via a joint venture with Shanks Waste Services Limited (SWS).

The IWMS/PFI Contract, which commenced on 24th December 2002, will be for 25 years and has an initial annual value of approximately £25 million. ELWA Limited will implement a capital investment programme of more than £100 million in new waste management facilities over the life of the contract.

Under the terms of the Contract, ELWA has transferred its land, buildings and fixed plant (via 25 year lease), its mobile plant, its existing contracts for nil consideration to ELWA Limited. The District Valuer placed a value of £8,424,000 for these assets. The leased assets will revert to the Authority at nil cost at the end of the contract. The designing, building, alteration, financing and operation of the waste management facilities required for provision of the IWMS together with any associated risks, will be the responsibility of ELWA Limited.

Based on the structure of contract, in the Authority's opinion the accounting treatment is to include no newly-created fixed assets on its balance sheet and consequently, there is no obligation on it to provide credit cover for the construction of new facilities. The Contract involves an agreed annual payment by ELWA to ELWA Limited from the commencement of the IWMS. These payments have been treated as the equivalent of revenue expenditure in the Authority's Revenue Account. Based on current estimates the total Contract payments, including annual inflation increases, would be £1,417 million over the 25 year Contract period. The Government will provide PFI grant funding based upon a National Credit Approval of £47 million, equivalent to approximately £85 million over 25 years.

## **26 Post Balance Sheet Events**

There have been no events since 31<sup>st</sup> March 2005 that require adjustments of, or disclosure in, the accounts.

## **27 Contingent Liabilities**

There are no material contingent liabilities as at 31<sup>st</sup> March 2005.

## **28 Pension Costs**

The Authority itself does not have any employees. The four Constituent Boroughs, as agents of the Authority, employ all staff working on the Authority's activities and participate in the Local Government Pension Scheme. Consequently, there are no accounting or disclosure requirements on this Authority in respect of the application of the newly introduced Financial Reporting Standard (FRS) No. 17.