EAST LONDON WASTE AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

East London Waste Authority
Financial Statements
For The Year Ended 31 March 2010

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East London Waste Authority
Financial Statements
For The Year Ended 31 March 2010

PREFACE

This publication presents the Authority's Accounts for the year ended 31st March 2010. 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 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 2009/10 are set out on the following pages and consist of:

- The Income and Expenditure Account on page 15 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 Statement of Movement on the General Fund Balance on page 16 brings together all the movements in 2009/10 on this Balance.

- The Statement of Total Recognised Gains and Losses on page 16 brings together all the gains and losses in 2009/10 separating the movements between revenue and capital reserves.

- The Balance Sheet on page 17 is a summary of the Authority's financial position at 31st March 2010.

- The Cash Flow Statement on page 18 shows the total cash received by the Authority and how it was used.

The Authority's Accounts are accompanied by explanatory notes.

The accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (2009 SORP), jointly developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounting Standards Board. The Code constitutes "proper accounting practice" with which, by law, Local Authorities must comply. The 2009 Code incorporates the Accounts and Audit Regulations 2003. The SORP has introduced a number of accounting and reporting changes, which have been incorporated into the accounts and briefly explained within relevant sections of the Accounts. Where applicable, figures for 2008/09 have been restated.

The Finance Director's Statement on pages 2 to 4 identifies the more significant matters included within the Authority's Accounts and provides a summary of the Authority's overall financial position.

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.

The financial statements on the following pages set out the Authority's financial position for the year to 31 March 2010. Further information on the nature and purposes of the Authority's expenditure is contained in the annual Revenue and Capital Budgets.

The 2009/10 financial statements have been affected by some significant changes to accounting standards. Most notably, these relate to the introduction of International Financial Reporting Standards (IFRS's). The main area affected by IFRS's is the accounting treatment of Private Finance Initiative (PFI) assets where a number of very significant accounting adjustments have been made to record the PFI on the balance sheet. Previously, the PFI assets were not included on the balance sheet.

Income and Expenditure Account

The Authority's revised budget for 2009/10 projected that there would be a net deficit of £5.047m which would require the use of of general fund reserves and the PFI contract reserve in order to ensure that a balanced budget was achieved. The Authority's final outturn position demonstrates a slight improvement from the revised budget, as a result of a reduction in the final net revenue expenditure position.This is summarised in the table below.

	Original Budget (£'000)	Revised Budget (£'000)	Actual (£'000)
Net Revenue Expenditure (inc. Contingency)	43,707	43,707	43,437
Levy Raised	38,660	38,660	38,660
Balance to be funded by reserves	(5,047)	(5,047)	(4,777)

However, as a result of the accounting adjustments that are required to be made under the IFRS's, the deficit for the year as shown in the income and expenditure account appears larger, at £9.293m. The table on page 3 provides a reconciliation between this net deficit figure and the actual final outturn position shown above of £4.777m.

	Actual £'000	Actual £'000
Balance of net expenditure to be finance by reserves		(4,777)
Adjustments arising from change in accounting for PFI contract (see note 14 of the accounting policies):		
Service Charge	8,654	
Depreciation and Impairment of PFI assets	(5,680)	
Interest Payable on Finance Leases	(7,490)	(4,516)
Deficit for the year		(9,293)
Net Transfer from PFI Contract Reserve		2,768
Transfer from Capital Adjustment Account		4,438
Transfer from Pensions Reserve		33
Net Effect on Revenue Reserves		(2,054)
Revenue Reserves Brought Forward		10,157
Revenue Reserves Carried Forward		8,103

These adjustments arising from the change in accounting treatment have had no impact on overall net expenditure and movements on reserves.

Capital Programme/Borrowing Facilities

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.

ELWA can borrow for any purpose for which it is legally entitled to incur expenditure. Loans can be raised for new capital requirements, to replace maturing debt and also to meet short-term revenue cash flow deficits. No capital expenditure or financing was incurred during 2009/10.

ELWA Operations

ELWA transferred its principal operations and contracts to Shanks Waste Services Limited as part of the 25-year IWMS Contract partly backed by PFI funding in December 2002. Since then ELWA's limited direct operational responsibilities have been in relation to its four closed landfill sites.

Pension Scheme

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.

The next valuation is due as at 31 March 2010, whereby the report will be available by 31 March 2011.

As at 31 March 2010 the Authority's estimated liability for retirement benefits exceeded the value of assets by £990,000 (as at 31 March 2009 £429,000) when valued in accordance with the accounting standards. This is primarily due to longer life expectancy and equities not performing as well as expected. Statutory arrangements for funding the deficit mean that the deficit will be made good by increased contributions to the LPFA Fund over a number of years as assessed by the LPFA's Actuary.

Conclusion

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

Signed G Pearce, BA, CPFA
Finance Director

Dated

East London Waste Authority
Statement of Responsibilities for the Statement of Accounts
For The Year Ended 31 March 2010

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.

Chief Officer Responsibilities

Each Chief Officer is responsible for: -

- maintaining effective financial controls and for securing the accuracy and integrity of financial information and systems operating within their department;
- complying with any procedural instructions issued by the Finance Director ; and
- preparing the Annual Governance Statement

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 United Kingdom ('the SORP'), is required to give a true and fair view of the financial position of the Authority as at the 31 March 2010 and its income and expenditure for the year ending 31 March 2010.

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 of Practice
- 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 presents a true and fair view of the Authority's income and expenditure for the year ending 31 March 2010 and the Authority's financial position as at 31 March 2010.

Signed G Pearce
Finance Director

Dated

1 General Principles

The general principles adopted in compiling the Accounts are consistent with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (2009 SORP) issued by CIPFA. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of Tangible Fixed Assets in accordance with the SORP.

The Balance Sheet comprises the balances, after eliminating inter-account balances, of all the services of the Authority. Balances relating to the Pension Fund and other funds have been excluded.

2 Accruals Basis Of Accounting

The Accounts have been prepared on the normal accruals basis whereby activity is accounted for in the year that it takes place not when cash payments are made or received. Debtors and creditors are included in the balance sheet in respect of goods supplied and services rendered but not paid for at 31 March 2010.

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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 Income and Expenditure Account.

SORP 2009 specifies that, 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. This is a significant change in accounting policy for 2009/10 and has the effect of bringing the PFI asset on to the balance sheet.

Fixed assets have been valued by the waste management contractor, who has current and expert knowledge of the assets in question. The revaluation was carried out on a replacement cost basis. Fixed assets are classified into the groupings required by the 2009 Code of Practice on Local Authority Accounting. Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use.

Revaluations 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. Properties regarded by the authority as operational were valued on the basis of open market value for their existing use, or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost (DRC).

3 Fixed Assets (continued)

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

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 Income & Expenditure Account and reversed out in the Statement of the Movement on the General Fund Balance. A review, including an assessment for impairment, is carried out each year to assess material changes to the value or useful life of fixed assets. Where the impairment is due to a clear loss of economic benefit, the SORP requires that the loss is charged to the relevant service area revenue account and reversed out in the Statement of the Movement on General Fund Balance.

One of the Authority's four closed landfill sites has been allocated for new uses (i.e. green belt to employment) by Thurrock Thames Gateway Development Corporation in their non-statutory Master Plan for the area. At the present time, these sites have not been granted planning permission for anything other than their current agricultural use. Consequently, these do not need to be revalued and continue to be shown at nil value.

4 Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation).

- Operational assets are depreciated on a straight-line basis over a maximum period of 25 years.
- Newly acquired assets are not depreciated until the following year.
- Depreciation is provided on assets in the year of disposal.
- Depreciation is calculated using the straight-line method

5 Charges to Revenue

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

Amounts set aside from revenue for the repayment of external loans to finance capital expenditure or as transfers to other reserves are excluded from the Income and Expenditure Account and disclosed separately on the Movement on the General Fund Balance.

6 Value Added Tax

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

7 Reserves

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

b) The Pension Reserve has been set up as part of the requirement to comply with FRS 17, Accounting for Pension Costs. It represents the actuarially calculated deficit between the value of all pension liabilities and the assets held by the LGPS as at the 31 March 2010. The deficit also includes the difference between the cost of statutorily required payments to the LGPS and the FRS 17 accounting cost charged to the Net Cost of Services in the Income and Expenditure Account. Further information relating to the Net Pension Liability is shown in the Notes to the Accounts.

c) 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 over its 25 year duration from December 2002. 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.

d) 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.

e) 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.

Certain reserves are kept to manage the accounting processes for tangible assets and retirement benefits and do not represent usable resources for the Authority

8 Disposal of Assets

Income from the disposal of fixed assets is credited to the Usable Capital Receipts Reserves and can be wholly used to finance capital expenditure. The balance on this Reserve was £nil as at 31st March 2009 and 2010.

9 Stocks

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

10 Redemption Of Debt

ELWA's Treasury Management function is administered by the London Borough of Redbridge on behalf of ELWA. The Local Government and Housing Act 1989 requires that a Minimum Revenue Provision be charged to the General Fund and set aside for the repayment of debt.

11 Financial Relationship Between The Authority And Constituent Councils

Many of the Authority's day to day administrative and support functions during the year were run on an agency basis utilising resources from the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge.

12 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.

13 Landfill Allowances

In accordance with CIPFA's Code of Practice on Local Authority Accounting Bulletin 64, there is a requirement with effect from 1st April 2005 to account for Landfill Allowances at the lower of cost and net realisable value. Any surpluses or deficits arising from the Landfill Allowances Trading Scheme (LATS) are taken to the specific, earmarked LATS Reserve.

Under the scheme, the Authority receives annual allowances from DEFRA for landfilling Biodegradable Municipal Waste (BMW). Each allowance received represents grant income, while each tonne of BMW landfilled incurs a liability to DEFRA. Any unused allowances are carried forward as an Authority asset. These transactions are reflected in the Income and Expenditure Account and Balance Sheet at the rate of £nil per tonne as at 31st March 2010 (2009: £0.10).

ELWA has no arrangement to trade the surplus allowances by the target year and therefore has written down the value of the surplus allowances to zero.

14 Long Term Contracts/Private Finance Initiative

In December 2002, the Authority entered into a PFI contract. PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor.

14 Long Term Contracts/Private Finance Initiative (continued)

Statement of Recommended Practice (SORP) 2009 has introduced a change in the way in which PFI contracts are to be accounted for by Local Authorities. Prior SORPs required the use of Financial Reporting Standard (FRS) 5 as that previously adopted by the Authority.

Changes to SORP 2009 have resulted in the Authority re-examining its accounting treatment in the context of International Financial Reporting Standards (IFRS), and in particular under the interpretations from the International Financial Reporting Interpretations Committee (IFRIC). We have determined that the arrangements should be accounted for as a service concession arrangement within the scope of IFRIC 12. This treatment has resulted in the PFI arrangements being reflected on the Authority's balance sheet as fixed assets, and prior year comparative figures have been restated accordingly. This also means that a financial liability is recognised at the same time based on the finance lease principles under Statements of Standard Accounting Practice (SSAP) 21.

The fixed assets associated with the contract have been recognised in the Authority's balance sheet at fair value, and the assets will be revalued and depreciated in line with the Authority's policies for the accounting of fixed assets.

The annual amounts payable to the PFI operator are analysed into three elements: -

- The value of services received during the year, which is charged to the Income and Expenditure Account;
- 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 Income and Expenditure Account; and
- The payment towards the liability, which writes down the liability in the Balance Sheet.

Since these arrangements are a result of a change in accounting policy, the appropriate prior period adjustments have been made to the 2008/09 Statement of Accounts.

15 Financial Instruments

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 assets and liabilities.

a) Financial Assets

Financial assets are classified into two types:

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

15 Financial Instruments (continued)

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

Loans and receivables are initially measured at fair value and carried in the Balance Sheet at amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For loans that the Authority has made, the amount in the Balance Sheet is the outstanding principal receivable and the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. Where financial assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

(b) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. Costs associated with the arrangement of borrowing have been identified and assessed as immaterial.

Borrowings and investments are undertaken and accounted for in accordance with the Authority's Treasury Management Policy and Treasury Management Strategy.

16 Pension Provision

As part of the terms and conditions of employment of its officers, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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.

16 Pension Provision (continued)

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 Income and Expenditure Account and not by the Pension Fund. The Authority is required to account for pension costs in accordance with FRS 17 and to recognise in the accounts accrued benefits payments at the time that the employees earn their future benefit entitlements.

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

- the overall amount to be met from the levy has remained unchanged, but the costs disclosed for services are £33,000 higher (£45,000 higher in 2008/09) after the replacement of actual employer's contributions by current service costs, and net operating expenditure is 0.1% higher (0.1% higher in 2008/09) than it would otherwise have been;

- the requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the Authority by 9.2%, £990,000 (2.3%, £429,000 in restated 2008/09).

17 Interest on Balances

Cash balances, not required for immediate use, are invested in accordance with the Authority's Annual Investment Strategy. Interest earned on the Authority's balances is credited to the Income and Expenditure Account.

18 Financial Relationships with Companies and other Organisations

The 2009 SORP requires local authorities to prepare a full set of group financial statements where they have material interests in subsidiaries, associates and joint ventures. This also includes consideration of interests in other statutory bodies. The Authority has undertaken a review of its interests in other bodies in accordance with the accounting tests contained in the SORP and has concluded that it has no group relationships. However, the Authority does have a financial relationship with some bodies and this is explained in Note 10 to the Accounts.

19 Prior Period Adjustments

Under the 2009 SORP, Authorities are now required to account for Private Finance Initiative (PFI) transactions and similar contracts in line with IFRIC 12 – 'Service Concessions Arrangements'. The PFI accounting policy detailed at page 10 summarises the requirements of the standard. In essence the PFI contract's

associated assets and liabilities are required to be included within the Authority's Balance Sheet with effect from 1st April 2008. Under the 2009 SORP, the Authority has adopted the amendments to IFRIC 12 based accounting treatment for the PFI. Note 3 to the Statement of Accounts details the impact of the restatement on the Balance Sheet.

DRAFT - Independent auditor's report to the Members of the East London Waste Authority

Opinion on the financial statements

We have audited the financial statements of the East London Waste Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Finance Director and auditor

The Finance Director's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for the East London Waste Authority's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in April 2008. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 of the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword and Finance Director's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

The maintenance and integrity of the East London Waste Authority website is the responsibility of the Authority; 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 website.

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

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related notes, 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 financial statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our

opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and related notes.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority as at 31 March 2010 and of its income and expenditure and cash flows for the year then ended.

Mike S Robinson (Engagement Lead)
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
80 Strand
London
WC2R 0AF

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria for other local government bodies specified by the Audit Commission and published in January 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in January 2009, and the supporting guidance, we are satisfied that, in all significant respects, the East London Waste Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

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

Mike S Robinson (Engagement Lead)
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
80 Strand
London
WC2R 0AF

East London Waste Authority
Income and Expenditure Account
For The Year Ended 31 March 2010

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Authority during the year. It includes all day-to-day expenses and related income on an accruals basis.

	Note	2009/10 £'000	*RESTATED 2008/09 £'000
Expenditure			
Supplies and Services	1	446	480
Service Charges	2	40,380	44,971
Employee and Support Services	4,5	766	815
Premises Related Expenditure		96	101
Transport Related Expenditure		1	1
Depreciation and Impairment of Fixed Assets	6	5,680	2,565
Third Party Payments		904	1,127
Landfill Allowances - Expenditure		-	15
		48,273	50,075
Less: Income			
Commercial Waste Charges		3,051	3,794
PFI Grant	8	4,181	4,355
Other Income		343	218
Landfill Allowances – Income		-	24
		7,575	8,391
Net Cost of Services		40,698	41,684
Interest Payable and Similar Charges		7,645	3,282
Interest and Investment Income		(359)	(1,498)
Impairment of Investment (recovered)/charged		(63)	333
Pension Interest Cost and Expected Return on Pension Assets		32	23
Net Operating Expenditure		47,953	43,824
Income from the Levy		38,660	36,300
Deficit for the year		**(9,293)**	**(7,524)**

* 2008/09 comparative figures has been restated due to changes in accounting policy. See details of adjustments in Note 3 of the Financial Statements.

East London Waste Authority
Statements of Movement in General Fund Balance and Total Recognised Gains and Losses
For The Year Ended 31 March 2010

Statement of Movement in General Fund Balance

The Income and Expenditure Account shows the Authority's actual financial performance for the year. The General Fund Balance compares the Authority's spending against the levy income that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	Note	2009/10 £'000	*Restated 2008/09 £'000
Deficit for the year on the Income and Expenditure Account		(9,293)	(7,524)
Net additional amount required by statute and non-statutory proper practices to be credited/(debited) to the General Fund Balance for the year	15	7,239	7,744
(Decrease)/Increase in General Fund Balance for the year		**(2,054)**	**220**
General Fund Balance brought forward		**10,157**	**9,937**
General Fund Balance carried forward		**8,103**	**10,157**

Statement of Total Recognised Gains and Losses

This Statement brings together all the recognised gains and losses of the Authority for the financial year and shows the aggregate increase in net worth. In addition to the surplus generated on the Income and Expenditure Account it includes other gains and losses.

	Note	2009/10 £'000	*Restated 2008/09 £'000
Deficit for the year on the Income and Expenditure Account		(9,293)	(7,524)
Revaluation of LATS allowances		-	(763)
Gains arising from Revaluation of Fixed Assets		2,278	-
Actuarial (Loss)/Gain on Pension Fund Assets and Liabilities	23	(528)	(53)
Total recognised losses for the year		**(7,543)**	**(8,340)**

* 2008/09 comparative figures has been restated due to changes in accounting policy. See details of adjustments in Note 3 of the Financial Statements.

East London Waste Authority
Balance Sheet
As At 31 March 2010

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

	Note	31.3.2010 £'000	31.3.2010 £'000	*RESTATED 31.3.2009 £'000	*RESTATED 31.3.2009 £'000
Fixed Assets					
Operational Assets	6,9		94,158		97,560
Long Term Investments	10,14		283		2,619
Total Long Term Assets			94,441		100,179
Current Assets					
Debtors	11	1,796		3,574	
Cash at bank	19	934		-	
Investments	10,14	21,231		23,051	
		23,961		26,625	
Current Liabilities					
Short Term Borrowing		(29)		(29)	
Cash Overdrawn	19	-		(11)	
Creditors	12	(4,641)		(4,886)	
		(4,670)		(4,926)	
Net Current Assets			19,291		21,699
Total Assets less Current Liabilities			**113,732**		**121,878**
Long Term Borrowing	13,24		(1,610)		(1,610)
PFI Finance Lease Liability	22		(102,818)		(103,982)
Pension Liability	23		(990)		(429)
Total Assets less Liabilities			**8,314**		**15,857**
Capital Adjustment Account	16		(12,244)		(7,806)
Capital Reserve	16		400		400
Revaluation Reserve			2,278		-
Pension Reserve	16		(990)		(429)
PFI Contract Reserve	16		10,767		13,535
General Fund	16		8,103		10,157
Total Equity			**8,314**		**15,857**

* 2008/09 comparative figures has been restated due to changes in accounting policy. See details of adjustments in Note 3 of the Financial Statements.

East London Waste Authority
Cash Flow Statement
As At 31 March 2010

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

	Note	2009/10 £'000	*Restated 2008/09 £'000
Revenue Activities			
Cash Outflows			
Cash Paid to and on behalf of Employees	4,5	877	886
Other Operating Costs		41,953	45,797
		42,830	46,683
Cash Inflows			
Levy Receipts		38,660	36,300
Other Government Grants	8	4,181	4,355
Cash Received for Goods & Services		4,897	3,846
		47,738	44,501
Revenue Activities Net Cash (Outflow)/Inflow	17	4,908	(2,182)
Returns on Investment and Servicing of Finance			
Cash Outflows			
Loan Interest Paid		(7,645)	(3,291)
Cash Inflows			
Interest Received		690	1,700
Capital Activities			
Cash Inflows			
Long Term Investments	14	2,336	-
Cash Outflows			
Long Term Investments	14		(1,597)
Net Cash Outflow before Financing		289	(5,370)
Management of Liquid Resources			
Net decrease/(increase) in Short Term Investments	18	1,820	4,988
Financing			
Repayments of amounts borrowed		-	(423)
PFI Finance Liability	22	(1,164)	2,179
Increase/(Decrease) in Cash	19	**945**	**1,374**

* 2008/09 comparative figures has been restated due to changes in accounting policy. See details of adjustments in Note 3 of the Financial Statements.

1 Revenue Account

The Supplies and Services expenditure includes the following:

	2009/10 £'000	2008/09 £'000
External Audit Services (under the Code of Practice in accordance with section 5 of the Audit Commission Act 1998)	38	36
	38	36

2 Service Charges

The previous accounting treatment for the Unitary Charge payment to the contractor has to reflect the total payment as a charge to the Income & Expenditure Account. This treatment needs to be reversed to reflect the application of the IFRC 12 based accounting treatment for the PFI. The Government's Financial Reporting Manual (FReM) requires that the service, interest and infrastructure elements of the Unitary charge are separated. The service and interest elements should be expensed to the operating/revenue account.

	2009/10 £'000	Restated 2008/09 £'000
Payments to Shanks East London	49,034	45,908
Capital Repayment	(1,164)	2,179
Interest Payable	(7,490)	(3,116)
Service Charges	**40,380**	**44,971**

3 Prior Year Adjustment

As a result of a change in accounting policy on PFI contract the following prior period adjustments have been undertaken to reinstate the 2008/09 Accounts.

3 Prior Year Adjustment (continued)

3(a) Impact on the Income and Expenditure Account for 2008/09

The accounting changes have had the following impact on the comparative figures for 2008/09 compared with those published for 2008/09:-

	Extract of Income and Expenditure Accounts in 2008/09 Statements of Accounts	Adjustments to reflect Accounting changes for PFI contract	Restated Income and Expenditure Accounts 2008/09
	£'000	**£'000**	**£'000**
Net Cost of Services	40,393	1,291	41,684
Interest Payable & Similar charges	166	3,116	3,282
Net operating Expenditure	39,417	4,407	43,824
Deficit for the year	**3,117**	**4,407**	**7,524**

3(b) Impact on the Statement of Movement on the General Fund Balance for 2008/09

The reinstatement of the SMGFB for 2008/09 has not resulted in a change in the General Fund balance available for new expenditure.

3(c) Impact on the Statement of Total Recognised Gains and Losses (STRGL) for 2008/09

The restated recognised losses for 2008/09 have increased by £4.407million, in line with the Authority's operating performance as detailed by the 2008/09 restated Income and Expenditure Account.

3(d) Impact on the 2008/09 Balance Sheet

As a result of the adoption of IFRIC 12 based accounting treatment for the PFI, the Balance Sheet has been restated as follows:

	Balance Sheet Extract as per Published 2008/09 Statement of Accounts	Adjustments to reflect Accounting changes for PFI contract	Restated Balance Sheet 2008/09
	£'000	**£'000**	**£'000**
Fixed Assets			
Deferred Consideration	6,318	(6,318)	-
Operational Assets	-	97,560	97,560
Long Term Investments	2,619		2,619
Total Long Term Assets	8,937	91,242	100,179
Current Assets	26,625	-	26,625
Current Liabilities	(4,926)	-	(4,926)
Net Current Assets	21,699	-	21,699
Total Assets less Current Liabilities	**30,636**	**91,242**	**121,878**
Long Term Borrowing	(1,610)		(1,610)
PFI Finance Lease Liability	-	(103,982)	(103,982)
Pension Liability	(429)		(429)
Total Assets less Liabilities	**28,597**	**(12,740)**	**15,857**
Capital Adjustment Account	4,934	(12,740)	(7,806)
Capital Reserve	400		400
Revaluation Reserve	-		-
Pension Reserve	(429)		(429)
PFI Contract Reserve	13,535		13,535
General Fund	10,157		10,157
Total Equity	**28,597**	**(12,740)**	**15,857**

4 Officers' Emoluments

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £5,000 were:

	2009/10 Number	2008/09 Number
£50,000 to £54,999	1	2
£55,000 to £59,999	-	-
£60,000 to £64,999	-	-
£65,000 to £69,999	1	-
£70,000 to £74,999	-	-
£75,000 to £79,999	-	-
£80,000 to £84,999	-	-
£85,000 to £89,999	-	-
£90,000 to £94,999	1	1
£95,000 to £99,999	-	-
£100,000 to £104,999	-	-

5 Remuneration for Senior Officers

Senior Officers' salary between £50,000 and £150,000 per year

POST TITLE	Salary (Including fees & Allowances)	Other Emoluments	Total remuneration excluding pension contributions 2009/10	Pension contributions	Total remuneration including pension contributions 2009/10
	£	£	£	£	£
Executive Director	94,763	-	94,763	15,541	110,304
Assistant Executive Director	64,977	1,170	66,147	10,656	76,803
Contract Manager	52,857	1,170	54,027	8,668	62,695

6 Fixed Assets

Cost	Land and Building £'000	Plant and Machinery £'000	Total £'000
At 1 April 2009 (Restated)	91,591	11,611	103,202
Revaluations	1,959	319	2,278
At 31 March 2010	93,550	11,930	105,480
Depreciation and Impairments			
At 1 April 2009 (Restated)	5,007	635	5,642
Charge for 2009/10	4,618	585	5,203
Impairments	380	97	477
At 31 March 2010	10,005	1,317	11,322
Balance Sheet amount at 31 March 2010	83,545	10,613	94,158
Balance Sheet amount at 1 April 2009 (Restated)	86,584	10,976	97,560

All assets are covered by the PFI contract.

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, no residual value was assumed 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 Adjustment Accounts. As a result, the fixed assets are shown at nil value as at 31st March 2008 and 2009.

Statement of Recommended Practice (SORP) 2009 has introduced a change in the way in which PFI contracts are to be accounted for by Local Authorities. Prior SORPs required the use of FRS5, such as that previously adopted by the Council. However, SORP 2009 requires the application of International Financial Reporting Standards for PFI, specifically IFRIC 12 Service Concession Arrangements. This has resulted in the PFI arrangements being reflected on the Authority's balance sheets as fixed assets with related liabilities calculated following the principles of a finance.

7 Pension Costs

The Authority recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against the levy is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

7 Pension Costs (continued)

The following transactions have been made in the Income & Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2009/10 £'000	2008/09 £'000
Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	45	45
Past Service Cost	-	14
Curtailments and Settlements	-	-
Net Operating Expenditure		
Expected return on Employer Assets	(23)	(28)
Interest on Pension Scheme Liabilities	55	51
Net charge to Income and Expenditure Account	**77**	**82**
Statement of Movement in the General Fund Balance		
Reversal of net charges made for pensions in accordance with FRS 17	33	45
Actual Amount Charged Against Levy for Pensions in the year		
Employer Contributions to the Pension Fund	44	37
	77	**82**

The Authority transfers into the Pension Fund payments to meet the enhanced liability of the Fund due to early retirements granted in the year.The Authority is responsible for all pension payments related to added years of reckonable service it has awarded, together with related increases.

8 Analysis of Other Government Grants

The Cash Flow Statement and Income and Expenditure includes the following Other Government Grants:

	2009/10 £'000	2008/09 £'000
PFI Grant	4,181	4,355
	4,181	**4,355**

9 Financing of New Capital Expenditure

The Authority incurred no new capital expenditure during the years ended 31 March 2009 and 2010.

10 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 to the Greater London Council. This shareholding represents a holding of almost 50% of the total share capital of Aveley Methane Limited and the Authority would be required to meet any request for uncalled share capital that Aveley Methane Limited might make. The Authority's interest in Aveley Methane Limited is an important part of the management of its closed landfill site at Aveley 1.

In addition, the Authority has made loans to Aveley Methane Limited prior to 1.4.2006 as summarised below:

	2009/10 £'000	2008/09 £'000
Loan repayable in more than one year	93	93
Less: Provision against loan	(93)	(93)
	-	-

The estimated net liabilities of Aveley Methane Limited as at 31 December 2009 were £13,431 (2008/09, £4,431). The estimated loss before taxation for the period ended 31 December 2009 was £9,000 (Period ended 31 December 2007: Loss after taxation £41,712). The figures are based on unaudited financial statements.

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 23rd 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 23rd 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 24th December 2002 and its principal activity is the operation of waste disposal services for ELWA.

10 Investments (continued)

The net liabilities of ELWA Limited as at 31 March 2010 were £7,560,000 (2008/09: Net liabilities £5,803,000). The loss after taxation for the year ended 31 March 2010 was £1,757,000 (2008/09: Loss after taxation £2,267,000). The 2009/10 figures are based on unaudited 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 (2009) and therefore, there is no requirement to produce Group Accounts.

d) 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 25 shows further details.

In 2008, following the collapse of the Icelandic banks, Heritable Bank went into administration and the Authority had to recognise an impairment based on it recovering 80p in the pound; the total amount to be received was estimated to be between 70% and 80% of the claim including interest.

Ernst & Young LLP, the administrators of Heritable Bank, have reassessed the amount recovered by creditors and dividends are now expected to be not less than 84.98p in the pound. This has allowed £63,000 to be credited against the impairment provision made previously.

Following the reassessment of the value of amount recoverable as at 31 March 2010 and complying with the latest guidance, it is also recommended that the following repayment schedule is used to estimate the recoverable amount at 31 March 2010. The schedule is based on expected total dividends of 84.98% of the claim. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012.

Date	Repayment	Date	Repayment
June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

11 Debtors

	2009/10 £'000	2008/09 £'000
Loans and Receivables		
VAT	556	349
Sundry Debtors	42	90
Grants Receivable	-	83
Amounts due from Constituent Councils for:		
Commercial Waste Charges	1,176	3,022
Payments in advance – Land Lease Rentals	17	17
Other	5	13
	1,796	**3,574**

There is no material difference between the book value of Debtors and their fair value. No bad debt provision is required based on previous debt collection history.

12 Creditors

Financial Liabilities Amortised at Cost	2009/10 £'000	2008/09 £'000
IWMS/PFI Contract payment	4,082	3,875
Sundry Creditors and Accruals	88	209
Amounts due to Constituent Councils for:		
Tonne Mileage payments	190	231
Disposal and Recycling Credit payments	15	57
Recycling Initiatives	40	109
Land Lease Rentals	29	67
Employee and Support Costs	174	315
Other	23	23
	4,641	**4,886**

There is no material difference between the book value of Creditors and their fair value.

13 Long Term Borrowing

	2009/10 £'000	Restated 2008/09 £'000
Analysis of Long Term Loans by Maturity		
Maturing in:		
1 - 2 years	122	-
2 - 5 years	238	360
5 - 10 years	-	-
More than 10 years	1,250	1,250
	1,610	**1,610**

All long-term loans are with the Public Works Loans Board. The range of average interest rates payable is between 8.5% and 10.5%.

14 Cash Investments

	2009/10 £'000	2008/09 £'000
Cash Investments	21,486	25,311
Accrued Interest	28	359
	21,514	25,670
Short Term	21,231	23,051
Long Term	283	2,619
	21,514	**25,670**

In accordance with SORP 2009, the accrued interest receivable on cash investments is added to the investment value as at 31st March 2009 and 2010.There is no material difference between the book value and fair value of cash investments as at 31st March 2009 and 2010.

15 Reconciling Items for Statement of Movement on General Fund Balance

	2009/10 £'000	RESTATED 2008/09 £'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
Charges made for pensions in accordance with IFRS 17	(77)	(82)
Depreciation and Impairment of Fixed Assets	(5,680)	(2,565)
	(5,757)	(2,647)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing	1,242	(2,098)
Employers contributions payable to Pension Fund	44	37
	(4,471)	(4,708)
Transfers to and from the General Fund that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Net transfer from earmarked reserves	(2,768)	(3,036)
Net additional amount to be credited to the General Fund Balance for the year	**(7,239)**	**(7,744)**

16 Total Movements on Reserves

	Capital Adjustment Account	Capital Reserve	Revaluation Reserve	Pensions Reserve	PFI Contract Reserve	Revenue Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1.4.2009 Restated	(7,806)	400	-	(429)	13,535	10,157	15,857
Gains/Losses							
Net Deficit for the year						(9,293)	(9,293)
Revaluation movement			2,278				2,278
Actuarial Loss				(528)			(528)
Movements							
Contributions from/(to) GF	(4,438)	-	-	(33)	(2,768)	7,239	-
Balance as at 31.3.2010	**(12,244)**	**400**	**2,278**	**(990)**	**10,767**	**8,103**	**8,314**

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

	2009/10 £'000	Restated 2008/09 £'000
Deficit for the year	9,293	7,524
Items not involving transfer of funds:		
Contributions from Reserves	(2,768)	(3,045)
Minimum Revenue Provision	1,242	(2,098)
Depreciation & Impairment of Fixed Assets	(5,680)	(2,565)
Revaluation of Fixed Assets	2,278	-
Adjustment to Pensions Costs for FRS 17	(561)	(98)
LATs reserves-revaluations	-	(754)
Impairment of Investments	63	(333)
Decrease in Debtors	1,778	4,941
Decrease in Creditors	(245)	(3,028)

Less: Servicing of Finance	(492)	(2,726)
Net Cash (Outflow)/Inflow from Operating Activities	**4,908**	**(2,182)**

18 Movements in Liquid Resources

Short Term Investments	**2009/10**	**2008/09**
	£'000	**£'000**
Balance brought forward	23,051	28,039
(Decrease)/Increase in year	(1,820)	(4,988)
Balance carried forward	**21,231**	**23,051**

19 Movements in Cash

	2009/10	**2008/09**
	£'000	**£'000**
Balance brought forward	(11)	(1,385)
Net Cash Inflow/(Outflow) in year	945	1,374
Balance carried forward	**934**	**(11)**

20 Movement in Borrowing

	2009/10	**2008/09**
	£'000	**£'000**
Balance brought forward	1,639	2,033
Repayments in year	(29)	(423)
Accrued Interest	29	29
Balance carried forward	1,639	1,639
Short Term Borrowing	29	29
Long Term Borrowing	1,610	1,610
	1,639	**1,639**

In accordance with the SORP 2009 the accrued interest payable on PWLB loans is added to the outstanding loan.

21 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 Members of the Authority have official appointments within their respective Constituent Boroughs.

The Code of Practice requires the disclosure of interests between the Authority and its related parties not disclosed elsewhere in the Statement of Accounts. The material expenditure and income transactions with these related parties are set out below.

	2009/10		2008/09	
	Exp	Inc	Exp	Inc
	£'000	£'000	£'000	£'000
London Boroughs of:				
Barking and Dagenham	603	7,464	702	7,449
Havering	404	11,007	414	10,440
Newham	186	12,166	293	11,591
Redbridge	420	11,074	415	10,614
Aveley Methane Limited	-	-	-	-
ELWA Limited	49,034	338	45,998	122

Members of the Authority and Chief Officers

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

Membership of Other Organisations

Councillor I Corbett – Director of ELWA Limited
Mark Ash – Director of Aveley Methane Limited

22 Private Finance Initiative

(a) Scheme Details

The IWMS/PFI Contract, which commenced on 24th December 2002, is for 25 years. ELWA Limited is implementing a capital investment programme of more than £100 million in new waste management facilities over the life of the contract. The 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.

22 Private Finance Initiative (continued)

The Government will provide PFI grant funding based upon a National Credit Approval of £47 million, equivalent to approximately £85 million over 25 years.

SORP 2009 requires the application of International Financial Reporting Standards for PFI; specifically IFRIC 12 Service Concession Arrangements. The contract complies with the criteria detailed in IFRIC 12, and therefore the relevant accounting guidance has been applied as outlined in the Authority's Accounting Policies as detailed on pages 9 and 10.

The key financial details of the scheme are detailed below: -

	Operational Assets £'000
Value at 1 April 2009	103,202
Revaluations	2,278
Depreciation at 1 April 2009	(5,642)
Depreciation for the year	(5,203)
Impairments	(477)
Net Book Value at 31 March 2010	94,158

b) Future Contractual Obligations

The Authority has the following future obligations under the terms of the contract: -

	Service Charges £'000	Principal Repayments £'000	Interest Payments £'000	Total £'000
Repayable within 1 year	39,476	3,545	6,014	49,035
Repayable in 2 to 5 years	169,720	20,996	26,710	217,426
Repayable in 6 to 10 years	262,860	27,397	19,533	309,790
Repayable in 11 to 15 years	263,790	35,256	10,744	309,790
Repayable in 16 to 20 years	293,085	15,623	1,082	309,790
Total	**1,028,931**	**102,817**	**64,083**	**1,195,831**

22 Private Finance Initiative (continued)

(c) PFI Finance Liability

As detailed on pages 9 and 10, the PFI liability is written down annually by the principal repayment element of the annual charge.

	2009/10 £'000	2008/09 £'000
Value of liability at 1 April 2009	103,982	52,345
Additions during the year	-	49,458
(Repayment)/Increase of capital in year	(1,164)	2,179
Value of liability at 1 April 2010	102,818	103,982

23 Disclosure of Net Pension Liability

The underlying assets and liabilities attributable to the Authority with the London Pensions Fund Authority (LPFA) as at 31 March 2010 are as follows:

(i) Reconciliation of present value of scheme liabilities:

	2009/10 £'000	2008/09 £'000
Present Value of Scheme Liabilities as at 1 April	771	711
Current Service Cost	45	45
Interest Cost	55	51
Contributions by Members	18	18
Actuarial Loss/(Gain)	612	(61)
Past Service Costs	-	14
Benefits Paid	(19)	(7)
Present Value of Scheme Liabilities as at 31 March	1,482	771

(ii) Reconciliation of Fair value of the scheme assets:

	2009/10 £'000	2008/09 £'000
Fair Value of Scheme Assets as at 1 April	342	380
Expected Return on Assets	23	28
Contributions by Members	18	18
Employers Contributions	44	37
Actuarial Gain/(Loss)	84	(114)
Benefits Paid	(19)	(7)

Fair Value of Scheme Assets as at 31 March	492	342

23 Disclosure of Net Pension Liability (continued)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns on fixed interest investments are based on gross redemption yields as at balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £106,000 (2008/09 £-85,000).

(iii) Scheme History

	2009/10	2008/09 Restated	2007/08 Restated
	£'000	£'000	£'000
Fair Value of Employer Assets	492	342	380
Present Value of Defined Benefits Obligation	(1,482)	(771)	(711)
Surplus/(Deficits)	(990)	(429)	(331)

With effect from 1st April 2007 the Authority became an employer. On 1st June 2007 five staff were transferred from the Constituent Councils to the Authority and three staff elected to join the LPFA.

The liabilities show the underlying commitment that the Authority has to pay retirement benefits. The net pension liability of £990,000 (As at 31st March 2009 £429,000) has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit in respect of LPFA Fund liabilities will be made good by increased contributions to the LPFA Fund as assessed by the LPFA's Actuary.

The total contribution expected to be made to the pension scheme by the Authority in the year to 31st March 2011 is £63,000.

(iv) Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the "projected unit method", an estimate of pensions that will be payable in future years dependent on actuarial and financial assumptions. 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 1st April 2007, and adjusting for known membership and scheme changes where applicable. The main assumptions used in these calculations for the LPFA fund as a whole have been:

23 Disclosure of Net Pension Liability (continued)

(a) Financial Assumptions

	2009/10	2008/09
Inflation / Pension Increase Rate	3.9%	3.1%
Salary Increase Rate	5.4%	4.6%
Expected Return on Assets	6.8%	6.4%
Discount Rate	5.5%	6.9%

(b) Breakdown of the expected return on assets by category

	2009/10	2008/09
Equities	7.5%	7.0%
Target Return Funds	4.5%	5.5%
Alternative Assets	6.5%	6.0%
Cash	3.0%	4.0%
Corporate Bond	5.5%	-

(c) Fair Value of employer's assets

Assets	2009/10		2008/09	
	%	£'000	%	£'000
Equities	70%	344	57%	195
Target Return Funds	10%	49	10%	34
Property	14%	69	25%	86
Cash	5%	25	8%	27
Corporate Bond	1%	5	-	-
Total		492		342

The above asset valuations as at 31 March 2010 and 31 March 2009 in the LPFA Fund are at bid value.

(d) History of Experience gains and losses

The actuarial gains identified as movements on the Pension reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

Assets	2009/10 £'000	2008/09 £'000
Difference between the expected and actual return on assets.	84	(114)
Experience gains and losses on liabilities	0	0

24 Financial Instruments - (a) Fair Value Disclosure

The borrowing and Investments shown in the Balance Sheet are made up of the following categories of Financial Instruments:

LONG TERM				
	31/03/2010	**31/03/2010**	**31/03/2009**	**31/03/2009**
	Book Value	**Market Value**	**Book Value**	**Market Value**
	(Carrying Value)	**(Fair Value)**	**(Carrying Value)**	**(Fair value)**
	£000	**£000**	**£000**	**£000**
Financial Liabilities at Amortised Cost				
Public Works Loans Board	1,639	2,542	1,639	2,720
Total	**1,639**	**2,542**	**1,639**	**2,720**
Loans and Receivables				
Cash Investments	283	283	2,619	2,628
Total	**283**	**283**	**2,619**	**2,628**

SHORT TERM				
	31/03/2010	**31/03/2010**	**31/03/2009**	**31/03/2009**
	Book Value	**Market Value**	**Book Value**	**Market Value**
	(Carrying Value)	**(Fair Value)**	**(Carrying Value)**	**(Fair value)**
	£000	**£000**	**£000**	**£000**
Financial Liabilities at Amortised Cost				
Cash held by Authority	-	-	11	11
Creditors	4,641	4,641	4,886	4,886
Total	**4,641**	**4,641**	**4,897**	**4,897**
Loans and Receivables				
Debtors	1,796	1,796	3,574	3,574
Cash at bank	934	934	-	-
Cash Investments	21,231	21,297	23,051	23,153
Total	**23,961**	**24,027**	**26,625**	**26,727**

The fair value of outstanding long term debts as at 31st March 2010 is £2,542,000 (As at 31st March 2009 £2,720,000). This is higher than the book value due to the changes in market factors since the original borrowing was made.

The carrying value of financial instruments reported on the Balance Sheet includes accrued interest on loans and investments.

24(a) Financial Instruments (Fair Value Disclosure continued)

For the years ending 31st March 2009 and 2010, the Authority has undertaken no repurchase or early settlement of borrowing, incurred no premiums and discounts, entered into no financial guarantees, not defaulted on any loans and not held or pledged any collateral in respect of the repayment of any loans. The Authority has made no concessionary loans in the years ended 31st March 2009 and 2010.

Financial Liabilities and Financial Assets represented by loans, investments and receivables are accounted for in the Balance Sheet at amortised cost.

The Fair Value (Market Value) has been based on the comparable new borrowing/deposit rates for the same financial instrument from a comparable lender; a consistent approach has been applied to assets and liabilities. Fair values can be assessed by calculating the present value of the future cash flow.

- For PWLB debt the discount rate reflects the new borrowing rates for PWLB loans at maturity.
- For investments the discount rate is calculated using the prevailing market rates at Balance Sheet date for instruments with similar structures and terms.
- The Fair Value of Trade debtors and other debtors are taken to be invoiced or billed amount.

As at 31st March 2010 the financial assets and liabilities Fair Value did not vary materially from the carrying value (book value).

24(b) Disclosure of nature and extent of risks arising from Financial Instruments.

The Authority's activities expose it to a variety of financial risks in respect of financial instruments:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority may not have the funds available to meet its commitments to make payment.
- Refinancing risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services. The procedures for risk management in relation to key financial instruments are set out through the legal framework detailed within the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance. Overall, the Authority is required to manage risk in the following ways: -

24 (b) Disclosure of nature and extent of risks arising from Financial Instruments (continued)

- by formally adopting the requirements of the Code of Practice
- by approving annually in advance prudential indicators which limit the Council's overall borrowing, its maximum and minimum exposures to fixed and variable interest rates, its maximum and minimum exposure to the maturity structure of its debt, and its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the following year, which sets out its criteria for both investing and selecting investment counterparties in compliance with government guidance.

In order to comply with the requirement that the Authority is required to set a balanced budget (Local Government Finance Act 1992) the above is required to be reported at the same time as the levy setting meeting. The annual treasury management strategy outlines the detailed approach to managing risk in relation to financial instrument exposure. Actual performance is compared to the strategy and reported annually to Members.

In accordance with Standing Orders, the Finance Director is responsible for all of the Authority's banking, borrowing and investment activities. Under the Authority's existing service level arrangements, the London Borough of Redbridge administers the treasury management function on behalf of ELWA. The policies and detailed guidance in the form of Treasury Management Practices (TMPs) are managed on a day to day basis by the London Borough of Redbridge. The TMPs are reviewed at regular intervals. ELWA receives reports and monitors the treasury management performance of the London Borough of Redbridge on a regular basis.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

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, which is 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.

24(b) Disclosure of nature and extent of risks arising from Financial Instruments (continued)

Credit Risk in relation to payments due from Council Customers (Debtors)

Credit risks can arise from the Authority's exposure to customers. Payments for services are either required in advance or due at the time the service is provided. As at 31st March 2010, £0.527 million (£2.251 million as at 31 March 2009) is due to the Authority from its customers, the total being past its due date. The past due date can be analysed by age as follows:

	31/03/2010 £'000	31/03/2009 £'000
Overdue: Less than 3 month	309	1,235
Overdue: 4 to 6 months	174	670
Overdue: 7 to 12 months	-	346
Overdue: 1 to 2 years	44	-
	527	**2,251**

There was no provision for bad debts as at 31st March 2010 and 31st March 2009 as all outstanding debtors are expected to be paid.

Credit risk arising from deposits with Banks and Financial Institutions.

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 suppost ratings. Other information provided by Brokers, Advisers and financial and economic reports are also collated and assessed and then used to produce a matrix to monitor each individual institution against the Authority's criteria.

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:

- UK Banks supported by the UK government;
- Building Societies with assets in excess of £3bn;
- AAA rated Money Market Funds;
- UK Government (Debt Management Office and Gilts);
- Other Local Authorities

24(b) Disclosure of nature and extent of risks arising from Financial Instruments (continued)

The following analysis summarises the Authority's maximum exposure to credit risk. The table (composite defaults from Fitch, Standard & Poors and Moody's) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990-2009 on investments up to 1 year, which are the most commonly held investments.

Deposits with banks and financial institutions	**Amount at 31 March 2010 £'000 (a)**	**Historical experience of default % (b)**	**Adjustment for market conditions at 31 March 2010 % (c)**	**Estimated maximum exposure to default £'000 (a)x(c)**
AAA rated counterparties	1,000	0.00	0.00	0
AA rated counterparties	20,000	0.03	0.03	600
A rated counterparties	0	0.08	0.08	0
Other counterparties	0	0.43	0.43	0

The above breakdown does not include the deposit of £1 million in Heritable Bank which was placed into administration in 2008/09 (see Note 10d).

The total impairment of the investment in 2008/09 was £333,000. Following recent advice from Ernst and Young, the minimum expected dividend on the claim is now 84.98%. As a result of this, a reduction of £63,000 has been made against the impairment made in the last financial year and the total amount of repayment due on the principle is £485,444. The recoverable interest receivable from 2010/11 to 2012/13 of £41,927.

24(b) Disclosure of nature and extent of risks arising from Financial Instruments (continued)

The diversification of investments also provides additional security. The maximum percentages of the investment portfolio, which may be invested in each class of assets, are detailed below:

Asset Class Percentages		
Type of Asset	**% Of Total Investment as set by 2009/10 Treasury Management Strategy %**	**% Of Total Investment as at 31st March 2010. %**
UK Government and Local Authorities	100	4.7
Local Authorities	50	0
Banks- Specified	100	89.6
Money Market Funds – Specified	75	0
Building Societies - Specified	100	4.7
Unspecified Investments – including un-rated Building Societies	75	1
Non UK Government and Supranational Bonds	15	0

The asset class percentages are well within the Upper limits prescribed in the Authority's Treasury Management Strategy for 2009/10. All transactions in relations to deposits were in line with the Authority's approved credit ratings and asset class limits.

24(b) Disclosure of nature and extent of risks arising from Financial Instruments (continued)

No new breaches of the Authority's counter-party criteria occurred during the 2009/10 and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Authority's use of the highest credit ratings for investment counterparties allows it to minimise undue risk. The Authority has continued to refine procedures to ensure that the highest quality institutions are used throughout 2009/10 and a cautious lending policy is adopted by :-

- Adopting the lowest common denominator approach, whereby rating agencies provide credit ratings of institutions and the lowest rating is applied for the institution to determine whether they meet the criteria to be on the Authority's counterparties list;
- The monitoring of country (sovereign) ratings as well as institutional ratings;
- No new lending beyond one year;
- Expansion of information gathering procedures to identify changes in the status of the Authority's investment counterparties such as continually monitoring the financial and economic publications and the internet.
- Adoption of strict guidelines for investing with Banks with ratings below the minimum credit rating adopted

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Authority has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer- term funds and acts as lender of last resort to authorities. Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. As at 31st March 2010, all of the Authority's outstanding loans were with PWLB.

24(b) Disclosure of nature and extent of risks arising from Financial Instruments (continued)

Through the Local Government Finance Act 1992, the Authority is required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that the Authority will be unable to raise finance to meet its commitments.

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

- The setting of Prudential Indicators, associated strategies and practices;
- The cash flow management procedures;
- The use of deposits and call funds.

Refinancing and Maturity Risk

The key risk is that the Authority will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The risk relates to both maturing financial liabilities and assets. The Authority approved Treasury Management and Investment Strategies address the main risks and the L B of Redbridge treasury team address the operational risks within approved parameters. This includes: -

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt; and
- Monitoring the maturity of investments to ensure that there is sufficient liquidity available for the Authority's day to day cash flow needs, and the spread of long term investments provide stability of maturities and returns in relation to long term cash flow needs.

The maturity structure for borrowing as at 31st March 2010 is set out below and is within the Authority's Prudential Code limits for 2009-10 as set out in its Treasury Management Strategy:

Renewal Period	**Market Loans Outstanding as at 31st March 2010 £000's**	**% Of Total borrowing**	**Market Loans Outstanding as at 31st March 2009 £000's**	**% Of Total borrowing**
Less than One Year	-	-	-	-
Between One and Two Years	122	7.6	-	-
Between Two and Five Years	238	14.8	360	22.4
Between Five and Ten Years	-	-	-	-
More than Ten Years	1,250	77.6	1,250	77.6
Total	**1,610**	**100.0**	**1,610**	**100.0**

24(b) Disclosure of nature and extent of risks arising from Financial Instruments (continued)

In terms of the maturity of long-term investments (over 364 days), as at 31st March 2010, the Authority had no long-term investments (as at 31st March 2009 £2.6 million), which is within the upper limit for long-term investments set out in the Authority's Treasury Management Strategy.

Market Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at fixed rates – the fair value of the assets will fall.

Since the Authority's borrowings are not carried at fair value in the Accounts under FRS 26, nominal gains and losses on fixed rate borrowings will not impact on the Income and Expenditure Account or the STRGL. Movement in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses (STRGL).

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

- Setting a maximum for Authority's borrowings at variable rates. For 2009-10 all the Authority's borrowings were at fixed rates.

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

The Authority, through the L B 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.

According to this assessment strategy, at 31st March 2010, if interest rates had been 1% higher with all other variations held constant, the financial effect would be:

- In view of the fact that the Authority has no variable rate investments or borrowings, no financial impact on the Authority's financial performance for 2009-10 as reported in the key financial statements.
- Decrease in fair value of fixed rate investment assets – approximately £80,000 (as at 31st March 2009 £55,000), with no impact on the Income and Expenditure and STRGL; and
- Decrease in fair value of fixed rate borrowings - £208,000 (as at 31st March 2009 £238,000), with no impact on Income and expenditure account or STRGL.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

24(b)Disclosure of nature and extent of risks arising from Financial Instruments (continued)

Price Risk
The Authority does not invest in equity shares and therefore is not exposed to losses arising from movements in the price of the shares.

Foreign Exchange Risk
The Authority has no financial assets or a liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

25 Post Balance Sheet Events

The Government announced in its Budget on Tuesday 22 June 2010 that the Consumer Price Index (CPI), as opposed to the current Retail Price Index (RPI), will be adopted for the indexation of public service pensions from April 2011. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet Date), this change is deemed to be a non-adjusting post balance sheet event. This change will reduce the value of the net liability (or deficit) in the London Pensions Fund Authority Pension Fund by £53,000.

26 Contingent Assets and Liabilities

There are no material contingent assets or liabilities as at 31st March 2010.

Each year the Authority is required by law to produce a statement that details the framework for making decisions and controlling the resources of the Authority. The statement covers both the Authority's governance arrangements as well as internal control issues. This statement should enable stakeholders to have an assurance that decisions are properly made and public money is being properly spent on citizens' behalf.

The Governance Framework

The 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, cost-effective services. The key elements of the systems and processes that comprise the Authority's governance arrangements are described in more detail below: -

Vision and Purpose

ELWA has the vision "To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value". This vision is supported by objectives and joint targets. The vision was adopted in consultation with stakeholders.

The Joint Waste Management Strategy sets out the Authority's strategic direction. It shows the integrated planning process that links the Strategy, the Authority's Vision, Aims and priorities, right through to service area planning and individual staff performance. The Strategy also outlines the actions to be taken to deliver on the strategic priorities. This is reviewed annually to identify new key actions to be considered in the service planning process. A range of performance indicators assists in the monitoring of activity.

To support the Joint Waste Management Strategy the Authority has a service planning process. The Service Delivery Plans combine the operational management components of a business plan with the longer-term planning and customer focus of a service plan. Service Plans link to statutory plans, key improvement plans and the strategic priorities of the Joint Waste Management Strategy, and demonstrate how these are to be achieved. They are the method of planning to ensure the delivery of key improvements contained within these documents whilst delivering value for money services. Service Plans are monitored and reviewed by the Management Board to ensure that teams and individual members of staff all contribute to achieving the Authority's vision and objectives.

It is recognised that the Authority cannot achieve its Vision alone. It needs to work in partnership with its four Constituent Boroughs, other agencies and the community to make this happen. An example of this partnership working includes the work undertaken with all partners for the improvement in the collection and sorting of dry recyclables.

Performance Management and Reporting

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.

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

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

- a corporately defined process that ensures that Plans are linked to strategic aims;
- mechanisms whereby performance is reported to Members and Officers.

Authority Constitution

This sets out the roles and responsibilities of Members and officers. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively. The Authority has recently completed a Governance Review having employed two external specialist advisers to undertake a wide-ranging consultation and make recommendations for the future. Members have considered and approved new Governance arrangements and a new corporate structure. This is in the process of being implemented and will continue into 2010/11. A revised Constitution has accordingly been adopted. The Authority's rules and regulations form part of the constitution. There is a scheme of delegation that is published on the Authority's website. It states who is authorised to make decisions in particular areas. Alongside this the Authority has financial regulations, which provide details of officers responsibilities for the Authority's control environment relating to income, expenditure, internal control, risk management and partnerships. To support officers when they are making purchases the Authority has developed a procurement code of practice. The schemes of delegation and financial rules and regulations have also been reviewed and are in the process of being updated.

Codes of Conduct

Part E of the ELWA Constitution deals with the Codes of Conduct for Members and Employees. Each of ELWA's four Constituent Councils has adopted the mandatory provisions of the Model Code. ELWA is not required to adapt a Code of Conduct for its Members. However, the Members of the four Councils are bound by their respective Council Codes when they act on their official capacity for ELWA.

A consolidated Code of Conduct for officers was approved in April 2009.

Risk Management

The Authority has embedded risk management processes throughout its structure. A Risk Management Policy and Strategy is agreed and reviewed by Management Board and Members on an annual basis.

Risks identification and management processes are also in place for projects, partnerships and contracts. Given the growing use of partnership working to deliver joined-up services and VFM, the processes of risk identification and management will need to reflect the greater number and complexity of such arrangements. The process of delivering these enhancements has already commenced with clarity achieved via, for example, contract variations.

Compliance with policies, laws and regulations

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 151 officer (Local Government Act 1972) – Finance Director, and Monitoring Officer – Legal Adviser each of whom has the power to refer matters to full Authority if a breach of regulation is possible. These officers form part of the Management Board. None of these officers have been required to use their powers during the year. The statutory officers provide professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed.

Counter Fraud including Whistle-blowing

The Authority has an agreed Anti Fraud & Corruption Strategy that is regularly reviewed to ensure it remains effective and adaptive to emerging issues and risks. Two key components that support this Strategy are:

- Whistle blowing arrangements that are available to the general public, employees, contractors and partners.
- Delivering a programme of anti fraud training and guidance, including a Fraud Response Plan to instill a culture and awareness that fraud will not be tolerated.

Complaints process

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.

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

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

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

Training and development

Members have a general programme to keep them up to date with changes and to supplement their training needs via their Constituent Councils. This is supplemented by formal and informal information about ELWA through briefings, workshops and conferences.

Training and development of staff continues via professional associations, conferences, seminars, courses run by Constituent Councils, on-line tuition and bespoke courses. These are related to the demands of new legislation and new system.

Communication and engagement

Good communication is key to the Authority being able to carry out its core business efficiently and effectively. The Authority has a responsibility to communicate how to access basic services and information. Communicating the Authority objectives and performance are an essential part of the democratic contract. Local people have a right to know what their Council Tax is funding and how their Authority is performing. Communication is also essential in encouraging people to get involved in the democratic process.

The Authority's primary communication methods are comprehensive reporting, its website leaflets and briefings for Constituent Councils. In respect to public and community information, the Authority and the Constituent Councils have combined with the main service provider to implement a 3 year Communications Strategy to drive through improvements in performance from the doorstep.

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

Partnerships

The most significant partnerships for the Authority are with its four Constituent Boroughs and through the IWMS Contract with Shanks, East London.

There are sound governance arrangements in place for partnerships. They are implemented via regular formal meetings with Shanks including those at ELWA Ltd and regular formal meetings with the Boroughs including those at the ELWA Management Board and Operational Management Group.

Review of effectiveness

ELWA has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors who have responsibility for the development and maintenance of the governance environment, the annual report of Chief Auditor for the London Borough of Redbridge, and also by comments made by the external auditors and other review agencies and inspectorates.

The Managing Director and Statutory Officers have responsibility for the development and maintenance of the internal control and governance environment. To support and reinforce routine review processes, such as internal audit, the Authority has an established overview assurance process through its Management Board. Management Board members consider the AGS before it is presented to the Members to endorse. In this way the process involves internal controls and corporate governance arrangements being overviewed corporately and the ensuing Statement being subjected to both Member and Director scrutiny.

The Managing Director and Statutory Officers, having made enquiries with relevant senior officers, are required to complete an assurance statement to confirm that proper governance and internal control arrangements are in place for their areas of responsibility. These statements should also identify any significant areas of concern or weakness within each area.

During 2009/10, significant time and effort has been invested by ELWA, the Boroughs and the Service Provider in consulting and negotiating and specifying the medium term service delivery plans for the majority of ELWA's activities.

The 5 yearly and annual processes, conducted within a formal framework provided by the Integrated Waste Management Strategy and Contract, enforces a disciplined review of objectives and effectiveness

Internal Audit

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

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

Governance and internal control issues requiring improvement

Areas for development that have been identified within the Annual Governance Statement are listed below together with the improvements made during the year and those planned to be delivered in 2010/11.

- Contract Monitoring – embedding best practice and monitoring performance outcomes.

  Ongoing improvements have been implemented through changes to reporting systems and data including the new Monthly Bulletin on Contract Performance. Maintaining strong and robust contract monitoring arrangements are essential to ELWA's operational effectiveness and therefore further improvements shall be made following the implementation of actions arising from the recent Internal Audit report on contract monitoring. Improvements actions in 2010/11 include

    - *The introduction of hand-held devices is being trialed to improve the consistency of information between inspection records and data held within the constituent boroughs.*

- *Reviewing the processes in place that align performance issues identified from inspection visits to the penalties deducted from the monthly invoiced amount*

- *Review of arrangements ensuring service level agreements are formally signed off in a timely basis between ELWA and constituent boroughs*.

- Risk assessment and business continuity.
  This has been addressed in the annual review of the Risk Strategy and the emphasis placed on these issues within the 5 year Service Delivery Plan and Annual Budget and Service Delivery Plan both commencing 1st April 2010.

- Review of Member and Board Governance.
  A series of reports to Members have been presented over the 2009/10 financial year, which have resulted in new governance arrangements and a new management structure for the Municipal Year 2010/11.
  The Governance Review will continue into the 2010/11 year, with work to update and modernise the Financial Rules within the ELWA constitution so that it meets best practice.

We propose over the coming year to take steps to confirm and implement the above matters to embed the new arrangements. We are satisfied that these steps will continue ELWA's satisfactory performance and national standing

Signed:

……..

Paul Taylor (Managing Director)

……..

(Chairman)

Date:

Annual Governance Statement Action Plan 2009/10

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
1	Contract Monitoring	Trial of hand-held devices to improve the consistency of information between inspection records and data held within ELWA and the constituent boroughs	Summer 2010	Head of Operations, ELWA
		Review of processes to improve the linkages between findings from inspection visits to monthly performance deductions being applied to the contractor.	Autumn 2010	Head of Operations, ELWA
		Review of the arrangements ensuring service level agreements are formally signed off in a timely basis between ELWA and constituent boroughs.	Autumn 2010	Managing Director, ELWA
2	Risk Assessment and Business Continuity planning	Ongoing monitoring of the actions taken in 2009/10 to ensure that risk and business continuity planning are embedded fully into the Authority's key strategic and operational frameworks.	December 2010	Managing Director, ELWA
3	Review of Member and Board Governance	Work will continue to update and modernise the various aspects of the ELWA Constitution so that it meets best practice.	Autumn 2010	Managing Director, ELWA