

Statement of Accounts

Year ended 31 March 2017

London Waste and Recycling Board

Statement of Accounts for the year ended 31 March 2017

London Waste and Recycling Board
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Information

Name
 The London Waste and Recycling Board
 Formed under the London Waste and Recycling Board Order No 2038 of 2008
 Made on 23 July 2008

Registered Address
 169 Union Street
 London SE1 0LL

Professional Advisors

Independent Auditors
 Grant Thornton UK LLP
 30 Finsbury Square
 London
 EC2A 1AG

Legal Advisors
 Addleshaw Goddard LLP
 3 Sovereign House
 Sovereign Street
 Leeds LS1 4ER

Bankers
 Royal Bank of Scotland,
 49 Charing Cross,
 Admiralty Arch,
 SW1A 2DX

Internal Auditors
 Mazars
 Tower Bridge House
 St Katherine’s Way
 London E1W 1D

Narrative Statement

This statement is intended to provide readers with an easily understandable guide to the most significant matters reported in the accounts.

Primary Statements

The primary statements in the accounts and their purpose are:

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the London Waste and Recycling Board (LWARB), analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing LWARB's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance.

The Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

The Balance Sheet

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by LWARB. The net assets of LWARB (assets less liabilities) are matched by the reserves held by LWARB. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that LWARB may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that LWARB is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

This statement shows the changes in cash and cash equivalents of LWARB during the reporting period. The statement shows how LWARB generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of LWARB are funded by way of grant income or from the recipients of services provided by LWARB.

Accounting Policies

The accounting policies applied during the year are set out on page 17.

Review of Activities

London Waste and Recycling Board

LWARB has primary provisions made in Section 356A and 356B of the GLA Act 1999 (as amended by the GLA Act 2007). Its membership and constitution are set out in the London Waste and Recycling Board Order 2008 (Statutory Instrument 2008 No. 2038, made on 23 July 2008). LWARB's objectives are to promote and encourage, so far as relating to Greater London:

- (a) the production of less waste;
- (b) an increase in the proportion of waste that is reused or recycled;
- (c) the use of methods of collection, treatment and disposal of waste that are more beneficial to the environment.

In doing so it is required to act in accordance with the provisions of the London Environment Strategy, dealing with municipal waste management and in general conformity with the Spatial Development Strategy for Greater London (the 'London Plan').

The Board comprises eight members under the chairmanship of the Mayor of London or his nominated representative. The remaining seven members are as follows:

- Four London borough councillors appointed by London Councils
- Two independent members appointed by London Councils
- One independent member appointed by the Mayor of London

Activities in 2016/17

Resource London Programme

Resource London was established in April 2015 as a jointly funded partnership between LWARB and WRAP to maximise the resources of both organisations for the benefit of London. A programme of work was designed around maximising the impact of the support provided to London waste authorities by focussing on minimising the amount of waste produced and maximising re-use, increasing and improving the capture of unavoidable food waste, improving the yield and quality of dry recycling and restricting residual waste. This support was delivered through three work streams: Service support; Communication and Behaviour Change; and Innovation and development.

The second year of this jointly funded support programme for London waste authorities was highly productive. Having met with and provided support in some form to all 38 London waste authorities, targeted support has been provided to 15 waste authorities. This support has led to residual restriction roll-out and the introduction of new food waste services to targeted support to tackle contamination as well as pilot projects to boost food waste recycling in existing food waste services.

In addition to service support, Resource London has also been very active with its communications and behaviour change work. Having re-launched the Recycle for London campaign in November 2015, targeted and funded service-related communications support has been delivered with 22 boroughs, using tested and innovative communications and behaviour change methods. This includes over £100,000 of borough funded campaign activity for Recycle Week in September 2016, an Intensive three month re-use and repair quarter engagement activity providing Londoners with re-use and repair skills, 13 electrical workshops, 20 textile workshops and 6 co-ordinated community "jumble trails". Resource London, with partners WRAP and Groundworks London were also successful in securing €1.92 million of EU Life funding for a new €3.2 million three year innovative food waste intervention project, 'TRiFOCAL', which will go live in 2017/18.

Circular Economy Programme

LWARB's circular economy programme progressed well this year, with continued development of a circular economy route map for London along with action plans developed through stakeholder workshops in our focus areas of built environment, food, textiles, electricals and plastics.

The team also contributed as a partner to a successful Interreg bid, 'European regions toward Circular Economy' (CircE) which also started in January 2017, and brings further policy and implementation support to the project.

Towards the end of this year, the circular economy programme was rebranded as Circular London in order to align with LWARB's Resource London and Advance London brands.

Advance London

LWARB's investment strategy has evolved and is now focused on catalysing growth of the circular economy in London.

During the year, LWARB invested in the first European Private Equity Fund dedicated to investing in growth capital circular economy SMEs.

Other programmes are being designed that will provide funding and support to innovative circular economy SMEs from start-up through to maturity. These programmes will launch in the forthcoming financial year.

In addition, LWARB launched the Advance London Business Support service in January 2017, jointly funded by the EU through the ERDF programme, which aims to support SMEs looking to transition into or scale up circular business models.

Budgetary performance

Programme expenditure for the year was in line with budget. Administrative expenditure for the year was in line with budget.

Internal and external sources of funds

LWARB received £241k of loan interest and capital repayments, £87k of interest earned on cash deposits and £53k of grant income from European Union sources during the year.

Members of the Board

The members of the Board during the year were:

Name and Position	Primary position held elsewhere
Richard Tracey AM (until 08/05/2016) Chair	London Assembly Member, Merton & Wandsworth
Sadiq Khan (from 09/05/2016 to 06/03/2017) Chair	Mayor of London
Liz Goodwin (from 07/03/2017) Chair	Individual
Barbara Anderson Feryal Demirci (from 13/10/2016)	Non-Executive Director Councillor, London Borough of Hackney
Melville Haggard	Independent Consultant
Cllr Clyde Loakes (until 10/05/2016)	Councillor, London Borough of Waltham Forest
Cllr Bassam Mahfouz	Councillor, London Borough of Ealing
Cllr Nicholas Paget- Brown	Leader, Royal Borough of Kensington & Chelsea.
Matthew Pencharz (until 08/05/2016)	Deputy Mayor of London – Environment and Energy Deputy Mayor of London – Environment and Energy.
Shirley Rodrigues (from 12/12/2016)	
Cllr David Williams JP (until 10/05/2016)	Councillor, London Borough of Merton
Ian Wingfield (from 13/10/2016)	Councillor, London Borough of Southwark

Board Member Committee and Board Meeting Attendance 2015/16*

Board member	Number of meetings	Board	Audit Committee	Investment Committee	Resource London Partnership Board
	Total number of meetings held in year	1	2	3	2
Richard Tracey	Number of meetings held while LWARB Board Member	0			
	Of those, number of meetings attended	0			
Sadiq Khan	Number of meetings held while LWARB Board Member	0			
	Of those, number of meetings attended	0			
Liz Goodwin	Number of meetings held while LWARB Board Member	1			
	Of those, number of meetings attended	1			
Barbara Anderson	Number of meetings held while LWARB Board Member	1	2	3	
	Of those, number of meetings attended	1	1	2	
Feryal Demirci	Number of meetings held while LWARB Board Member	1	1		1
	Of those, number of meetings attended	1	1		1
Melville Haggard	Number of meetings held while LWARB Board Member	1		3	
	Of those, number of meetings attended	1		3	
Clyde Loakes	Number of meetings held while LWARB Board Member	0	1		1
	Of those, number of meetings attended	0	1		1
Bassam Mahfouz	Number of meetings held while LWARB Board Member	1	2		
	Of those, number of meetings attended	1	2		
Nicholas Paget-Brown	Number of meetings held while LWARB Board Member	1	2	3	
	Of those, number of meetings attended	1	1	2	
Matthew Pencharz	Number of meetings held while LWARB Board Member	0	0		
	Of those, number of meetings attended	0	0		
Shirley Rodrigues	Number of meetings held while LWARB Board Member	1	0		
	Of those, number of meetings attended	1	0		
David Williams	Number of meetings held while LWARB Board Member	0	1		
	Of those, number of meetings attended	0	1		
Ian Wingfield	Number of meetings held while LWARB Board Member	1	1		
	Of those, number of meetings attended	1	1		

* Attendance figures are only shown for members of each committee.

Statement of Responsibilities for this Statement of Accounts

LWARB's responsibilities

LWARB is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In LWARB this officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Head of Finance's responsibilities

The Head of Finance is responsible for the preparation of the LWARB's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Head of Finance has also:

- 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 gives a true and fair view of the financial position of LWARB at the reporting date and of its expenditure and income for the year ended 31 March 2017.



.....
James Lanman
Head of Finance

Date: 28 September 2017

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON WASTE AND RECYCLING BOARD

We have audited the financial statements of London Waste and Recycling Board (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities for this Statement of Accounts, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Statement and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Iain Murray

Iain Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
30 Finsbury Square
London
EC2P 2YU

29 September 2017

Annual Governance Statement

Scope of Responsibility

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

In discharging this overall responsibility, the Board is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

The Board has approved and adopted a governance framework, which may be seen on our website at www.lwarb.gov.uk or can be obtained from the Secretariat, London Waste and Recycling Board, 169 Union Street, London SE1 0LL.

The governance framework outlines LWARB's risk strategy, Board and committee structure, scheme of delegated authority and standing orders which include the regulatory framework under which LWARB is required to operate. A copy of LWARB's risk register is also available at the above web address as a standing item on each audit committee agenda.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Board is directed and controlled. It enables the Board 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 Board's governance framework and standing orders cover membership, undertaking the work of the Board, provision of information to the public, the decision making process, delegated authorities, the legal background to the Board's activities and the code of conduct.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically. In particular, the system ensures that:

- The Board's policies are implemented in practice;
- The Board's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Performance statements and other published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

The governance framework has been in place within LWARB for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

Key elements of the governance framework

LWARB uses recognised leading SAGE software for its accounting and payroll processes. These systems are supported by a detailed project evaluation and contracting process involving many levels of review, including, recognised leading industry consultants, internal officers, an independent Investment Committee and ultimately the Board.

A risk management strategy is fully developed and established which, along with other key elements of procedures, controls and authorities is set out in a detailed Operations Manual.

Review of effectiveness

The Board 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 officers of the Board who have responsibility for the development and maintenance of the governance environment, and also by comments made by internal and external auditors and other review agencies and inspectorates.

The Audit Committee that has been formed as part of the Board's support structure has been delegated authority to ensure that the Board maintains adequate financial, risk management and internal control systems. It ensures that an annual review of the effectiveness of the internal control environment is undertaken and that the findings from that review are dealt with in a prompt manner. Part of this review process is to establish a risk based internal audit programme and LWARB has appointed Mazars Public Sector Internal Audit Ltd as its auditors who have prepared, conducted and reported on a risk based audit plan. In addition, Grant Thornton, LWARB's external auditors, provide an Audit Findings Report and Annual Audit Letter with recommendations for improvements to the internal control environment that have been identified during its annual audit and inspection. In response to this report it was concluded that the internal control environment is adequate

The current internal auditors were appointed in the 2014/15 financial year and in 2016/17 have performed a review of the core financial systems, and the London waste authority support programme (Resource London).

The internal auditors have provided the following assurance for each area reviewed:

Audited Area	Evaluation Assessment	Testing Assessment
Core Financial Systems	Satisfactory	Satisfactory
London Waste Authority Support Programme (Resource London)	Satisfactory	Satisfactory

LWARB's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010) as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*.

Law and Regulations

Compliance with policies, laws and regulations is dealt with through a range of written rules and procedures which are regularly reviewed and updated. These include Standing Orders relating to the Board and Committees, as well as Financial procedures which are contained within the Operations Manual.



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Wayne Hubbard
Chief Operating Officer

Date: 28 September 2017



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Bassam Mahfouz
Audit Committee Chair

Date: 28 September 2017

Movement in Reserves Statement

Movement in Reserves Statement for the year ended 31 March 2017

	General Fund	Capital Grants Unapplied Account	Total Usable Reserves	Capital Adjustment Account	Accumulated Absences account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	24,958	1,929	26,887	2,757	(8)	2,749	29,636
Total comprehensive income and expenditure	(2,649)	-	(2,649)	-	-	-	(2,649)
Adjustments between accounting basis and funding basis under regulations	538	(826)	(288)	295	(7)	288	-
Net increase / (decrease) in the year	(2,111)	(826)	(2,937)	295	(7)	288	(2,649)
Balance as at 31 March 2017	22,847	1,103	23,950	3,052	(15)	3,037	26,987

Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Project Expenditure	4	(1,443)	(669)
Administrative Expenditure	4	(1,150)	(1004)
Total Gross Expenditure		(2,593)	(1,673)
Write back of Project Expenditure incurred in previous years	4	26	438
Other Income		4	33
Total Gross Income		4	33
Net Income / (Expenditure) from Continuing Operations		(2,563)	(1,202)
Financing and Investment Income	6	492	547
Financing and Investment Expenditure	6	(571)	(6,764)
Net Financing and Investment Income / (Expenditure)		(79)	(6,217)
Non Specific Grant Income	7	53	1,982
Surplus / (Deficit) on the Provision of Services		(2,589)	(5,437)
Corporation tax	8	(60)	161
Total Comprehensive Income and Expenditure		(2,649)	(5,276)

Balance Sheet

Balance Sheet as at 31 March 2017

	Note	2017 £'000	2016 £'000
Long-term Assets			
Investments		26	-
Debtors	9	582	1,551
Total Long-term Assets		608	1,551
Current Assets			
Debtors	9	2,766	1,445
Cash and cash equivalents	14	24,117	27,531
Total Current Assets		26,883	28,976
Current Liabilities			
Creditors falling due within one year	10	(212)	(153)
Grant Receipts in Advance	11	(150)	-
Deferred income		(3)	(30)
Provisions for liabilities and charges	12	(140)	(708)
Total Current Liabilities		(505)	(891)
Net Current Assets		26,378	28,085
Long-term Liabilities		-	-
Net Assets		26,987	29,636
Reserves			
<i>Usable Reserves</i>			
General Fund	13	22,847	24,958
Capital Grants Unapplied Account	13	1,103	1,929
Total Usable Reserves		23,950	26,887
<i>Unusable Reserves</i>			
Capital Adjustment Account	13	3,052	2,757
Accumulated Absences Account	13	(15)	(8)
Total Unusable Reserves		3,037	2,749
Total Reserves		26,987	29,636

Certified that the Statement of Accounts give a true and fair view of the financial position of LWARB at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Approved by the Board on 28 September 2017

.....
Liz Goodwin
Chair

Date: 28 September 2017

.....
Bassam Mahfouz
Audit Committee Chair

Date: 28 September 2017

Cash Flow Statement

Cash Flow Statement for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Net surplus / (deficit) on the provision of services		(2,649)	(5,276)
(Increase) / decrease in debtors	9	(352)	11,049
(increase)/decrease in equity investments		(26)	-
Increase / (decrease) in creditors	10	59	(15)
Increase/ (decrease) in deferred income		(27)	30
Increase / (decrease) in provisions	12	(568)	(1,519)
Adjustment for investing and finance activities		498	(5,624)
Increase / (decrease) in Grants Receipts in Advance	11	150	(1,982)
Net cash flows from operating activities		(2,915)	(3,337)
Cash flows from investing activities			
Interest received on cash and cash equivalents		88	65
Loan fee income		-	10
Drawdown of equity instruments		(26)	-
Drawdown of loans awarded		(800)	(400)
Interest received on loans awarded		72	448
Repayment of loans awarded		168	5,501
Net cash flows from investing activities		(498)	5,624
Net increase / (decrease) in cash and cash equivalents		(3,413)	2,287
Cash and cash equivalents at the beginning of the reporting period		27,531	25,244
Cash and cash equivalents at the end of the reporting period		24,117	27,531

Cash and cash equivalents are held in the form of amounts in instant access bank accounts and an instant access deposit account held by the Greater London Authority.

Notes to the Accounts

Notes to the accounts for the year ended 31 March 2017

1. Accounting Policies

Basis of financial statements and accounting policies

LWARB's accounting policies are the principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are to be shown in its financial statements through recognising, selecting measurement bases for and presenting assets, liabilities, gains, losses and changes in reserves. It has adopted the following accounting policies which should be read in conjunction with the financial statements set out on pages 17 to 20.

The accounting policies set out below have been applied consistently to all periods presented in this Statement of Accounts.

The preparation of the Statement of Accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Statement of Accounts is included in the following notes:

Note 14 - Financial instruments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 14 - Financial instruments

Note 12 – Provisions for liabilities and charges

The Statement of Accounts has been prepared in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* (the Code).

Accruals of Expenditure

All expenditure is charged in the period to which it relates on an accruals basis and a liability is recognised when there is a legal or constructive obligation. LWARB is not registered for Value Added Tax (“VAT”) and accordingly expenditure includes irrecoverable VAT.

Provisions

A provision is recognised if, as a result of a past event, LWARB has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions for Committed Project Grants

LWARB awards project grants under agreements that can span more than one year. The full potential funding award is recognised on the signing of the funding agreement and is recognised in the balance sheet as a provision for Committed Project Grants. Drawdowns of the funding award are made subject to achieving set milestones. When the milestones are achieved and a milestone invoice is raised this amount is charged against the provision and recognised in the balance sheet as a current liability. Material write downs of provisions are detailed on page 26.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Financial Instruments

The only financial assets held are loans and receivables and equity instruments.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Equity instruments that do not have a quoted price in an active market for an identical instrument are held at estimated fair value. Where fair value cannot be reliably measured, equity instruments are held at cost.

Each financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by the debtor, restructuring of an amount due to LWARB on terms that LWARB would not consider otherwise, or indications that a debtor will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in

Surplus or Deficit on the provision of Services. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Government Grants and Other Contributions

Grants and other contributions are not recognised until there is reasonable assurance that LWARB will comply with any conditions attached to them, and the grants or other contributions will be received. Grants and contributions relating to revenue expenditure are accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or other contribution has conditions relating to initial recognition that the authority has not satisfied. Grants and contributions that satisfy the recognition criteria above but which have a condition attached that remains to be satisfied are recognised initially in the Grant Receipts in Advance Account.

Corporation Tax

LWARB is a body corporate for the purposes of the Corporate Tax Acts and is therefore subject to Corporation Tax on its deposit and loan interest income. A corresponding expense and liability is recognised where LWARB has accrued such income and is liable for Corporation Tax on it. A reconciliation between accounting Surplus on the Provision of Services and tax expense, and a breakdown of the components of the tax expense are shown in note 8.

Events after the Balance Sheet Date

Events that have occurred after the Balance Sheet date up to the date of approval of the Statement of Accounts but could not be foreseen at the Balance Sheet date are disclosed in note 17 along with the unadjusted financial impact on the Statement of Accounts.

Accounting Standards that have been issued but have not yet been adopted

There are no Accounting Standards that have been issued but have not yet been adopted that are relevant to the Statement of Accounts of LWARB.

2. Financial risk management

LWARB has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about LWARB's exposure to each of the above risks, the objective, policies and processes for measuring and managing risk, and LWARB's management of capital. Further quantitative disclosures are included throughout these Statement of Accounts.

Risk management framework

The risk management framework is set out in the Annual Governance Statement on page 10 of these Statement of Accounts.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The credit rating of a counterparty and the available level of security is considered when setting minimum interest rates on each financial instrument issued in accordance with the State Aid compliant communication OJ C 14, 19.1.2008 issued by the European Commission.

LWARB establishes an allowance for impairment that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data or payment statistics for similar financial assets.

Liquidity risk

Liquidity risk is the risk that LWARB will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. LWARB's approach to managing liquidity risk is to only commit to financial instruments that can be funded from the available cash resources at the date of commitment.

Market risk

Market risk is the risk that changes in market prices such as interest rates will affect LWARB's income or the value of its financial instruments. Several of LWARB's financial instruments are offered at a variable rate accepting full exposure to this risk.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with LWARB's processes or personnel, technology and infrastructure risks, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The governance framework supported by a detailed operations manual manages operational risk so as to balance the avoidance of financial losses and damage to LWARB's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Capital Management

LWARB's policy is to maintain a strong capital base so as to maintain stakeholder confidence and to sustain the future development of the business. LWARB seeks to distribute funds on as commercial basis as possible as repayable loans and equity investments so as to secure the long term financial viability of the organisation.

3. Operating segments

LWARB manages its activities and reports as a single operational unit and as such no operational segmentation is provided in these Statement of Accounts.

LWARB does not provide multiple local authority services as set out in the Service Reporting Code of Practice 2016/17 ("SeRCOP"). All services and corresponding income and expenditure for LWARB fall within the SeRCOP service category of "environmental and regulatory services"

LWARB has not acquired or discontinued any operations in the year to 31 March 2017.

4. Expenditure

	Note	2017 £'000	2016 £'000
Project Expenditure			
Grants		(1,354)	(574)
Professional fees		(89)	(95)
Total Project Expenditure		(1,443)	(669)
Write back of Project Expenditure incurred in previous years*		26	438

*These amounts relate to the write back of provisions made in previous years against contracted project expenditure. The amounts are written back as a result of remaining undrawn contracted funds no longer being required by the relevant projects.

Administrative Expenditure

Staff Costs	(979)	(838)
Professional fees	(23)	(25)
Serviced Accommodation	(85)	(85)
Other overheads	(63)	(56)
Total Administrative Expenditure	(1,150)	(1,004)

Included in professional fees is an amount of £5,412 plus VAT (2016: £5,412 plus VAT) with respect to Auditors' remuneration for external services carried out by Grant Thornton UK LLP.

5. Staff costs

5.1 Members of the Board

The remuneration and expenses of members of the Board for the year to 31 March 2017 was as follows:

	Board Remuneration	Audit Committee Remuneration	Investment Committee Remuneration	Resource London Remuneration	Expenses	2017 Total	2016 Total
	£	£	£	£	£	£	£
Richard Tracey*	1,579	-	-	-	-	1,579	15,000
Barbara Anderson	6,000	3,000	3,000	-	-	12,000	12,000
Feryal Demirci**	2,803	569	-	569	-	3,941	-
Liz Goodwin	1,338	-	-	-	-	1,338	-
Melville Haggard	6,000	-	4,500	-	-	10,500	10,500
Sadiq Khan*	-	-	-	-	-	-	-
Clyde Loakes*	2,164	1,082	-	1,623	-	4,869	13,500
Bassam Mahfouz	6,000	3,284	-	-	-	9,284	9,000
Nicholas Paget-Brown	6,000	3,000	3,000	-	-	12,000	12,000
Matthew Pencharz*	-	-	-	-	-	-	-
Shirley Rodrigues**	-	-	-	-	-	-	-
David Williams*	2,164	1,623	-	-	-	3,787	10,500
Ian Wingfield**	2,803	569	-	-	-	3,372	-

36,851 13,127 10,500 2,192 - 62,670 82,500

*tenure ended during year

**appointed during year

No pension payments were made on behalf of Board members.

5.2 Staff costs.

The number and job titles of employees whose remuneration during the year to 31 March 2017 was £50,000 or more, in bands of £5,000, together with the equivalent number for the previous year, was:

Remuneration Band	Number of Employees	
	2017	2016
£105,000 - £109,999	1	1
£95,000 - £99,999	-	-
£75,000-79,999	1	-
£70,000 - £74,999	1	1
£65,000 - £69,999	-	1
£60,000 - £64,999	1	-
£55,000 - £59,999	2	2

The following employees earned over £50,000

	Salary	Employer's Pension Contributions	2017 Total	2016 Total
	£	£	£	£
Chief Operating Officer	105,043	3,001	108,044	112,642
Head of Programme, Local Authority Support	76,790	2,196	78,986	70,137
Head of Investment*	70,966	-	70,966	-
Head of Finance	60,150	1,804	61,954	75,451
Local Authority Support Manager	59,913	1,797	61,710	57,912
Circular Economy Manager	58,664	1,760	60,424	56,597

There were no employees earning over £150,000

	2017 £'000	2016 £'000
Employee remuneration (officers and members)	832	677
Employer pension contributions	15	14
Employer National Insurance Contributions	96	76
Annual leave carry over accrual/(release)	7	(2)
Staff consultancy costs	29	73
Total Staff Costs	979	838

6. Financing and Investment Income and Expenditure

	2017	2016
	£'000	£'000
Interest income on loans and receivables	404	473
Loan fee income	-	10
Interest income on bank deposits	88	64
Total finance and investment income	492	547
Unwind of discount on provision	-	(4)
Loan impairments	(571)	(6,760)
Total finance and investment costs	(571)	(6,764)
Net finance income / (costs) recognised in Surplus / (Deficit) on the Provision of Services	(79)	(6,217)

7. Grants

	2017	2016
	£'000	£'000
Grant income from DEFRA	-	1,982
Grant income from European Union	53	
	53	1,982

8. Corporation Tax

LWARB is a body corporate for the purposes of the Corporate Tax Acts and is therefore subject to Corporation Tax on its deposit and loan interest income. As LWARB is not engaged in a trade, interest receipts are deemed non-trading loan relationship credits, and therefore only expenses directly attributable to loans can be deducted.

In the current year LWARB incurred corporation tax losses as a result of loan impairments. The treatment of these losses is shown below.

Reconciliation between tax expense and accounting Surplus on the Provision of Services

	2017	2016
	£'000	£'000
Accounting Deficit on the Provision of Services	(2,589)	(5,437)
Taxable investment income	492	537
Less tax deductible impairment losses	(330)	(6,672)
Taxable profits/(tax loss)	162	(6,135)

Utilisation of rolled forward tax losses	(162)	-
Corporation Tax Expense	-	-

Components of the tax expense/credit

	2017 £'000	2016 £'000
Current tax:		
Current year	-	-
Prior year reclaim	-	85
Movement in deferred tax asset	(60)	75
Corporation Tax (Expense)/Credit	(60)	160

Tax losses

	2017 £'000	2016 £'000
Brought forward tax losses	(5,715)	-
Tax losses incurred during the year	-	(6,135)
Utilised against current year taxable profits	162	-
Utilised against prior year corporation tax	-	421
Carried forward tax losses	(5,553)	(5,715)

At the balance sheet date, LWARB has unused tax losses of £5,553k available for offset against future profits. A deferred tax asset of £14k (2016 : £75) has been recognised in respect of these losses. A future corporation tax rate of 19% to 31/03/2018 has been used against probable future profits by way of loan interest income to calculate the asset value.

9. Debtors

	2017 £'000	2016 £'000
Trade and other receivables	114	126
Deferred tax	14	75
Staff loans (rail season tickets)	13	12
Loans and receivables	3,179	2,516
Soft loans granted	-	241
Prepayments	28	25
Total	3,348	2,995

Non-current	582	1,551
Current	2,766	1,444
Total	3,348	2,995

LWARB's exposure to credit risks and impairment losses relating to trade and other receivables is disclosed in note 14.

10. Creditors falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	176	61
Tax creditors	-	-
Accrued employee annual leave entitlement	15	8
Accruals	21	83
Total	212	152

11. Grant Receipts in Advance

	2017	2016
	£'000	£'000
Revenue Grants		
European Union	150	-
Total Grant Receipts in advance	150	-

12. Provisions for liabilities and charges

Provisions for Committed Project Grants and Loans

LWARB has entered into the following grant, committed soft loan and committed commercial loan agreements.

£'000	Borough Support programmes	London Reuse Ltd	Loans to commercial entities	Total
Balance at 1 April 2016	107	2	600	708
Grants/ Loans awarded during the year	249	730	800	1,779
Invoiced	(30)	(380)	(1,400)	(1,810)
Written back*	(184)	(352)	-	(537)
Balance at 31 March 2017	140	-	-	140
Non Current	-	-	-	-
Current	140	-	-	140

**Write backs*

Write backs of £537k are recognised where there has been underspend against contracted grants under borough support programmes and the re-use project.

All grant agreements are entered into with local authority and third sector organisations seeking to deliver projects in support of the LWARB Business Plan. The drawdown of funds is dependent on milestones which vary by project both in terms of timing and nature. As the delivery dates of milestones by project are uncertain the provisions are based on anticipated cash flows at the reporting date but are subject to variation.

13. Reserves

LWARB is required to maintain a number of reserves under the provisions of the Code. The reserves and their broad functions are as follows.

Usable Reserves

General Fund – this balance represents the cumulative surplus available to LWARB to support revenue spending.

Capital Grants Unapplied Account – this reserve represents the balance of capital grants that have been recognised as income but have yet to be used to finance investment expenditure.

Unusable Reserves

Capital Adjustment Account – this account exists to capture those elements of capital accounting required by the Code.

Accumulated Absences Account – this reserve exists to capture the difference between the amount of expenditure recognised in the Comprehensive Income and Expenditure Statement relating to accrued holiday pay and that required by Statute to be charged to the General Fund.

14. Financial Instruments

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017 £'000	2016 £'000
Loans and receivables	3,174	2,516
Soft loans	-	241
Equity instruments	26	-
Cash and cash equivalents	24,117	27,531
Total	27,317	30,288

Impairment losses

An impairment review of loans was undertaken at the balance sheet date, and as a result impairment losses of £571k were recognised as disclosed in note 6.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

£'000	Carrying amount	Contractual cash flows	6 months or less
31 March 2017			
Trade and other payables	212	212	212
Committed project grants	140	140	140
Total	352	352	352

£'000	Carrying amount	Contractual cash flows	6 months or less
31 March 2016			
Trade and other payables	153	153	153

Committed project grants	708	708	561
Total	861	861	714

The cash flows included in the maturity analysis could vary significantly for committed project grants with drawdowns based on achievement of milestones rather than specified dates.

15. Related Party Transactions

LWARB is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence LWARB or to be controlled or influenced by LWARB. Disclosure of these transactions allows readers to assess the extent to which LWARB might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with LWARB.

All members of the Board, voting members of the Investment Committee, the Resource London Partnership Board, the Chief Operating Officer and the Head of Finance were asked to declare any direct financial relationship through outside bodies or companies with LWARB for the financial year 2016/17

Related parties in 2017 are those listed in the table below, and in 2016 were those listed in the table below that:

Related parties in 2017

Related party	Individual with influence	Relationship to LWARB	Relationship to related party
West London Waste Authority	Bassam Mahfouz	LWARB Board Member	Chair of West London Waste Authority
Royal Borough of Kensington and Chelsea	Nicholas Paget-Brown	LWARB Board Member	Leader of Royal Borough of Kensington and Chelsea
London Borough of Hackney	Feryal Demirci	LWARB Board Member from October 2016	Councillor and Cabinet Member at London Borough of Hackney
Greater London Authority	Sadiq Khan	Chair of LWARB from May 2016 to March 2017	Mayor of London
	Shirley Rodrigues	LWARB Board Member from December 2016	Deputy Mayor of London
	Matthew Pencharz	LWARB Board Member to May 2016	Deputy Mayor of London
	Richard Tracey	Chair of LWARB to May 2016	London Assembly Member
London Borough of Sutton	Niall Bolger	Resource London Partnership Board member	Chief Executive London Borough of Sutton
City of London	Carolyn Dwyer	Resource London Partnership Board member	Chief Officer at City of London

Related parties in 2016

Related party	Individual with influence	Relationship to LWARB	Relationship to related party
London Borough of Wandsworth	Richard Tracey	LWARB Chair	Spouse is Cabinet Member for Children's Services at London Borough of Wandsworth.
London Borough of Waltham Forest	Clyde Loakes	LWARB Board Member and Chair Resource London Partnership Board	Deputy Leader at London Borough of Waltham Forest
London Borough of Ealing	Bassam Mahfouz	LWARB Board Member	Councillor at London Borough of Ealing.
London Borough of Merton	David Williams	LWARB Board Member	Councillor at London Borough of Merton
Western Riverside Waste Authority	Nicolas Paget-Brown	LWARB Board Member	Leader of Royal Borough of Kensington and Chelsea, a constituent member of the WRWA.
London Borough of Sutton	Niall Bolger	Resource London Partnership Board member	Chief Executive London Borough of Sutton

Related party transactions

	Transaction value		Balance outstanding	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
LB Wandsworth	-	(8)	-	(5)
LB Waltham Forest	-	(7)	-	(7)
LB Ealing	-	(4)	-	(1)
RB Kensington and Chelsea	(20)	-	(20)	(12)
LB Merton	-	(27)	-	(22)
LB Sutton	-	(13)	-	(4)
LB Hackney	(15)	-	(15)	-
Western Riverside Waste Authority	-	(15)	-	(79)
Greater London Authority	18	-	18	-
City of London	(8)	-	-	-

16. Contingent Assets

In 2010 LWARB contributed £18m to a European Commission "Joint European Support for Sustainable Investment in City Areas" ("JESSICA") programme to support sustainable urban development and regeneration through the stimulation of waste infrastructure development in

London. This amount was taken to Income and Expenditure in the financial year ending 31st March 2010.

During the course of the financial year ended 31st March 2017 the decision was taken to cease future investment activity in this vehicle beyond management of existing assets, and to investigate return of the cash currently held within it, as well as future returns from portfolio assets, to the original financial contributors (including LWARB). At the balance sheet date a legal due diligence process had been entered into with the aim of establishing a mechanism by which right to returns from the fund assets to the original contributors could be enshrined, and it was assessed as probable that this would result in the recognition in 2017/2018 in LWARB's books of an asset, representing LWARB's share of the cash and other assets held in the JESSICA vehicle.

This legal process was successfully completed, and the documents subsequently drafted executed, in July 2017. At this point LWARB recognised an asset on its Balance Sheet, with a corresponding credit to Income and Expenditure, that reflected the fair value of its share of the cash and other assets held in the JESSICA vehicle. The fair value of this asset is currently assessed at £8.6 million.

17. Events after the Balance Sheet date

In September 2017 it became apparent that London Business Waste and Recycling Ltd., a wholly owned subsidiary of LWARB to whom LWARB had issued a start-up loan, was unlikely to be in a position to repay the loan. This in turn is likely to result in an impairment of the loan to £100k, being the value of secured assets remaining in the company, in FY 2017/2018. At the balance sheet date the loan was valued at £568k. An impairment of approximately £470k will therefore be debited to Finance and Investment Expenditure in the 2018 Comprehensive Income and Expenditure Statement.

N.B. LBWR's financial results were not consolidated into LWARB group accounts in 2017 as the relationship between the two entities does not meet the necessary definition of control as laid out in the Code of Practice on Local Authority Accounting.

Glossary of Terms

Accounting Period – The period of time covered by the accounts, normally 12 months commencing on 1 April.

Accruals – Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made / received at the balance sheet date.

Amortisation – The writing down of Financial Instruments by making a charge (similar to depreciation).

Creditors – Amounts owed by LWARB at 31st March for goods received or services rendered but not yet paid for.

Current Assets – Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities – Amounts which will become due or could be called upon during the next accounting period

Debtor – Amounts owed to LWARB, which are collectable or outstanding at 31st March.

Government Grants – Payments by central government towards LWARB expenditure.

Provisions – Amounts set aside to meet known liabilities.

Reserves – Amounts set aside in the accounts for the purpose of meeting future expenditure.

Abbreviations used in the accounts

LWARB – the London Waste and Recycling Board

Defra – the Department for Food, Environment and Rural Affairs

GLA – the Greater London Authority