

SOUTH LONDON WASTE PARTNERSHIP JOINT COMMITTEE

16 SEPTEMBER 2010

AUDIT OF ACCOUNTS 2009/10 – CONCLUSION OF THE AUDIT

REPORT BY THE DIRECTOR OF FINANCE – KINGSTON UPON THAMES

SUMMARY

The Joint Committee scrutinised and approved the draft Statement of Accounts for 2009/10 on 23 June 2010. Following the audit of the accounts, some technical changes have been required to ensure full compliance with the Accounting Code of Practice. The revised accounts are attached as a separate enclosure.

RECOMMENDATION

It is **RECOMMENDED** that

1. the amendments to the accounts outlined in paragraph 5 of this report be approved;
2. the draft letter of representation to be issued on behalf of the South London Waste partnership as set out in **ANNEX 2** be approved;

BACKGROUND

1. The draft accounts for 2009/10 were scrutinised and approved by the Joint Committee on 23 June 2010. The accounts were at that time subject to audit.
2. As part of the continued drive to ensure appropriate transparency and corporate governance throughout all sectors of the economy, the regulations on financial reporting were strengthened for the 2005/06 and subsequent years' accounts. For local authorities, the District Auditor is required to report formally to the Joint Committee on the accounts. The District Auditor's report, made under the International Standard on Auditing (UK and Ireland) 260 (ISA 260), is submitted to this Joint Committee and is attached at **ANNEX 1** to this report.

LETTER OF REPRESENTATION

3. As part of the Audit, the District Auditor requires a "Letter of Representation", signed by the Section 151 Officer and ratified by the Chair of the Joint Committee. This is a regulatory requirement and provides specific assurances to the auditor on a number of aspects. The draft Letter of Representation is attached at **ANNEX 2**.

THE DISTRICT AUDITOR'S REPORT

4. The District Auditor expects to issue an unqualified opinion on the Joint Committee's accounts. This means that they have been prepared properly and present fairly the Partnership's financial transactions during the 2009/10 financial year and its financial position at 31 March 2010.
5. The District Auditor has identified a small number of amendments to the accounts, or to disclosures made in the notes to the accounts. The majority of these are technical reporting matters and adjustments have been made in the accounts as necessary. They do not affect the Joint Committee's overall financial position as previously reported. However they ensure full compliance with the accounting and disclosure requirements of the various Accounting Codes of Practice, and accordingly the amended Statement of Accounts is attached for approval.
6. The District Auditor is expected to issue an unqualified conclusion on the Partnership arrangements for ensuring value for money in its Use of Resources.

PUBLICATION

7. The audited accounts will be published on Kingston Council's website. The published version will incorporate the Annual Governance Statement which was approved by the Joint Committee on 23 June 2010.

FINANCIAL IMPLICATIONS

8. There are no financial implications arising from this report.

EQUALITY IMPACT ASSESSMENT IMPLICATIONS

9. There are no equalities implications arising from this report.

ENVIRONMENTAL IMPLICATIONS

10. There are no direct environmental implications arising from this report.

Author of report: Al Mawji – Royal Borough of Kingston upon Thames

Lindsey Mallors
Audit Commission
1st Floor Millbank Tower
Millbank
London
SW1P 4HQ

South London Waste Partnership - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of South London Waste Partnership, the following representations given to you in connection with your audit of the Committee's financial statements for the year ended 31 March 2010.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which gives a true and fair view of the financial position and financial performance of the Partnership and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Committee have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Joint Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Committee.

The Committee has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the fair value assumptions for financial assets and liabilities, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- that subsequent events do not require adjustment to the fair value measurement.

Assets

I confirm that there were no:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, in particular:

- there is no significant pending or threatened litigation; and
- there are no material commitments or contractual issues; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Committee, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Committee has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of the South London Waste Partnership

I confirm that this letter has been discussed and agreed by the Joint Committee on 16 September 2010

Signed

Leigh Whitehouse
Chief Finance Officer
Royal Borough of Kingston upon Thames
Date

Cllr Andrew Judge
Chair of the Partnership
Date

Statement of Responsibilities for the Statement of Accounts

The Joint Committee's Responsibilities

The Joint Committee 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. For this Committee, that officer was Tracie Evans, Strategic Director of Finance for the Royal Borough of Kingston, until 31st July 2009 when Jeremy Randall, Head of Financial Services at the Royal Borough of Kingston, was designated the statutory Chief Finance Officer. As from 17th May 2010, Leigh Whitehouse has been appointed Director of Finance for the Royal Borough of Kingston;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Partnership'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 ('SORP').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority SORP.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Finance Officer and the Chair of the Partnership Committee

I certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the 31st March 2010 and its income and expenditure for the year then ended.



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Leigh Whitehouse
Director of Finance & S151 Officer of the Lead Borough
Royal Borough of Kingston
16th September 2010



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Councillor Derek Osbourne
Vice Chair of the SLWP Joint Committee and Leader of the Council, Royal Borough of Kingston
16th September 2010

STATEMENT OF ACCOUNTING POLICIES

The accounts have been compiled on the basis of the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Practice on Local Authority Accounting 2009: A Statement of Recommended Practice (SORP). The Income and Expenditure Statement presentation is a departure from the SORP, as the current format is more informative to the reader.

The purpose of the Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

FRS 9: Associates and Joint Ventures

This Statement of Accounts is prepared in accordance with the SORP to represent the financial activity and financial position of the South London Waste Partnership. In accounting terms the South London Waste Partnership is assumed to be a Joint Arrangement that is not an Entity (JANE).

FRS 9 defines a Joint Arrangement that is not an Entity as a contractual arrangement under which participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. It goes on to state that a contractual arrangement where all significant matters of operating policy are predetermined does not create an entity because the policies are those of its participants not of a separate entity.

FRS 9 requires participants in a joint arrangement that is not an entity to account for their own assets, liabilities and cash flows, measured according to the terms of the agreement governing the arrangement.

Debtors and Creditors

The revenue transactions have been prepared on an income and expenditure basis in accordance with best practice. The accounts therefore include all sums payable for goods and services provided or received during the year. Estimated amounts are included where the actual amounts are not known at the time of closing the accounts

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from them.

SOUTH LONDON WASTE PARTNERSHIP

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010

2008/09 £		Notes	£	2009/10 £
	INCOME			
(2,474,192)	Royal Borough of Kingston upon Thames Contribution	1	(4,236,131)	
(5,022,083)	London Borough of Croydon Contribution		(10,835,387)	
(3,673,216)	London Borough of Merton Contribution		(6,363,274)	
(360,582)	London Borough of Sutton Contribution		(3,843,646)	
(11,530,073)				(25,278,439)
	EXPENDITURE			
1,091,422	Procurement Costs	2	874,167	
4,031,890	Waste Disposal	3	7,920,217	
3,579,924	Landfil Tax		8,790,474	
1,434,777	Household Waste Recycling		4,817,433	
1,379,660	Management Fee	4	2,863,774	
12,400	Audit Fees	5	12,373	
11,530,073				25,278,439
	0 (SURPLUS)/DEFICIT FOR THE YEAR			0

SOUTH LONDON WASTE PARTNERSHIP**BALANCE SHEET AS AT 31 MARCH 2010**

2008/09 £		Notes	£	2009/10 £
	CURRENT ASSETS			
3,372,909	Debtors	6	4,192,437	
3,372,909				4,192,437
	CURRENT LIABILITIES			
(1,668,324)	Creditors	7	(3,953,139)	
(1,704,585)	Bank Overdraft	9	(239,298)	
(3,372,909)				(4,192,437)
0	NET CURRENT ASSETS/(LIABILITIES)			0
	Financed by			
0	Contribution from SLWP members			0
0	TOTAL NET WORTH			0

SOUTH LONDON WASTE PARTNERSHIP**CASH FLOW STATEMENT**

2008/09 £		Notes	2009/10 £
	CASH FLOW FROM OPERATING ACTIVITIES		
0	Net Income		0
	Changes in accounts affecting operations:		
(3,372,909)	(Increase)/decrease in debtors		(819,528)
1,668,324	Increase/(decrease in creditors)		2,284,815
(1,704,585)	Net cash provided by operating activities		1,465,287
(1,704,585)	INCREASE (DECREASE) IN CASH		1,465,287

Reconciliation of the movement in cash to the movement in net debt

Opening bank balance (O/D)	(1,704,585)
Net cash movement during the year	1,465,287
Closing bank balance (O/D)	<u><u>(239,298)</u></u>

SOUTH LONDON WASTE PARTNERSHIP

NOTES TO THE ACCOUNTS

Note 1 – Contributions

The contributions by the SLWP members ensures that the costs under each of the 3 contracts is recouped in line with the costs of providing services for their areas.

Note 2 – Procurement costs

These are costs associated with procuring the contracts and are shared equally between the authorities.

Note 3 – Contracts underlying the expenditure

These relate to costs under the three 14 year contracts for the following.

- The transport, transfer and disposal of waste to landfill.
- The management of the Household Reuse and Recycling Centre.
- The composting, recycling through a materials recycling facility and additional treatment of SLWP waste.

Note 4 – Management Fee

This cost is in relation to Contract 2, The Management of the Household Reuse & Recycling Centres.

Note 5 – Audit Fees

This cost is for the fees payable with regard to the external audit services carried out and for other services provided by the Audit Commission.

2008/09		2009/10
Net Expenditure		Net Expenditure
£		£
11,350	Fees payable with regard to external services carried out by the Commission	11,350
1,050	Fees payable in respect of other services provided by the Commission	1,023
<u>12,400</u>		<u>12,373</u>

Note 6 – Debtors

These are amounts owing from partnership authorities for the provision of goods and services under the three contracts and for the procurement costs.

2008/09		2009/10
Net Expenditure		Net Expenditure
£		£
1,542,065	London Borough of Croydon	1,429,394
377,573	Royal Borough of Kingston upon Thames	854,072
1,162,182	London Borough of Merton	1,011,046
291,089	London Borough of Sutton	897,925
<u>3,372,909</u>		<u>4,192,437</u>

Note 7 – Creditors

These amounts relate to organisations we owe more to at the end of the financial year. Our main creditors are Viridor Waste Management Ltd and Environmental Waste Controls for the collection and disposal of waste materials.

2008/09		2009/10
Net Expenditure		Net Expenditure
£		£
1,655,924	Trade Creditors	3,940,766
	London Borough of Croydon	
	Royal Borough of Kingston upon Thames	
	London Borough of Merton	
	London Borough of Sutton	
<u>1,655,924</u>		<u>3,940,766</u>

Note 8 – Financial Instruments (FRS 25)

Debtors and Creditors

In line with the requirements of FRS 25 debtors and creditors are measured at fair value and carried at their amortised cost.

Financial assets are all loans and receivables at amortised cost and financial liabilities are all creditor balances and bank overdraft at amortised cost.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Since the debtor and creditor balances are with partners, the Royal Borough of Kingston state that there are no liquidity, financial or credit risks.

Note 9 – Bank Overdraft

The SLWP does not have a separate bank account. All cash receipts and payments in respect of SLWP are reflected in the Royal Borough of Kingston bank account. The overdraft position reflects the excess payments made over the income received for the partnership.

Note 10 – Related Parties

A related party relationship is created where there is some element of control or influence by one party over another, or by a third party over the two parties. In this reporting entity, no one party has direct or indirect control of the other parties. By nature of being the lead authority, the Joint Committee has adopted policies similar to those exercised by the authority for its own reporting entity but this does not give Kingston any additional influence over the Joint Committee.

Note 11 – Approval of Accounts

These accounts together with the Audit Opinion were approved by the Joint Committee on 16th September 2010 and were signed by Councillor Andrew Judge, the Chair of the Committee.

Explanatory Foreword

The South London Waste Partnership has been established to secure waste treatment and disposal services. The partnership is governed by a Joint Committee, established under section 101 of the Local Government Act 1972.

Waste is cited as one of the top pressures on council tax and, therefore, realising efficiencies in this area is a priority. The Spending Review announcement in 2004 included local government efficiency gains on waste and street cleansing services of £300m by 2007/8. Partnership working is one of the ways local authorities can realise efficiency savings. DCLG's Strategic Partnering Taskforce's final report published in 2004 described strategic partnerships as one of the main service delivery options available to local authorities in their quest for efficient and effective high quality services.

Promoting greater joint working between local authorities is a key focus of the Waste Strategy 2007 published by Defra. Several of Defra's waste policies have been targeted at driving greater partnership working.

These joint committee proposals are intended to facilitate savings through economies of scale and reduced transaction costs. However, there are complex financial adjustments and contributions, which are intended to be reflected in the operational agreements.

The South London Waste partnership comprises the following partners:

London Borough of Croydon of Taberner House, Park Lane, Croydon, CR9 3JS
London Borough of Merton of Civic Centre, London Road, Morden, SM4 5DX
London Borough of Sutton of Civic Offices, St Nicholas Way, Sutton, SM1 1EA
Royal Borough of Kingston of Guildhall, High Street, Kingston, KT1 1EU

The Royal Borough of Kingston is the Lead Borough for the procurement of Phase A contracts and therefore is the Accountable Body for the Joint Committee Budget and shall prepare and keep accounts and make all accounting records and other documents available for inspection by any Authority on request.

As the Lead Borough for Phase A procurement, The Royal Borough of Kingston, has delegated powers to enter into Contracts for itself and for on behalf of the other Authorities comprising the South London Waste partnership.

The membership of the Joint Committee is drawn from Members of the participating Council's as follows:

London Borough of Croydon	two members of the Executive
Royal Borough of Kingston	two members of the Executive
London Borough of Merton	two members of the Executive
London Borough of Sutton	two members of the Executive

The key documentation for the formation of this Partnership, including its Constitution and Standing Orders, can be found in the Inter Authority Agreement which was signed by all parties on 26th August 2008.

Cost Allocation and Payment

There are 2 types of cost allocation:

- **Procurement Costs**

The procurement cost allocation is governed by the principle that costs incurred in procurement will be shared equally between the authorities.

- **Service Costs**

The principle of Service Cost allocation must ensure that the costs set out in the payment mechanism for each contract are fully covered.

There are 3 service contracts which have been procured and came into existence from late summer 2008. The contracts are as follows:

- Contract 1: Viridor Waste Management Limited has been awarded a 14 year contract for the transport, transfer and disposal of waste to landfill.
- Contract 2: Environmental Waste Controls have been awarded a 14 year contract to manage the Household Reuse and Recycling Centres across all the 4 partner Boroughs.
- Contract 3: Viridor have been awarded a 14 year contract to manage composting, recycling through a materials recycling facility and additional treatment of SLWP waste at the Lakeside Energy from Waste plant.

This annual statement of accounts sets out the financial position to 31st March 2010.

It includes the following statements and accounts

- Income and Expenditure Account
- Balance Sheet
- Cash flow Statement



Leigh Whitehouse
Director of Finance & S151 Officer for the Lead Borough
Royal Borough of Kingston Upon Thames

ANNUAL GOVERNANCE ASSURANCE STATEMENT 2009/10

EXPLANATORY NOTE

The purpose of this statement is to provide assurance that the Partnership has a sound governance framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.

It is also important to note that the Royal Borough of Kingston upon Thames, which provides support services to the Partnership, has a role in ensuring good governance for the Joint Committee. A degree of reliance can, therefore, be placed on the governance framework of RBK.

RBK has approved and adopted a code of corporate governance. Local authorities are required to prepare and publish an Annual Governance Statement (AGS) in accordance with the Solace/CIPFA framework which was published in July 2007. This is necessary to meet the statutory requirement set out in regulation 4(2) of the Accounts and Audit Regulations 2006. The AGS confirms that RBK has arrangements in place which support the Council's compliance with the new framework and the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control.

SCOPE OF RESPONSIBILITY

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

In discharging its responsibility, The South London Waste Partnership, is required to put 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 PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values, by which the Partnership is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Partnership 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 system of internal control is a significant part of that framework and it is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can only provide reasonable and not absolute assurance of effectiveness.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Joint Committee's governance arrangements include arrangements for:

1. Focus, purpose and outcomes for the community and implementing a vision for the local area

- 1.1. Exercising strategic leadership by developing and clearly communicating the Partnership's purpose and vision and its intended outcomes for citizens and service users.
- 1.2. Ensuring that users receive a high quality service.
- 1.3. Ensuring that the Partnership makes best use of resources and that tax payers and users receive excellent value for money.

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

- 2.1. Ensuring effective leadership throughout the Partnership and being clear about executive and non-executive functions and the roles and responsibilities of participating authorities.
- 2.2. Ensuring the public are clear on who to contact for what.
- 2.3. Ensuring a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard

3. Promoting the values of the South London Waste Partnership and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 3.1. Ensuring members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
- 3.2. Ensuring that organisational values are put into practice and are effective.

4. Taking informed and transparent decisions which are subject to effective scrutiny and manage risk

- 4.1. Ensuring that the Joint Committee is rigorous and transparent about how decisions are taken and listens and acts on the outcome of constructive scrutiny.
- 4.2. Ensuring it has good quality information, advice and support to ensure that services are delivered effectively and are what the community needs/wants.
- 4.3. Ensuring it has an effective risk management system in place.
- 4.4. Ensuring it uses its legal powers to the full benefit of the citizens and communities in the participating authorities.

