

# Statement of Accounts

Year ended 31 March 2019

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## London Waste and Recycling Board

### Statement of Accounts for the year ended 31 March 2019

**London Waste and Recycling Board**  
69 Wilson Street  
London  
EC2A 2BB

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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**  
69 Wilson Street  
London EC2A 2BB

**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**  
Ankura Consulting Limited  
5th Floor  
Woolgate Exchange  
25 Basinghall Street  
London, EC2V 5HA

# **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 20.

## 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 the London councils
- Two independent members appointed by the London councils
- One independent member appointed by the Mayor of London

### Activities in 2018/19

#### 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. 2018-19 was the fourth year of the current five-year programme. The Mayor of London published the London Environment Strategy (LES) in May 2018. The Resource London programme objects were changed (as follows) to reflect the policies and targets set out in LES:

*By 2020, London will have more harmonised, consistent and efficient waste and recycling services that will:*

- *make a significant contribution towards the Mayor of London's aim that London become a zero waste city;*
- *support the aim that by 2026 no biodegradable or recyclable waste will be sent to landfill and that by 2030, 65 per cent of London's municipal waste will be recycled, and;*
- *make a significant contribution towards England achieving its 50% household waste recycling target by 2020.*

Resource London is designed around providing support to increase London's recycling rate. Resource London delivered regional, sub-regional and individual authority level projects. Projects supported were generally either service change interventions or behaviour change interventions. There were also research and innovation projects that developed expertise and provided innovation to waste authorities to enable progressive service and behaviour change solutions to be implemented. The following projects being of particular note:

- Flats: In 2018 Resource London established a partnership with the Peabody Housing Association and six inner London boroughs to explore solutions that will improve recycling in purpose-built flats. In 2018-19 the project moved into the operational

phase. Based on research conducted in 2017-18 a set of five interventions and a minimum service standard were developed. Following a period of eight weeks of waste analysis (May-June 2018) the interventions and minimum service standard were rolled out across 12 case study estates in September 2018. The case study estates will be monitored for eight months (to May 2019). Interim monitoring was conducted in December 2018 showing positive trends for increased recycling.

- Commercial waste: To meet the Mayor's 50 per cent local authority collected waste target, the Mayor is encouraging waste authorities to identify opportunities to improve their own commercial waste recycling services. For 2018-20, the Resource London programme has been boosted with £100,000 of additional funding from LWARB to develop a project on commercial waste. Resource London employed a new officer resource to work with London's waste authorities, commercial waste companies and business improvement districts to increase commercial recycling rates, including food waste and to capture better data for the sector.
- London Recycles (previously known as Recycle for London): Following the trial of the new campaign name 'London Recycles' in 2017-18, Resource London formally changed the name of its flagship behaviour change brand. In 2018-19 the brand continued to deliver the 'One Bin is Rubbish' campaign (launched in November 2017). Based on comprehensive behavioural change science, audience insights and the London audience segmentation, the campaign uses injunctive 'social norming' messages to target in-home storage as a facilitating condition of behaviour change in the home. The campaign used a broad range of channels to deliver target messages and behaviour change including an innovative content partnership with Joe Media and using social influencers to broaden the campaign reach.
- European Clothing Action Plan (ECAP): In 2018-19 Resource London, as part of the EU LIFE-funded ECAP project, launched a new behaviour change campaign '#LoveNotLandfill' targeted at 16-24 year olds, with a focus on (a) encouraging them to donate used clothes via bring banks and charity shops to increase textile reuse and recycling, and (b) shopping second-hand to replace some of their new clothing buys. During the year the campaign delivered a number of high-profile experiential events, most notably #LoveNotLandfill branded clothes banks in high traffic locations across London, and the #LoveNotLandfill charity pop-up shop in Brick Lane in November 2018 alongside four charity retail partners and an online second-hand clothing retailer.
- Trifocal: The TRiFOCAL Project is an EU LIFE-funded project targeting householders, businesses, local communities and schools. In 2018-19 the project delivered waves two and three of its 'Small Change, Big Difference' campaign across London with targeted activity in 5 London boroughs. London-wide activity continued in the form of digital content production and advertising on social media, achieving high levels of engagement and reach figures for the combined messages of the campaign.

## **Circular London Programme**

Following the publication of the Circular Economy Route Map for London (by LWARB in June 2017), 2018-19 saw the Circular London programme deliver a number of projects to accelerate a transition to a more circular economy. Projects of particular note include:

- Reusable Buildings: Circular London was the lead partner in the Reusable Buildings project; a collaborative project funded by ClimateKIC and IET; engaging clients and looking at the business case for reusable buildings.

- Circular Construction In Regenerative Cities (CiRCUIT): LWARB is a key partner and one of four EU cities in an EU Horizon 2020 stage 2 bid that will focus on circular economy, built environment demonstrator projects. Approval was received December 2018, the project is expected to start June 2019.
- Circular Economy Week: Circular London launched the first annual Economy Week (18th – 22th June 2018). LWARB hosted the launch event on 18<sup>th</sup> June with over 100 delegates from business, government and other sectors. Ten smaller events were held throughout the week by LWARB and partner organisations. [www.ceweek.london](http://www.ceweek.london).
- Circular Fashion Fast Forward: Circular London in partnership with QSA started a project, funded by the C&A Foundation, with four fashion brands (3 corporates and one SME) to develop and test circular economy business models.
- London Plan - Circular Economy Statement: LWARB worked with the GLA, Mayor's Design Advocates and built environment industry to develop new policy guidance to sit alongside the Circular Economy Statement policy in the London Plan. If the policy is adopted it will be a world leading approach to embedding circular economy in major developments.

### **Advance London Programme**

During the year, LWARB's investment activity was focused on managing existing portfolio commitments whilst developing new propositions aligned to LWARB's wider circular economy objectives.

- Circular London Accelerator: LWARB, in partnership with the Carbon Trust, launched the Circular London Accelerator. Focusing on the built environment this six-month pilot programme received over 40 applications from companies wanting to be involved. Following interviews and due diligence, six companies were chosen to join the accelerator: Qflow; Biohm; Rapiere, Sustainability Cloud, GlobalHom; Chip[s] Board.
- Advance London Business Support: The Advance London business support continued to deliver. The portfolio now consists of 128 SMEs. The project has qualified for the second phase of the bidding process for the extension of the project and submitted the respective project change request for additional ERDF funding for a further 3 years of operation. LWARB will hear whether it has been successful in early June 2019.

### **Budgetary performance**

Programme expenditure for the year was 10% under budget, representing the net effect of underspend of 17% on the Resource London programme, and timing differences and decisions to redesign other programme strategies, pushing expenditure into the next year of the business plan period. Administrative expenditure for the year was 13% over budget, primarily as a result of higher than budgeted overhead costs and the cost of IT infrastructure.

## **Internal and external sources of funds**

LWARB received £235k of loan interest and capital repayments, £205k of interest earned on cash deposits and £559k of grant income from European Union sources during the year.

## **Members of the Board**

The members of the Board during the year were:

<b>Name and Position</b>	<b>Primary position held elsewhere</b>
Liz Goodwin Chair	Individual
Barbara Anderson	Non-Executive Director
Cllr Feryal Demirci	Councillor, Deputy Mayor and Cabinet Member for Health, Social Care, Leisure and Parks, London Borough of Hackney
Melville Haggard	Independent Consultant
Cllr Bassam Mahfouz	Councillor, Cabinet Member for Finance and Leisure, London Borough of Ealing
Shirley Rodrigues	Deputy Mayor of London – Environment and Energy
Cllr Ian Wingfield	Councillor, London Borough of Southwark
Cllr Guy Senior	Councillor, Cabinet Member for Finance, London Borough of Wandsworth (LWARB member from 25.07.18)
Cllr Nicholas Paget-Brown	Councillor, Royal Borough of Kensington & Chelsea (LWARB Member until 03.05.18)

## Board Member Committee and Board Meeting Attendance 2018/19

Board member	Number of meetings	Board	Audit Committee	Investment Committee	Resource London Partnership Board
	Total number of meetings held in year	3	3	3	3
Liz Goodwin	Number of meetings attended	3			
Barbara Anderson	Number of meetings attended	3	2	2	
Cllr Feryal Demirci	Number of meetings attended	2	0		2
Melville Haggard	Number of meetings attended	3		3	
Cllr Bassam Mahfouz	Number of meetings attended	3	3	3	
Cllr Guy Senior	Number of meetings attended	2*	2*		
Shirley Rodrigues	Number of meetings attended	1			
Cllr Ian Wingfield	Number of meetings attended	2	2		
Cllr Nicholas Paget-Brown	Number of meetings attended				

Note: Attendance figures are only shown for members of each committee. A blank indicates that the person listed was not a member of the board/committee shown (at the time of the meetings held).

\* The period of Cllr Guy Senior's membership of the Board only included two Audit Committee and Two Board meetings.

# 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 2019.



**Eddie Confoy**  
Head of Finance

Date: 30 July 2019

# Independent Auditor's Report to the Members of the London Waste and Recycling Board

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of London Waste and Recycling Board (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Other information

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Statement, and the Annual Governance Statement, other than the financial statements our auditor's report thereon. Our opinion on the financial statements does not cover the other information

and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## **Responsibilities of the Authority, the Head of Finance and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 8, the Authority 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 this authority, that officer is the Head of Finance. 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## **Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Responsibilities of the Authority**

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.

## **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the London Waste and Recycling Board in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

***Iain Murray***

Iain Murray, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

**30 July 2019**

# 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](http://www.lwarb.gov.uk) or can be obtained from the Secretariat, London Waste and Recycling Board, 69 Wilson Street, London EC2A 2BB.

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, 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 2019 and up to the date of approval of the Statement of Accounts.

## Key elements of the governance framework

LWARB uses recognised leading software for its accounting and payroll processes (Xero and Kashflow Payroll respectively). 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, Audit 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, 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 Ankura Consulting (Europe) Ltd as its internal auditors who have prepared, conducted and reported on a risk-based audit plan. Ankura's audit work for LWARB is delivered by their subcontractor TIAA Ltd. 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 satisfactory.

The current internal auditors were appointed in the 2018/19 financial year and have performed a review of Key Financial Controls, IT Security, the Scheme of Delegation, and Risk Management

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

Audited Area	Assessment
Assurance Review of Key Financial Controls	Reasonable Assurance
ICT Review of IT Security	Reasonable Assurance
Compliance Review of Scheme of Delegation	Reasonable Assurance
Risk Management – Mitigating Ethical and Reputational Risks	Reasonable Assurance

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.



**Wayne Hubbard**  
Chief Executive Officer

Date: 30 July 2019



**Cllr Bassam Mahfouz**  
Audit Committee Chair

Date: 30 July 2019

## Movement in Reserves Statement

Movement in Reserves Statement for the year ended 31 March 2019

	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 2018	25,962	302	<b>26,264</b>	4,363	(14)	<b>4,348</b>	<b>30,612</b>
Total comprehensive income and expenditure	(3,287)	-	<b>(3,287)</b>	-	-	-	<b>(3,287)</b>
Adjustments between accounting basis and funding basis under regulations	<b>306</b>	<b>(71)</b>	<b>235</b>	<b>(237)</b>	<b>2</b>	<b>(235)</b>	-
<b>Net increase / (decrease) in the year</b>	<b>(2,981)</b>	<b>(71)</b>	<b>(3,052)</b>	<b>(237)</b>	<b>2</b>	<b>(235)</b>	<b>(3,287)</b>
<b>Balance as at 31 March 2019</b>	<b>22,981</b>	<b>231</b>	<b>23,212</b>	<b>4,126</b>	<b>(12)</b>	<b>4,113</b>	<b>27,325</b>

# Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Project Expenditure	4	(1,689)	(1,967)
Administrative Expenditure	4	(2,484)	(1,690)
<b>Total Gross Expenditure</b>		<b>(4,173)</b>	<b>(3,658)</b>
Write back of Project Expenditure incurred in previous years	4	14	104
Other Income		-	12
<b>Total Gross Income</b>		<b>-</b>	<b>12</b>
<b>Net Income / (Expenditure) from Continuing Operations</b>		<b>(4,159)</b>	<b>(3,542)</b>
Financing and Investment Income	6	372	18,324
Financing and Investment Expenditure	6	(59)	(11,559)
<b>Net Financing and Investment Income / (Expenditure)</b>		<b>313</b>	<b>6,765</b>
Non-Specific Grant Income	7	559	416
<b>Surplus / (Deficit) on the Provision of Services</b>		<b>(3,287)</b>	<b>3,640</b>
Corporation tax	8	-	(14)
<b>Total Comprehensive Income and Expenditure</b>		<b>(3,287)</b>	<b>3,625</b>

# Balance Sheet

Balance Sheet as at 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Long-term Assets</b>			
Investments	14	3,213	3,001
Debtors	9	-	-
<b>Total Long-term Assets</b>		<b>3,213</b>	<b>3,001</b>
<b>Current Assets</b>			
Debtors	9	1,320	1,584
Cash and cash equivalents	14	23,748	27,272
<b>Total Current Assets</b>		<b>25,068</b>	<b>28,856</b>
<b>Current Liabilities</b>			
Creditors falling due within one year	10	(406)	(626)
Grant Receipts in Advance	11	-	(82)
Deferred income			
Provisions for liabilities and charges	12	(550)	(537)
<b>Total Current Liabilities</b>		<b>(956)</b>	<b>(1,245)</b>
<b>Net Current Assets</b>		<b>24,112</b>	<b>27,611</b>
<b>Long-term Liabilities</b>		<b>-</b>	<b>-</b>
<b>Net Assets</b>		<b>27,325</b>	<b>30,612</b>
<b>Reserves</b>			
<i>Usable Reserves</i>			
General Fund	13	22,981	25,962
Capital Grants Unapplied Account	13	231	302
<b>Total Usable Reserves</b>		<b>23,212</b>	<b>26,264</b>
<i>Unusable Reserves</i>			
Capital Adjustment Account	13	4,126	4,363
Accumulated Absences Account	13	(12)	(15)
<b>Total Unusable Reserves</b>		<b>4,113</b>	<b>4,348</b>
<b>Total Reserves</b>		<b>27,325</b>	<b>30,612</b>

Certified that the Statement of Accounts give a true and fair view of the financial position of LWARB at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Approved by the Board on 23 July 2019



Liz Goodwin  
Chair

Date: 30 July 2019



Clr Bassam Mahfouz  
Audit Committee Chair

Date: 30 July 2019

# Cash Flow Statement

## Cash Flow Statement for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Net surplus / (deficit) on the provision of services		(3,288)	3,625
(Increase) / decrease in debtors	9	(7)	(1,211)
Increase / (decrease) in creditors	10	(220)	414
Increase/ (decrease) in deferred income		-	(3)
Increase / (decrease) in provisions	12	13	397
Adjustment for investing and finance activities		-	(5,478)
Increase / (decrease) in Grants Receipts in Advance	11	(82)	(68)
<b>Net cash flows from operating activities</b>		<b>(3,584)</b>	<b>(2,323)</b>
<b>Cash flows from investing activities</b>			
Interest received on cash and cash equivalents		-	123
Drawdown of equity instruments		(452)	(501)
Repayment of equity investments		240	5,251
Drawdown of loans awarded		-	(300)
Interest received on loans awarded		-	53
Repayment of loans awarded		271	852
<b>Net cash flows from investing activities</b>		<b>59</b>	<b>5,478</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(3,525)</b>	<b>3,154</b>
Cash and cash equivalents at the beginning of the reporting period		27,271	24,117
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>23,748</b>	<b>27,271</b>

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 2019

## 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 16 to 19.

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

The classification of financial instruments has changed from IAS 39 to IFRS 9 for accounts published after 1<sup>st</sup> Jan 2018. The new classification and its effects are detailed 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 2018/19* (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 25.

## **Cash and Cash Equivalents**

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

## **Financial Instruments**

### *Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the LWARB becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

### *Financial Assets*

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

### *Financial Assets Measured at Amortised Cost*

Financial assets measured at amortised cost are recognised on the Balance Sheet when LWARB becomes a party to the contractual provisions of a financial instrument and are

initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

#### *Financial Assets Measured at Fair Value through Profit of Loss*

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

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.

#### *Prior year accounting policy*

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.

### **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 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 16 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 13 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. This allowance is calculated on the basis of loss components that relate to individually significant exposures.

### *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.

#### *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 2018/19 ("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 2019.

## 4. Expenditure

	Note	2019 £'000	2018 £'000
<b>Project Expenditure</b>			
Grants		(1,528)	(1,938)
Professional fees		(161)	(29)
<b>Total Project Expenditure</b>		<b>(1,689)</b>	<b>(1,967)</b>
Write back of Project Expenditure incurred in previous years*		14	104

\*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	(1,623)	(1,375)
Professional fees	(45)	(39)
Rent and Serviced Accommodation	(278)	(164)
Professional Fees – office move	(241)	
Other overheads	(297)	(112)
<b>Total Administrative Expenditure</b>	<b>(2,484)</b>	<b>(1,690)</b>

Included in professional fees is an amount of £4,167 plus VAT (2018: £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 2019 was as follows:

	Board Remuneration	Audit Committee Remuneration	Investment Committee Remuneration	Resource London Remuneration	Expenses	Total	2018 Total
	£	£	£	£	£	£	£
Liz Goodwin	20,000	-	-	-	1,956	<b>21,956</b>	<b>21,968</b>
Barabara Anderson	6,000	3,000	2,000	-	-	<b>11,000</b>	<b>11,417</b>
ClIr Feryal Demirci	6,000	3,000	-	3,000	-	<b>12,000</b>	<b>12,000</b>
Melville Haggard	6,000	-	3,000	-	-	<b>9,000</b>	<b>9,625</b>
ClIr Bassam Mahfouz	6,000	4,500	2,000	-	-	<b>12,500</b>	<b>11,667</b>
ClIr Nicolas Paget-Brown	648	324	-	-	-	<b>972</b>	<b>10,250</b>
Shirley Rodrigues	-	-	-	-	-	-	<b>0</b>
ClIr Guy Senior	3,717	1,859	-	-	-	<b>5,576</b>	<b>0</b>
ClIr Ian Wingfield	6,000	3,000	-	-	-	<b>9,000</b>	<b>9,000</b>
<b>Total</b>	<b>54,365</b>	<b>15,683</b>	<b>7,000</b>	<b>3,000</b>	<b>1,956</b>	<b>82,004</b>	<b>85,926</b>

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 2019 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	
	2019	2018
£120,000 - £124,999	1	-
£110,000 - £114,999	-	1
£85,000 - £89,999	1	-
£80,000 - £84,999	1	1
£75,000-79,999	-	1
£70,000 - £74,999	1	-
£65,000 - £69,999	1	1
£60,000 - £64,999	4	2
£55,000 - £59,999	-	4
£50,000 - £54,999	1	1

The following employees earned over £50,000

	Salary £	Employers Pension Contributions £	2019 total	2018 total
			£	£
Chief Executive Officer	121,667	3,509	125,176	117,315
Head of Investment	85,967	2,456	88,423	82,550
Head of Programme (Resource London)	83,376	2,393	85,769	81,446
Circular Economy Manager	70,547	2,000	72,547	69,276
Head of Communications	69,914	2,012	71,927	61,965
Local Authority Support Manager	64,448	1,872	66,320	63,792
Business Development Officer	63,733	1,827	65,560	60,130
Business Advice Manager	63,162	1,827	64,988	57,534
Local Authority Support Manager	62,104	1,782	63,886	57,387
Senior Business Advisor	52,105	1,563	53,669	54,284

There were no employees earning over £150,000

	2019 £'000	2018 £'000
Employee remuneration (officers and members)	1,432	1,204
Employer pension contributions	37	28
Employer National Insurance Contributions	156	143
Annual leave carry over accrual/(release)	(2)	(1)
Staff consultancy costs	-	-
<b>Total Staff Costs</b>	<b>1,623</b>	<b>1,374</b>

## 6. Financing and Investment Income and Expenditure

	2019 £'000	2018 £'000
JESSICA asset recognition*	-	18,000
Interest income on loans and receivables	167	201
Interest income on bank deposits	205	123
Total finance and investment income	<b>372</b>	<b>18,324</b>
Loan impairments	(59)	(11,558)
Total finance and investment costs	<b>(59)</b>	<b>(11,558)</b>
<b>Net finance income / (costs) recognised in Surplus / (Deficit) on the Provision of Services</b>	<b>313</b>	<b>6,765</b>

*\*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 written off through Income and Expenditure in the financial year ending 31<sup>st</sup> March 2010.*

*During the financial year ended 31<sup>st</sup> March 2017, the decision was taken to cease future investment activity in this vehicle beyond management of existing assets. And to initiate the return of the cash held within it, as well as future returns from portfolio assets, to the original financial contributors (including LWARB). This legal process was successfully completed in the financial year ended 31<sup>st</sup> March 2018, with documents enshrining the new arrangements executed in July 2018.*

*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 at the year-end is £2.6m.*

## 7. Grants

	2019 £'000	2018 £'000
Grant income from European Union	513	416
Grant income from C&A Foundation	46	-
	<b>559</b>	<b>416</b>

## 8. Corporation Tax

LWARB is a body corporate for the purposes of the Corporate Tax Acts and is 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 only costs directly attributable to loans can be offset against this income.

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

	<b>2019</b> £'000	<b>2018</b> £'000
Taxable investment income	372	324
Loan impairment movement	27	(10,760)
Taxable profits/(tax loss)	399	(10,436)
Utilisation of rolled forward tax losses	(399)	-
<b>Corporation Tax Expense</b>	-	-

### *Components of the tax expense/credit*

	<b>2019</b> £'000	<b>2018</b> £'000
Current tax:		
Current year	-	-
Prior year reclaim	-	-
Movement in deferred tax asset	-	(14)
<b>Corporation Tax (Expense)/Credit</b>	-	<b>(14)</b>

### *Tax losses*

	<b>2019</b> £'000	<b>2018</b> £'000
Brought forward tax losses	(15,989)	(5,553)
Tax losses incurred during the year	-	(1,015)
Tax losses realised as a result of JESSICA asset recognition*	-	(9,421)
Utilised against current year taxable profits	399	-
<b>Carried forward tax losses</b>	<b>(15,590)</b>	<b>(15,989)</b>

\*This includes an amount of £9,421, representing the net of the original £18m JESSICA contribution (see note 6), cash returns from that investment and the Fair Value of the remaining Investments at the balance sheet date.

At the balance sheet date, LWARB has unused tax losses of £15,590 available for offset against future profits.

## 9. Debtors

	<b>2019</b>	<b>2018</b>
	£'000	£'000
Trade and other receivables	110	70
Tax receivable	178	-
Staff loans (rail season tickets)	3	6
Loans and receivables	1,013	1,462
Prepayments	16	47
<b>Total</b>	<b>1,320</b>	<b>1,584</b>
Non-current	-	-
Current	1,320	
<b>Total</b>	<b>1,320</b>	<b>1,584</b>

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

Loans and receivables and equity instruments are valued according to IFRS 13's fair value hierarchy, with the inputs to valuation techniques used to measure fair value falling within level 2 of the hierarchy. Level 2 inputs are defined as "inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

At the balance sheet date LWARB has two loans receivable outstanding, one of which is measured at the estimated final distribution anticipated by the administrators, and one at the estimated value of monetary returns to LWARB on the basis of a sale of the loanee business currently under negotiation.

## 10. Creditors falling due within one year

	2019 £'000	2018 £'000
Trade creditors	114	591
Accrued employee annual leave entitlement	13	15
Accruals	279	21
<b>Total</b>	<b>406</b>	<b>626</b>

## 11. Grant Receipts in Advance

	2019 £'000	2018 £'000
<b>Revenue Grants</b>		
European Union	-	82
<b>Total Grant Receipts in advance</b>	<b>-</b>	<b>82</b>

## 12. Provisions for liabilities and charges

### *Provisions for Committed Project Grants and Loans*

LWARB has entered into the following grant agreements

£'000	Grant agreements
Balance at 1 April 2018	537
Grants/ Loans awarded during the year	189
Invoiced	(162)
Written back*	(14)
<b>Balance at 31 March 2019</b>	<b>550</b>
Non Current	-
Current	550

### *\*Write backs*

Write backs of £14k are recognised where there has been underspend against contracted grants under borough support programmes.

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:

	<b>2019</b>	<b>2018</b>
	£'000	£'000
Loans and receivables	1,013	1,462
Equity instruments	3,214	3,001
Cash and cash equivalents	23,747	27,272
<b>Total</b>	<b>27,974</b>	<b>31,734</b>

### *IAS 39 (for comparative period only)*

Loans and receivables and equity instruments are valued according to IFRS 13's fair value hierarchy, with the inputs to valuation techniques used to measure fair value falling within level 2 of the hierarchy. Level 2 inputs are defined as "inputs other than quoted prices

included within Level 1 that are observable for the asset or liability, either directly or indirectly.

### *IFRS9*

The classification of financial instruments has changed from IAS 39 to IFRS 9 for accounts published after 1<sup>st</sup> Jan 2018. Under IFRS 9 the classification and measurement of financial instruments is divided into 3 new categories based on the business model for holding the instruments with an option to designate equity investments.

The valuation used for equity investments has not changed under IFRS9 these assets are still valued at FVTPL.

At the balance sheet date LWARB has two investments in private equity funds, and one in the JESSICA vehicle as described in note 6. The private equity fund investments are both in their infancy and held at cost, while the JESSICA investment is held at Fair Value through profit and loss, based on the fund manager's valuation report at 31<sup>st</sup> March 2019.

The classification used for loans has changed from IAS 39 Loans and receivables to IFRS 9 FVTPL. This is based on the "Other" Business Model classification where the primary objective is realising cash flows through sale.

At the balance sheet date LWARB has three loans receivable outstanding, two of which are measured at the value of the estimated returns from the administrators, and one at the estimated value of monetary returns to LWARB based on a sale of the loanee business that is currently under negotiation.

## Categories of Financial Instruments

The following categories of financial instrument are carried in the balance sheet: -

### Assets

2019 IFRS9	Non- current		Current		Total	
	Investments	Cash/Debtors	Investments	Cash/Debtors	Investments	Cash/Debtors
FVTPL	3,212			24,761	3,212	24,761
Amortised cost	1			307	1	307
FVTCCI - designated equity instruments						-
FVTOCI - other						
	3,213		-	25,068	3,213	25,068

2018 IAS 39	Non- current		Current		Total	
	Investments	Cash/Debtors	Investments	Cash/Debtors	Investments	Cash/Debtors
Held to Maturity				1,462	-	1,462
Loans and receivables						
FVTPL	3,001			27,395	3,001	27,395
AFS						
	3,001	-	-	28,857	3,001	28,857

### Liabilities

2019 IFRS9	Non- current		Current		Total	
	Investments	Liabilities	Investments	Liabilities	Investments	Liabilities
FVTPL					-	-
Amortised cost				956	-	956
FVTCCI - designated equity instruments						-
FVTOCI - other						
	-		-	956	-	956

2018 IAS 39	Non- current		Current		Total	
	Investments	Liabilities	Investments	Liabilities	Investments	Liabilities
FVTPL					-	-
Amortised cost				1,245	-	1,245
	-		-	1,245	-	1,245

### Assumptions and estimations.

The two investments in private equity funds are in their infancy and currently held at cost. Fund managers valuation reports are available for these in the form of a quarterly report to limited partners from Circularity Capital, and an on-line portfolio statement provided by Seedrs for the Sustainable Accelerator. These valuations are shown in the table below against the book values.

	Cost	Fund report
Private equity funds	598	743

### Impairment losses

An impairment review of loans and equity investments was undertaken at the balance sheet date, and as a result impairment losses of £59k 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
<b>31 March 2019</b>			
Trade and other payables	406	406	406
Committed project grants	550	550	550
<b>Total</b>	<b>956</b>	<b>956</b>	<b>956</b>

£'000	Carrying amount	Contractual cash flows	6 months or less
<b>31 March 2018</b>			
Trade and other payables	634	634	634
Committed project grants	537	537	537
<b>Total</b>	<b>1,171</b>	<b>1,171</b>	<b>1,171</b>

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 2018/19

Related parties in 2019 are those listed in the table below, and in 2018 were those listed in the table below that:

## Related parties in 2018-2019

Related party	Individual with influence	Relationship to LWARB	Relationship to related party
London Borough of Hackney	Cllr Feryal Demirci	LWARB Board Member	Councillor and Cabinet Member
London Business Waste and Recycling Ltd.	Wayne Hubbard	Chief Executive Officer	Director
WRAP	Peter Maddox	Resource London Partnership Board member	Director
Western Riverside Waste Authority	Cllr Guy Senior	LWARB Board Member	Member
London Borough of Hounslow	Niall Bolger	LWARB RL Partnership Board Member	Chief Executive
Greater London Authority	Shirley Rodrigues	LWARB Board Member	Deputy Mayor
London Borough of Waltham Forest	Cllr Clyde Loakes	RL Partnership Board Chair	Deputy Leader and Cabinet Member

## Related parties in 2017-2018

Related party	Individual with influence	Relationship to LWARB	Relationship to related party
London Borough of Ealing	Cllr Bassam Mahfouz	LWARB Board Member	Councillor
London Borough of Hackney	Cllr Feryal Demirci	LWARB Board Member	Councillor and Cabinet Member
London Business Waste and Recycling Ltd.	Wayne Hubbard	Chief Executive Officer	Director
WRAP	Peter Maddox	Resource London Partnership Board member	Director

## Related party transactions

	Transaction value		Balance outstanding	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Greater London Authority	30	-	-	-
LB Ealing	-	(4)	-	-
LB Hackney	(25)	(54)	(1)	(9)
LB Hounslow	(1)	-	(44)	-
LB Waltham Forest	(95)	(77)	(2)	(78)
LBWR Ltd	(5)	(165)	-	-
Western riverside Waste Authority	(12)	-	-	-
WRAP	(301)	(318)	(301)	(301)

## **16. Events after the Balance Sheet date**

As at 31/05/19 the ELBL sale was expected to realise £1m and this was reflected in the value carried in the books at 31/03/19, however due to potential legislation being implemented and a rival bidder the money realised from the sale and received into the LWARB bank account on 17/07/19 was £1.4m (£1,407,670.15).

Final agreement for our VC fund was signed at the start of April 2019, this commits LWARB to providing £7m of funding over the next 4 years into a 10 year fund.

# 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 31<sup>st</sup> 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 31<sup>st</sup> 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

IFRS – International Financial Reporting Standards

GLA – Greater London Authority