SOUTH LONDON WASTE PARTNERSHIP

Representing the London Borough of Croydon:
Councillor Jason Perry, Cabinet Member for Planning, Transport & Sustainability
Councillor Phil Thomas, Cabinet Member for Environment and Highways

Representing the Royal Borough of Kingston
Councillor Rolson Davies, Executive Member for Finance and One Council
Councillor Derek Osbourne, Leader of the Council

Representing the London Borough of Merton
Councillor Andrew Judge, Cabinet Member for Environmental Sustainability and Regeneration
Councillor Mark Betteridge, Deputy Leader and Cabinet Member for Performance and Implementation

Representing the London Borough of Sutton
Councillor John Drage, Executive Member for Finance & Efficiency
Councillor Colin Hall, Executive Member for Environment & Climate Change

A Meeting of the SOUTH LONDON WASTE PARTNERSHIP which you are hereby summoned to attend, will be held on **THURSDAY 22 SEPTEMBER 2011** at **5.30pm** in **ROOM F10**, Croydon Town Hall, Katharine Street, Croydon CRO 2NX

JULIE BELVIR  
Council Solicitor and Monitoring Officer  
Director of Democratic and Legal Services  
Taberner House  
Park Lane  
Croydon CR9 3JS

MARGOT ROHAN  
Senior Members’ Services Manager  
margot.rohan@croydon.gov.uk  
020 8726 6000 Ext 62564  
www.croydon.gov.uk/agenda  
13 September 2011

Members of the public are welcome to attend this meeting. If you require any assistance, please contact Margot Rohan as detailed above.
AGENDA – PART A

1. Part A Minutes of South London Waste Partnership held on 23 June 2011 (attached)

2. Apologies for Absence

3. Declarations of Interest

Members of the Committee are reminded that it is a requirement to declare interests which are Personal, or Personal and prejudicial where appropriate. This should be done by completing the Declaration of Interest form which will be available at the meeting. The Chairman will then invite Members to make their declaration orally at the commencement of the Agenda item to which it relates. Completed declaration forms will be placed in the Register of Members’ Interests.

4. Urgent Business (If Any)

To receive notice of any business not on the Agenda which should, in the opinion of the Chairman, by reason of special circumstances, be considered as a matter of urgency.

5. Exempt Items

To confirm the allocation of business between Part A and Part B of the Agenda. In each case the Lead Officer is to explain separately to the committee why these items are recommended as Part B (exempt) items

- B2 Preferred Bidder Recommendation Report
- B3 Communications Plan: Preferred Bidder
- B4 Risk Report
- B5 Draft 3 year budget 2012/13 – 2014/15

6. Future Dates in 2012

Thursday 26 April and Wednesday 13 June, 5.30pm at Croydon Town Hall.

7. Phase A Contract Performance

The report of the Head of Environmental & Leisure, London Borough of Croydon is attached

8. Annual review of Inter Authority Agreement

The report of the Senior Lawyer, London Borough of Merton is attached
9. **Budget: Monitoring – Month 5 report 2011/2012**

   The report of the Capital Finance Manager, London Borough of Croydon **is attached**

10. **Audit of Accounts 2010/11 – Conclusion of the Audit**

    The report of the Capital Finance Manager, London Borough of Croydon **to follow**

**Camera Resolution**

To resolve, if necessary, that the Press and Public be excluded from the reminder of the meeting on the grounds that it is likely, in view of the nature of the business to be transacted or proceedings to be conducted, that there will be disclosure of confidential or exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

**AGENDA – PART B**

**B1**  Part B Minutes of South London Waste Partnership held on 23 June 2011 (attached)

**B2**  Preferred Bidder Recommendation Report
   (In Camera – report exempt under Paragraphs 3 and 10)

   Report **to follow**

**B3**  Communications Plan: Preferred Bidder
   (In Camera – report exempt under Paragraphs 3 and 10)

   Report **to follow**

**B4**  Risk Report
   (In Camera – report exempt under Paragraphs 3 and 10)

   Report **to follow**

**B5**  Draft 3 year budget 2012/13 – 2014/15
   (In Camera – report exempt under Paragraphs 3 and 10)

   Report **to follow**
PRESENT: Representing London Borough of Croydon
Councillor Phil Thomas

Representing Royal Borough of Kingston upon Thames
Councillor Tricia Bamford

Representing London Borough of Merton
Councillor Andrew Judge
Councillor Mark Betteridge

Representing London Borough of Sutton
Councillors John Drage and Colin Hall

Also present: Frank Smith (Director SLWP), Malcolm Kendall and Lisa Taylor (Croydon), John Haynes and Rachel Sherman (Kingston), Cormac Stokes and Rohini Sharma (Merton) and Peter O’Connell (Sutton).

A1/11 DECLARATIONS OF INTEREST (Agenda Item 1)

Councillor Colin Hall declared a personal interest, as he is Director of the London Waste & Recycling Board.

A2/11 APOLOGIES FOR ABSENCE (Agenda Item 2)

Councillor Jason Perry (Croydon)
Councillors Derek Osbourne and Rolson Davies (Kingston) – Councillor Tricia Bamford attended on their behalf.

A3/11 MINUTES OF THE MEETING HELD ON 24 MARCH 2011 (Agenda Item 3)

RESOLVED: that the minutes of the meeting of the London Boroughs of Croydon, Kingston, Merton & Sutton South London
Waste Partnership Joint Committee, 24 March 2011, be signed as an accurate record. They were signed by the resigning Chair, Councillor Andrew Judge (Merton).

A4/11 **ELECTION OF CHAIR AND VICE CHAIR** (Agenda Item 4)

Councillor Colin Hall nominated Councillor Phil Thomas as Chair. Councillor Tricia Bamford nominated Councillor Colin Hall as Vice Chair. There were no other nominations, so they were duly elected unopposed.

A5/11 **CONTRACT A PERFORMANCE MONITORING** (Agenda Item 5)

**RESOLVED:** to note the contents of the report.

It was agreed that a report on action taken following Panorama programme findings about electrical waste should be presented at the next meeting.

A6/11 **FINAL ACCOUNTS 2010/11** (Agenda Item 6)

A revised Balance Sheet was circulated at the meeting (as attached).

The committee scrutinised the draft accounts and **RESOLVED:** to approve the accounts for 2010/11 for publication

The accounts were signed by last year’s Chair, Cllr Andrew Judge and the current Chair, Cllr Phil Thomas.

A7/11 **AUDITOR’S DISCUSSIONS WITH THOSE CHARGED WITH GOVERNANCE** (Agenda Item 7)

**RESOLVED:** to note the report.

A8/11 **CAMERA RESOLUTION**

**RESOLVED** that the Press and public be excluded from the remainder of the meeting on the grounds that it was likely, in view of the nature of the business to be transacted or proceedings to be conducted, that there would be disclosure of confidential or exempt information falling within paragraph 1 of Part I of Schedule 12a of the Local Government Act 1972, as amended.

The meeting ended at 6.15pm
1. RECOMMENDATIONS
1.1 The Joint Waste Committee is asked to note the contents of this report, and to comment on any aspects of the performance of the Partnership’s Phase A contracts.

2. EXECUTIVE SUMMARY
2.1 This report advises the Committee of the performance of the three Phase A contracts applicable to the South London Waste Partnership, which have been operational since September 2008.

3. DETAIL

CONTRACT 1 - LANDFILL AND TRANSPORTATION (VIRIDOR WASTE MANAGEMENT LTD)
3.1 The contract is operating effectively with municipal solid waste delivered to Viridor’s Beddington Farmlands Landfill facility by all Partnership boroughs.

3.2 Viridor opened on the Bank holiday 29 August 2011 to receive waste and recyclables delivered to their facilities. There were no operational issues reported.

3.3 There are no performance or complaint issues relating to this contract.
CONTRACT 2 – MANAGEMENT OF HOUSEHOLD REUSE & RECYCLING CENTRES (ENVIRONMENTAL WASTE CONTROLS)

3.4 EWC continues to perform well in respect of the diversion of household waste from landfill for reuse and recycling.

3.5 Table 1 shows the recycling actual diversion rates for each of the seven HRRC’S during the period May to July 2011. This table includes the first two years’ contract targets for each facility, actual performance of each facility prior to the commencement of the contract with EWC, and the contract performance for each facility for the first two years. These rates exclude inert material delivered to the facilities.

Table 1

<table>
<thead>
<tr>
<th>Facility</th>
<th>Pre contract actual</th>
<th>Year 1 target</th>
<th>First Year actual</th>
<th>Years 2 - 4 targets</th>
<th>Year 2 actual</th>
<th>May 2011</th>
<th>June 2011</th>
<th>July 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croydon Factory Lane</td>
<td>41% 45-50%</td>
<td>75.25% 50-55%</td>
<td>73.71% 71.72% 70.63% 74.08%</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Fishers Farm</td>
<td>52% 60-65%</td>
<td>73.84% 65-70%</td>
<td>73.87% 72.00% 70.78% 74.74%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purley Oaks</td>
<td>58% 70-75%</td>
<td>84.08% 72-77%</td>
<td>82.38% 83.25% 79.04% 81.03%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kingston Villiers Road</td>
<td>45% 47-52%</td>
<td>74.93% 55-60%</td>
<td>74.62% 75.68% 76.28% 74.92%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merton Garth Road</td>
<td>32% 34-39%</td>
<td>69.24% 50-55%</td>
<td>71.38% 73.78% 74.58% 77.22%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sutton Kimpton Park Way</td>
<td>34% 45-50%</td>
<td>74.59% * 50-55%</td>
<td>75.74% 73.56% 74.89% 73.50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnership average</td>
<td>49.57% 56-61%</td>
<td>78.58% 62-67%</td>
<td>75.39% 74.66% 74.44% 71.24%</td>
<td></td>
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</tr>
</tbody>
</table>

* Performance period summarised as February to October 2009.

3.6 EWC operated all the Partnerships Household Reuse & Recycling Centres on the Bank holiday Monday 29 August 2011 to receive waste and recyclables delivered to their facilities.

3.7 There were no operational issues reported during the Bank holiday weekend.

3.8 All complaints received by SLWP officers regarding the six HRRCs are brought to the attention of EWC management, who have, on each occasion, investigated the complaints promptly and effectively.

3.9 Weir Road Household Reuse & Recycling Centre closed on 1 April 2011 and the site has now been handed back to Merton Council. Customers have been advised of the closure and were encouraged to deliver their recyclables to the Garth Road HRRC.

3.10 Mattress recycling has commenced at five of the Partnerships facilities and
customers are encouraged to store their unwanted mattresses in a separate recycling bin. Once the bin is full the mattresses are taken to a processing facility in Deptford know as Matt UK.

**CONTRACT 3 – MATERIALS RECYCLING SERVICES, COMPOSTING AND ADDITIONAL TREATMENT SERVICES (VIRIDOR WASTE MANAGEMENT LTD)**

**Composting**

3.11 Green garden waste and kitchen food waste continues to be managed by Viridor, although, as a result of an increase in the number of odour related complaints received by Viridor via Sutton Environmental Health Officers and the Environment Agency, composting operations at the Beddington Farmlands facility ceased on Friday 9 July 2010.

3.12 Viridor have recently started limited controlled trials of processing the Partnership’s green garden waste from Croydon, Merton and Sutton delivered to the Beddington Farmlands site, through the original in-vessel green garden waste tunnels. All remaining green garden waste will continue to be transported to one of their approved composting facilities at Foxhall in Suffolk.

3.13 Green garden waste collected by the Royal Borough of Kingston continues to be initially delivered to the Villiers Road facility, before being transported to the Foxhall facility by Viridor.

3.14 The current trials using the original composting processing equipment at Beddington Farmlands are being monitored by the Environment Agency and Sutton Environmental Health Officers.

3.15 There is no additional cost to the Partnership as a result of this service change.

3.16 Since Monday 14 June 2010, the Partnership’s collected food waste has been delivered by Viridor to the Vertal facility located in Willow Lane Industrial Estate within the London Borough of Merton boundary.

3.17 The rate paid by the Partnership to Viridor for using this facility has been temporarily reduced by £4 per tonne.

**Materials Recycling Services**

3.18 All co-mingled and single stream dry recyclable materials collected by Kingston, Merton and Sutton, continue to be transported by Viridor to their MRF (materials recycling facility) at Crayford in Kent for processing.

3.19 From 1 April 2011, all dry recyclables collected by Merton have been delivered directly to the Beddington Farmlands facility, as opposed to previously being delivered to Garth Road Waste Transfer bulking facility.

**Lakeside EFW**

3.20 Suitable household waste from the Partnership continues to be delivered to the Lakeside energy from waste facility, as part of the contractual obligation to deliver 10,000 tonnes of waste to the Lakeside facility during each financial year.
During the period 1 April to 3 June 2011, the Partnership delivered some 3473 tonnes of household waste to the Lakeside EFW.

There are no complaints or invoicing issues relating to this contract.

**Changes to Contract Management**

The Contract Management role relating to Phase A contracts, on behalf of the Partnership, has been provided by Malcolm Kendall on a voluntary basis since late 2008.

Due to an extension of Malcolm’s role within his substantive post at Croydon, and Malcolm agreeing to take on the role as Chairperson of the SLWP Management Group, changes to how the contracts will be managed have now been implemented.

The role required of overseeing the contracts has changed compared to when Malcolm began his role, which primarily focussed on the commissioning of the contracts and managing service performance and compliance with contracts.

A proposal regarding the priorities for managing the Phase A contracts for the next stage was presented to, and agreed by, the Management Group.

These priorities included exploring opportunities with both contractors, to deliver service efficiencies, improving recycling rates and reducing costs.

The Management Group has therefore agreed to establish a Contract Management Team based on the following model:

- **Phase A Contract Manager**
  - Rachel Sherman (Kingston)

- **Phase A Operational Manager**
  - Simon Mander (Croydon)

- **Phase A Commercial Manager**
  - Charlie Baker (Sutton)

- **Phase A Legal Manager**
  - John Newnham (Kingston)

During the next six months the Management Group will monitor the effectiveness of this new approach to contract management for the Partnership.

4. **CONSULTATION**

Not applicable.

5. **FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1 Not applicable
6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 There are no legal considerations arising from this report

7. HUMAN RESOURCES IMPACT

7.1 There are no Human Resources considerations arising from this report

8. EQUALITIES IMPACT

8.1 There are no Equalities issues arising from this report

9. ENVIRONMENTAL IMPACT

9.1 The implications of this report are intrinsically environmental. Increased recycling and composting and the diversion of waste from landfill will contribute to saving natural resources and reducing the emission of gases contributing to climate change and air pollution.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no implications arising from this report

CONTACT OFFICER: Malcolm Kendall, Head of Environmental & Leisure. Ext 52788

BACKGROUND DOCUMENTS: Contract A Performance Monitoring
REPORT TO: South London Waste Partnership Joint Committee
22nd September 2011

AGENDA ITEM NO: 8

SUBJECT: Annual Review of Inter Authority Agreements

LEAD OFFICER: Andrew Smith, Senior Lawyer, London Borough of Merton

WARDS: N/A

CORPORATE PRIORITY/POLICY CONTEXT:
Annual review of the Inter Authority Agreements

FINANCIAL IMPACT
None

FORWARD PLAN KEY DECISION REFERENCE NO.:
N/A

1. RECOMMENDATIONS

1.1 That the Inter Authority Agreement covering the Phase A contract procurement (IAA 1) remains fit for purpose. The Inter Authority Agreement covering the Phase B procurement (IAA 2) will require supplementary provisions dealing with pay mechanisms and service costs etc. and will be subject to a further report as the Phase B competitive dialogue process begins to conclude.

2. EXECUTIVE SUMMARY

2.1 In accordance with the Joint Committee’s standing instruction to perform an annual review of the Inter Authority Agreements underpinning the Phase A Contracts and the Phase B procurement, a review has been performed by the lead governance lawyer for the Joint Committee, together with the Director SLWP and the lead lawyer for Phase B.

2.2 The IAA 1 is considered to remain fit for purpose.

2.3 The IAA 2 essentially covers only the procurement arrangements of the Phase B competitive dialogue. As the Phase B dialogue reaches a conclusion, the IAA 2 will require a supplementary agreement dealing with the Contract issues, such as cost & service allocation between the partner boroughs. This will be subject of a further report and recommendation, as the dialogue concludes.
3. **THE INTER-AUTHORITY AGREEMENTS**

3.1 Presently two are concluded between the Partner Boroughs.

3.2 IAA 1 deals with the cost and service allocations to the partners arising from the Phase A contracts.

3.3 IAA 2 deals with the costs and risk allocation arising from the Phase B procurement. As the Phase B dialogue reaches a conclusion the IAA 2 will require supplementary agreement dealing with the Contract issues then arising from the proposed Phase B Contract.

4. **CONSULTATION**

4.1 The lead governance lawyer has consulted with the Director SLWP and the lead lawyer for the Phase B procurement.

5. **FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1 None

6. **COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

6.1 This is a report of the lead governance lawyer for the SLWP

7. **HUMAN RESOURCES IMPACT**

7.1 There are no Human Resource impacts resulting from this report.

8. **EQUALITIES IMPACT**

8.1 None

9. **ENVIRONMENTAL IMPACT**

9.1 None

10. **CRIME AND DISORDER REDUCTION IMPACT**

10.1 None

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CONTACT OFFICER: Andrew Smith, Senior Lawyer, London Borough of Merton

020 8545 3345
For General Release

<table>
<thead>
<tr>
<th>REPORT TO:</th>
<th>South London Waste Partnership Joint Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGENDA ITEM NO:</td>
<td>9</td>
</tr>
<tr>
<td>SUBJECT:</td>
<td>Budget Monitoring – Month 5 Report 2011/12</td>
</tr>
<tr>
<td>LEAD OFFICER:</td>
<td>Lisa Taylor</td>
</tr>
<tr>
<td></td>
<td>Capital Finance Manager, London Borough of Croydon</td>
</tr>
<tr>
<td>WARDS:</td>
<td>N/a</td>
</tr>
<tr>
<td>CORPORATE PRIORITY/POLICY CONTEXT:</td>
<td>Through the South London Waste Partnership, the boroughs of Croydon, Kingston, Merton &amp; Sutton are working together to provide cost-effective and environmentally sustainable solutions to reduce, reuse, recycle, treat and disposing of household waste managed by the Partnership.</td>
</tr>
<tr>
<td>FINANCIAL IMPACT:</td>
<td>The agreed Partnership procurement budget is approved annually by the Joint Waste Committee, and expenditure is monitored by officers of the Royal Borough of Kingston on behalf of the Partnership.</td>
</tr>
<tr>
<td>FORWARD PLAN KEY DECISION REFERENCE NO.:</td>
<td>N/a</td>
</tr>
</tbody>
</table>

1. **RECOMMENDATIONS**

1.1 The Joint Committee is asked to note the latest 2011/12 expenditure position

2. **EXECUTIVE SUMMARY**

2.1 To advise the Joint Committee of the financial position to month 5 of the 2011/12 financial year, and ensure the Phase B procurement is adequately resourced.
3. INTRODUCTION

3.1. This is the first of the regular budget monitoring statement for the 2011/12 financial year. The information presented covers the period up to 31 August 2011 (month 5).

3.2. The Partnership has 2 main tasks that need to be undertaken in the current financial year. These are:

- Phase B contract procurement and associated work
- Contract management of Phase A contracts

### Table 1 - Budget Monitoring 2011/12 – Month 5

<table>
<thead>
<tr>
<th>Item</th>
<th>Spend to 31 August 2011 £000’s</th>
<th>Proposed Outturn Spend £000’s</th>
<th>Profiled Budget to Month 5 £000’s</th>
<th>Budget 2011/12 £000’s</th>
<th>Variance – budget to anticipated outturn</th>
</tr>
</thead>
<tbody>
<tr>
<td>PWC Consortium</td>
<td>116</td>
<td>558</td>
<td>232</td>
<td>558</td>
<td>0</td>
</tr>
<tr>
<td>Project Management &amp; Procurement Costs</td>
<td>101</td>
<td>336</td>
<td>140</td>
<td>336</td>
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<tr>
<td>Audit Fee</td>
<td>0</td>
<td>13</td>
<td>5</td>
<td>13</td>
<td>0</td>
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<tr>
<td>Communications</td>
<td>6</td>
<td>60</td>
<td>25</td>
<td>60</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>223</strong></td>
<td><strong>967</strong></td>
<td><strong>402</strong></td>
<td><strong>967</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td><strong>COST PER BOROUGH</strong></td>
<td><strong>55.75</strong></td>
<td><strong>241.75</strong></td>
<td><strong>100.5</strong></td>
<td><strong>241.75</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

3.3. The Management Group has revised the current year’s budget to accurately reflect the resources required to complete the Phase B procurement.

3.4. The Management Group is satisfied that the costs in the current year are being managed appropriately and the Joint Waste Committee regularly scrutinise the expenditure and ensure that it remains within budget.

4. CONSULTATION

4.1 N/A

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 N/A

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 There are no legal considerations arising from this report

7. HUMAN RESOURCES IMPACT

7.1 There are no Human Resources considerations arising from this report.
8. **EQUALITIES IMPACT**

8.1 There are no equalities issues arising from this report.

9. **ENVIRONMENTAL IMPACT**

9.1 The Partnership is committed to procuring and contract managing solutions which specifically increase the amount of household waste from the Partnership that is reused, reduced & recycled.

10. **CRIME AND DISORDER REDUCTION IMPACT**

10.1 There are no implications arising from this report.

________________________________________

**CONTACT OFFICER:** Al Mawji, Business Insight – Royal Borough of Kingston upon Thames, 0208 5475356
1. RECOMMENDATIONS

It is RECOMMENDED that

1.1 The amendments to the accounts outlined in paragraph 5 of this report be approved;

1.2 The draft letter of representation to be issued on behalf of the South London Waste partnership as set out in **ANNEX 2** be approved;

1.3 Note the comments and recommendations of the District Auditor as set out in **Annex 3** – SLWP Annual Governance Report

1.4 Note the comments in regard to the Value for Money (VFM) conclusion

2. EXECUTIVE SUMMARY

2.1 The Joint Waste Committee scrutinised and approved the draft Statement of Accounts for 2010/11 on 23 June 2011. 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.
3. **BACKGROUND**

3.1 The draft accounts for 2010/11 were scrutinised and approved by the Joint Waste Committee on 23 June 2010. The accounts were at that time subject to audit.

3.2 For Joint Waste Committees, the District Auditor is required to report formally to the Joint Waste 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 Waste Committee and is attached at ANNEX 1 to this report.

**LETTER OF REPRESENTATION**

3.3 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 Waste 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**

3.4 The District Auditor expects to issue an unqualified opinion on the Joint Waste Committee’s accounts. This means that they have been prepared properly and present fairly the Partnership’s financial transactions during the 2010/11 financial year and its financial position at 31 March 2011.

3.5 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 Waste 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.

3.6 Processes have been introduced to ensure that the recommendations of the District Auditor will be actioned and implemented in time for the 2011/12 Partnership Accounts.

3.7 The District Auditor is expected to issue an unqualified conclusion on the Partnership arrangements for ensuring value for money in its Use of Resources.

**VALUE FOR MONEY (VFM) CONCLUSION**

3.8 As part of the audit, the District Auditor is required to consider whether the Joint Waste Committee had in place adequate arrangements to secure value for
money in respect of its use of resources. From this work, the District Auditor has also given an unqualified VFM conclusion.

**PUBLICATION**

3.9 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 Waste Committee on 23 June 2011.

**4. FINANCIAL IMPLICATIONS**

4.1 There are no financial implications arising from this report.

**5. EQUALITIES IMPACT**

5.1 There are no equalities implications arising from this report.

**6. ENVIRONMENTAL IMPACT**

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

**7. CRIME AND DISORDER REDUCTION IMPACT**

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

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**CONTACT OFFICER:** Al Mawji, Business Insight, Royal Borough of Kingston Upon Thames 0208547 5356

**BACKGROUND DOCUMENTS** [Part A reports only-list documents which have not been published]:

Appendix 1

South London Waste Partnership
Statement of Accounts 2010/11

South London Waste Partnership Joint Committee:
22 September 2011
Contents

Explanatory Foreword 3
Statement of responsibilities for the Statement of Accounts 6
Independent Auditor’s Report 7
Comprehensive Income & Expenditure Statement 10
Balance Sheet 11
Notes to the Accounts 12
Annual Governance Statement 19
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. Department for Communities and Local Government’s (DCLG) 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 Department of Environment and Rural Affairs (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 upon Thames of Guildhall, High Street, Kingston, KT1 1EU

The Royal Borough of Kingston upon Thames is the Lead Borough for the procurement of improved waste disposal services (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 upon Thames, 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:

<table>
<thead>
<tr>
<th>Council</th>
<th>Number of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>London Borough of Croydon</td>
<td>two</td>
</tr>
<tr>
<td>Royal Borough of Kingston upon Thames</td>
<td>two</td>
</tr>
<tr>
<td>London Borough of Merton</td>
<td>two</td>
</tr>
<tr>
<td>London Borough of Sutton</td>
<td>two</td>
</tr>
</tbody>
</table>

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.

**Statement of Accounts**

This annual statement of accounts sets out the financial position to 31st March 2011.

It includes the following statements and accounts

- Income and Expenditure Account
- Balance Sheet
- Cash flow Statement
The transition from UK GAAP to International Financial Reporting Standards (IFRS) has affected all Local Authorities and similar bodies in the production of their 2010/11 Statement of Accounts. However, because of the nature of the Partnership’s business and the way it conducts its operations and, the changes have had a minimal impact on the Partnership’s accounts. All changes are presentational rather than having an impact on the way in which transactions are accounted for.

Financial Performance

The increase in expenditure between 2009/10 and 2010/11 (£4.7m) is largely explained by the increase in cost of sending waste to landfill. The previous government had increased Landfill Tax by an additional £8 per tonne as compared to 2009/10. This additional cost, together with increases in waste throughput explains the rise in cost in 2010/11.

.......................................................... ..........................................................

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

15 September 2011
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. From 1 April to 16 May 2010, the statutory Chief Finance Officer was the Head of Financial Services; from 17 May 2010 onwards, the statutory Chief Finance Officer was the Director of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- approve the Statement of Accounts.

Responsibilities of the Director of Finance

The Director of Finance 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 (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- complied with the Local Authority Code.

The Director of Finance 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 Director of Finance and the Chair of the Partnership Committee

I certify that the Statement of Accounts present a true and fair view of the financial position of the authority as at 31 March 2011 and its income and expenditure for the year then ended.

Leigh Whitehouse
Director of Finance & S151 Officer of the Lead Borough
Royal Borough of Kingston upon Thames
22 September 2011

Councillor Phil Thomas
Chair of the SLWP Joint Committee &
Croydon’s Executive Member of Environment
22 September 2011
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SOUTH LONDON WASTE PARTNERSHIP

Opinion on the Partnership accounting statements

I have audited the accounting statements of South London Waste Partnership for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Reserve Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South London Waste Partnership in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance’s Responsibilities, the Director of Finance 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Partnership’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Partnership; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:
- give a true and fair view of the state of South London Waste Partnership’s affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Partnership’s responsibilities

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

Auditor’s responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Partnership has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Partnership’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the criteria for other local government bodies published by the Audit Commission in October 2010.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Partnership had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, South London Waste Partnership put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of South London Waste Partnership in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

22 September 2011
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

If classification under Best Value Accounting Code of Practice (BVACOP) had been adopted, all income and expenditure would be recorded under “cultural, environmental, regulatory and planning services”. The format for the disclosure of income and expenditure has been adopted to show more transparency, the nature of expenditure and from where income has been received.

<table>
<thead>
<tr>
<th>2009/10</th>
<th>Notes</th>
<th>£</th>
<th>2010/11</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4,236,131) Royal Borough of Kingston upon Thames Contribution</td>
<td>5</td>
<td>(5,427,620)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(10,835,387) London Borough of Croydon</td>
<td>(11,480,147)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6,363,274) London Borough of Merton</td>
<td>(6,635,813)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3,843,646) London Borough of Sutton</td>
<td>(6,404,063)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(25,278,439)</strong></td>
<td></td>
<td></td>
<td><strong>(29,947,643)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>874,167 Procurement Costs</td>
<td>6</td>
<td>1,088,703</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7,920,217 Waste Disposal</td>
<td>7</td>
<td>9,293,276</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8,790,474 Landfill Tax</td>
<td></td>
<td>11,442,808</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,817,774 Household Waste Recycling</td>
<td></td>
<td>5,482,082</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,863,774 Management Fee</td>
<td>8</td>
<td>2,628,076</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12,373 Audit Fees</td>
<td>9</td>
<td>12,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>25,278,439</strong></td>
<td></td>
<td></td>
<td><strong>29,947,643</strong></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING (SURPLUS)/DEFICIT ON THE PROVISION OF SERVICES</strong></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>OTHER COMPREHENSIVE INCOME &amp; EXPENDITURE</strong></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>SURPLUS)/DEFICIT FOR THE YEAR</strong></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

MOVEMENT IN RESERVES STATEMENT

There is a requirement for the Partnership to show a Movement in Reserves Statement in these Accounts. However, as the Partnership does not have any reserves, it cannot comply with this requirement.
BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Partnership. The net assets of the Partnership (assets less liabilities) are matched by the reserves held by the Partnership.

<table>
<thead>
<tr>
<th>2009/10</th>
<th>Notes</th>
<th>£</th>
<th>2010/11</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>10</td>
<td>6,449,032</td>
<td>7,593,392</td>
<td></td>
</tr>
<tr>
<td>CURRENT LIABILITIES</td>
<td>11</td>
<td>(6,449,032)</td>
<td>(7,593,392)</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td></td>
<td>(6,449,032)</td>
<td>(7,593,392)</td>
<td></td>
</tr>
<tr>
<td>NET ASSETS</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution from SLWP members</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL RESERVES</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

CASH FLOW STATEMENT

There is a requirement for the Partnership to show a Cash Flow Statement in these Accounts. However, as the Partnership does not have any cash, it cannot comply with this requirement.
NOTES TO THE ACCOUNTS

1. Accounting Policies

i). General Principles

The Statement of Accounts summarises the Partnership’s transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Partnership is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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.

ii). Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Partnership in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity.

In accounting terms the South London Waste Partnership is assumed to be a jointly controlled operation as a joint venture between four London Boroughs. It is a contractual arrangement under which its participants engage in joint activities that do not create an entity. It does not trade on its own and is merely a cost sharing arrangement between the four boroughs and is designed not to make profit as a separate entity.

The joint venture does account for its own assets, liabilities and cashflows, measured according to the terms of the agreement governing the arrangement.

The four boroughs only record their share of assets and liabilities within their own single entity accounts and are not required to consolidate the Partnership accounts into their own Group Accounts.
iii). **Accruals of Income & Expenditure**

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 producing the accounts.

- Revenue from the provision of services is recognised when the Partnership can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Partnership.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payment is made.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iv). **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

v). **Financial Instruments (IAS 39)**

Debtors and Creditors. In line with the requirements of IAS 39 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 upon Thames state that there are no liquidity, financial or credit risks.

vi). **Events After the Balance Sheet date.**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when
the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**vii) Property, plant and equipment**

The Partnership recognises assets when they have physical substance and are held for use, by the partnership rather than its constituent authorities, in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year. These are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Partnership, the cost of the item can be measured reliably and the expenditure is directly attributable to bringing the asset into use.

**viii) Employee benefits**

The Partnership recognises employees when they are employed by the partnership rather than its constituent authorities. Any employees of the constituent authorities who undertake tasks of the partnership but who remain under the control of any of the constituent authorities are assumed to be employees of those authorities. The Partnership accounts includes within procurements costs (Comprehensive Income and Expenditure Statement) recharges from the Royal Borough of Kingston upon Thames for accounting and administrative services and the London Borough of Croydon for legal services. There are no recharges from London Borough of Sutton and London Borough of Merton.

**ix) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.
x) Reserves

The Partnership does not hold reserves because all costs are shared between the constituent authorities (Croydon, Kingston, Merton and Sutton) in the year that costs are incurred.

2. Accounting standards issued but not adopted.

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets. This change will not affect the SLWP accounts in future years.

3. Critical judgements in applying accounting policies

The SLWP whilst by strict definition a joint venture is not considered to be an entity on its own but merely a cost sharing arrangement between four London boroughs where there is no intention for the entity to be left with a profit or a loss. The entity does not trade but instead collects cost from the waste activities of the four boroughs which are paid for, proportionately by the four boroughs, similar to a levying arrangement.

It has been assessed that there are no arrangements which may contain a lease against the requirements of IFRIC4 (determining whether an arrangement contains a lease). There are no lease arrangements with the Partnership as all such contract arrangements involving Partnership activity are set up with the individual borough. Disposal contracts are held by the Royal Borough of Kingston upon Thames on behalf of the Partnership whilst collection contracts are held and accounted for by the four boroughs (Croydon, Kingston, Merton, Sutton) individually. Plant and equipment used remain under the control of the contractor and, therefore, no lease arrangements can exist.

The Partnership considers that there are no assets under its direct control. For example, civic amenity sites are managed and controlled by the constituent authorities. Therefore, there are no requirements on it to make any disclosures about Property, plant and equipment.

In addition, the Partnership has no direct employees. All employees involved are primarily engaged on other functions for their constituent authorities. Any time spent on partnership activities are recharged to the partnership but this does not amount to a significant proportion of their time. As a result, there is no liability for the partnership to accrue for any benefits payable during employment or post employment benefits.
4. **Assumptions made about the future and other major sources of estimation uncertainty**

Revenues and expenses are recognized as they are earned or incurred and not as money received or paid. Revenue is earned when products are delivered or services are provided and Expense is recognized in the period in which related revenue is recognized and before cash is paid out. The Partnership has applied best practice in estimating the accruals shown in the financial statements.

5. **Contributions**

The contributions by the Partnership ensure that the costs under each of the 3 contracts are recouped in line with the costs of providing services for their areas.

6. **Procurement costs**

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

7. **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.

8. **Management Fee**

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

9. **Audit Fees**

This cost is for the fees payable with regard to the external audit services, including the VFM conclusion, provided by the Audit Commission.

<table>
<thead>
<tr>
<th>2009/10</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>12,373</td>
<td>12,700</td>
</tr>
<tr>
<td>Fees payable with regard to external audit services carried out by the Audit Commission</td>
<td>Fees payable with regard to external audit services carried out by the Audit Commission</td>
</tr>
</tbody>
</table>

12,373 | 12,700 |
10. Debtors

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

<table>
<thead>
<tr>
<th></th>
<th>2009/10</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>London Borough of Croydon</td>
<td>1,842,573</td>
<td>2,605,467</td>
</tr>
<tr>
<td>Royal Borough of Kingston upon Thames</td>
<td>854,072</td>
<td>850,792</td>
</tr>
<tr>
<td>London Borough of Merton</td>
<td>1,587,159</td>
<td>1,691,165</td>
</tr>
<tr>
<td>London Borough of Sutton</td>
<td>2,165,228</td>
<td>2,445,968</td>
</tr>
<tr>
<td></td>
<td>6,449,032</td>
<td>7,593,392</td>
</tr>
</tbody>
</table>

11. Bank Balance

The Partnership does not have a separate bank account. All cash receipts and payments in respect of SLWP are reflected in the Royal Borough of Kingston upon Thames bank account. This situation is recognised by including as either a debtor or creditor to the Royal Borough of Kingston, the difference between external debtors and creditors remaining to be settled in cash. The figure for the Royal Borough of Kingston is £914,105Cr (2009/10, £2,323,082Cr). This figure is included within “Other Local Authorities” in note 12.

12. 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.

<table>
<thead>
<tr>
<th></th>
<th>2009/10</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Other Local Authorities</td>
<td>2,323,082</td>
<td>940,096</td>
</tr>
<tr>
<td>Other Entities and Individuals</td>
<td>4,113,577</td>
<td>6,640,596</td>
</tr>
<tr>
<td>Public Corporations and trading funds</td>
<td>12,373</td>
<td>12,700</td>
</tr>
<tr>
<td></td>
<td>6,449,032</td>
<td>7,593,392</td>
</tr>
</tbody>
</table>

13. 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 the Royal Borough of Kingston upon Thames any additional influence over the Joint Committee.
14. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Director of Finance on 15 September 2011. At this date there were no post balance sheet events to report. Events taking place after this date are not reflected in the financial statements or notes.

15. IFRS

The transition from UK GAAP to International Financial Reporting Standards (IFRS) has affected all Local Authorities and similar bodies in the production of their 2010/11 Statement of Accounts. However, because of the nature of the Partnership’s business and the way it conducts its operations, the changes have had a minimal impact on the Partnership’s accounts. All changes are presentational, with some minimal disclosure requirements, rather than having an impact on the way in which transactions are accounted for in these accounts. Nonetheless, a review has been undertaken of the Code’s requirements under IFRS and the conclusion reached is that prior year restatement is not required.

16. Segmental Reporting

There is a requirement to show how internal reporting to management can be reconciled to external reporting through these accounts. The Partnership only has one recognised segment and this is fully disclosed in the Comprehensive Income and Expenditure Statement. Decisions taken by the partnership are based on financial information in a similar format to that reported in the Comprehensive Income and Expenditure Statement. Therefore, no additional disclosure is required.
ANNUAL GOVERNANCE ASSURANCE STATEMENT 2010/11

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 2011. 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 taxpayers 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.

5. Developing the capacity and capability of members and officers

5.1. Ensuring it makes sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.

5.2. Ensuring it develops the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.

5.3. Ensuring it encourages new talent for membership of the Partnership so that best use can be made of individuals’ skills and resources in balancing continuity and renewal.

6. Engaging with local people and other stakeholders to ensure robust public accountability

6.1. Ensuring it exercises leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships and develops constructive accountability relationships.

6.2. Ensuring it takes an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery in partnership or by commissioning.

6.3. Making best use of human resources by taking an active and planned approach to meet responsibilities to staff.

EFFECTIVENESS OF GOVERNANCE ARRANGEMENTS

The South London Waste Partnership has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Partnership who have responsibility for the development and maintenance of the governance environment, but also work done by internal audit, and by comments made by the independent auditors.
SIGNIFICANT GOVERNANCE ISSUES

No significant governance issues have yet been raised. As and when any governance issues are raised, we will take all necessary management action to remove them, or at least mitigate the risks.

Signed:.................................................................

Name:.................................................. Chair of the SLWP Management Group

Date: 22 September 2011

Signed:.................................................................

Name:.................................................. Chair of the SLWP Joint Committee

Date: 22 September 2011
South London Waste Partnership - Audit for the year ended 31 March 2011.

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the South London Waste Partnership, the following representations given to you in connection with your audit of the Partnership’s financial statements for the year ended 31 March 2011.

**Compliance with the statutory authorities**

I have fulfilled 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 which give a true and fair view of the financial position and financial performance of the Partnership, for the completeness of the information provided to you, and for making accurate representations to you.

**Supporting records**

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Partnership have been properly reflected and recorded in the financial statements.

**Irregularities**

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

• the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

**Law, regulations, contractual arrangements and codes of practice**

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Partnership has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

**Accounting estimates including fair values**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

In particular, I confirm that:

• I have assessed contracts against the requirements of IFRIC 4 (determining whether an arrangement contains a lease) and concluded that none of the Partnership’s contracts contain a lease under the terms of this interpretation; and

• I have assessed non-current assets used by the Partnership and concluded that the balance of risks and rewards remains with the constituent boroughs rather than the Partnership.

**Related party transactions**

I confirm that I have disclosed the identity of South London Waste Partnership’s related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

**Subsequent events**

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.
Signed on behalf of South London Waste Partnership
I confirm that this letter has been discussed and agreed by the Joint Committee on 22 September 2011

Signed:

Name: Leigh Whitehouse
Position: Director of Finance, Royal Borough of Kingston upon Thames
Date: 22 September 2011

Signed:

Name: Phil Thomas
Position: Chair of SLWP Joint Committee
Date: 22 September 2011

N.B. To be signed by Officer and Member lead for Partnership.
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key messages</td>
<td>3</td>
</tr>
<tr>
<td> Audit opinion and financial statements</td>
<td>3</td>
</tr>
<tr>
<td> Value for money</td>
<td>3</td>
</tr>
<tr>
<td>Before I complete my audit</td>
<td>4</td>
</tr>
<tr>
<td>Financial statements</td>
<td>5</td>
</tr>
<tr>
<td> Opinion on the financial statements</td>
<td>5</td>
</tr>
<tr>
<td> Errors in the financial statements</td>
<td>5</td>
</tr>
<tr>
<td> Significant weaknesses in internal control</td>
<td>7</td>
</tr>
<tr>
<td> Quality of your financial statements</td>
<td>7</td>
</tr>
<tr>
<td> Other issues</td>
<td>8</td>
</tr>
<tr>
<td> Letter of representation</td>
<td>8</td>
</tr>
<tr>
<td>Value for money</td>
<td>9</td>
</tr>
<tr>
<td>Appendix 1 – Draft audit report</td>
<td>11</td>
</tr>
<tr>
<td> Independent auditor’s report to the members of South London Waste Partnership</td>
<td>11</td>
</tr>
<tr>
<td>Appendix 2 – Amendments to the draft financial statements</td>
<td>14</td>
</tr>
<tr>
<td>Appendix 3 – Action plan</td>
<td>15</td>
</tr>
<tr>
<td>Appendix 4 – Glossary</td>
<td>16</td>
</tr>
</tbody>
</table>
Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

<table>
<thead>
<tr>
<th>My findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unqualified audit opinion</td>
</tr>
<tr>
<td>Proper arrangements to secure value for money</td>
</tr>
</tbody>
</table>

Traffic light explanation

Red  🟥  Amber  🟦  Green  ☢

Audit opinion and financial statements

I plan to issue an unqualified opinion on the financial statements. The Partnership has made significant changes to its balance sheet to include amounts owed by and to the Partnership at the balance sheet date which had been incorrectly omitted in the version of the statements originally submitted for audit.

Management has also made amendments to improve presentation in line with the Code and ensure consistency through the statements.

Value for money

I assessed the Partnership’s arrangements to secure economy, efficiency and effectiveness in its use of resources against four criteria specified by the Audit Commission. I concluded that it met all four criteria.

I therefore intend to issue an unqualified conclusion stating that the Partnership had proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
Before I complete my audit

I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Partnership during 2010/11.

I ask you to confirm to me

I ask the Partnership Committee to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation, provided alongside this report, on behalf of the Partnership before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (Appendix 3).
Financial statements

I plan to issue an unqualified opinion on the financial statements. The Partnership has made significant changes to its balance sheet to include amounts owed by and to the Partnership which had been incorrectly omitted in the version of the statements originally submitted for audit. You have also made amendments to improve presentation in line with the Code and ensure consistency through the statements.

Opinion on the financial statements

1 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

Errors in the financial statements

2 I identified that the Partnership had not accrued all amounts which were due to or from it at 31 March 2011 or 2010. It has restated the debtor and creditor balances for each year to reflect the true position, as summarised in appendix 2. It has also treated the notional cash balance as a creditor balance due to the Royal Borough of Kingston upon Thames, which better reflects the substance of the transaction.

3 Management has also agreed to correct these numerical errors:
   ■ there was an inconsistency of £12,700 between the creditors in the balance sheet and the analysis disclosed in Note 12 due to omitting audit fees due; and
   ■ audit fees disclosed in Note 9 were incorrectly split between external audit and other services. This has been corrected to reflect they are all for external audit services.

4 Management has agreed to improve the presentation of the financial statements and enhance disclosure in the explanatory foreword, accounting policies, and notes to the statements so they meet the requirements of the Code of Practice on Local Authority Accounting more fully.
Financial statements

**Recommendation**

<table>
<thead>
<tr>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1 Include all amounts that are unpaid or not received at the year-end as creditors and debtors in the Partnership's statements.</td>
</tr>
</tbody>
</table>

The Partnership’s financial statements and annual governance statement are important means by which it accounts for its stewardship of public funds. As Partnership Committee members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. I reported these in my Audit Plan which I shared with the Partnership in February 2011.

**Key audit risk and my findings**

<table>
<thead>
<tr>
<th>Key audit risk</th>
<th>Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of International Financial Reporting Standards (IFRS)</td>
<td>The Partnership has complied with the requirements of the Code of Practice to the extent that these are applicable to its circumstances. I have reviewed the Partnership’s critical judgements in applying the requirements of IFRS, in particular around the applicability of IFRIC 4 (determining whether an arrangement contains a lease) to waste management contracts. I am satisfied that the Partnership’s statements materially fairly present its financial position in this respect. The Partnership’s financial statements now better present the judgements it has made in applying accounting policies which arise from the implementation of IFRS.</td>
</tr>
</tbody>
</table>

2010/11 is the first year when local government bodies have to prepare financial statements under IFRS. The Partnership is subject to the CIPFA Code of Practice and needs to ensure it complies with the wider range of disclosures needed under the new accounting framework.

The risk is the Partnership’s statements are materially misstated because of failure to implement the new standards and make the required disclosures.
Financial statements

Significant weaknesses in internal control

I have not identified any significant weaknesses in internal control during my audit that are relevant to preparing the financial statements. In reporting this, I am not expressing an opinion on the overall effectiveness of internal control at the Partnership.

Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. There are no matters I wish to bring to your attention.

Accounting practices, policies, estimates and financial disclosures

<table>
<thead>
<tr>
<th>Issue</th>
<th>Findings and recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Compliance with Code of Practice requirements</strong></td>
<td>I agreed with management that they would make some amendments to presentation to more fully address the requirements of the Code. In particular they have:</td>
</tr>
<tr>
<td></td>
<td>■ updated the formatting of the Comprehensive Income and Expenditure Account to match the standard headings;</td>
</tr>
<tr>
<td></td>
<td>■ provided a brief explanation of each primary statement;</td>
</tr>
<tr>
<td></td>
<td>■ included more commentary in the explanatory foreword on the transition to International Financial Reporting Standards and factors affecting the Partnership’s financial performance in the year;</td>
</tr>
<tr>
<td></td>
<td>■ provided more information on the critical judgements made in applying accounting policies, particularly around leases, non-current assets and employee benefits; and</td>
</tr>
<tr>
<td></td>
<td>■ included a note on events after the balance sheet date.</td>
</tr>
<tr>
<td><strong>2. Accounting policies</strong></td>
<td>I have agreed with management that they would include more accounting policies as required by the Code of Practice to cover subsequent events, revenue recognition, property, plant and equipment, employee benefits, leases and reserves.</td>
</tr>
</tbody>
</table>
## Financial statements

### Issue

<table>
<thead>
<tr>
<th>Issue</th>
<th>Findings and recommendations</th>
</tr>
</thead>
</table>
| 3. Critical judgements in applying accounting policies              | The Partnership included a note on critical judgements in applying accounting policies. I agreed with management that they would update this to provide more information on their assessments that:  
  ■ contracts for waste disposal did not contain a lease that needed disclosing in the statements;  
  ■ there are no property, plant and equipment under its own direct control; |

### Recommendation

<table>
<thead>
<tr>
<th>Recommendation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R2</td>
<td>Review the requirements of the CIPFA Code of Practice on Local Authority Accounting each year and ensure that the financial statements reflect all relevant requirements.</td>
</tr>
</tbody>
</table>

### Other issues

8  International Standard on Auditing (UK & Ireland) 260 requires me to report various issues to you as those charged with governance. I can confirm that:  
  ■ my team did not encounter significant difficulties during the audit;  
  ■ There were no significant matters that were discussed with or subject to correspondence with management; and  
  ■ There are no other significant matters relevant to the reporting process.

### Letter of representation

9  Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements.
I am required to conclude whether the Partnership put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against four criteria specified by the Audit Commission. My conclusion on the four areas is set out below.

I intend to issue an unqualified conclusion stating that the Partnership had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

### Value for money criteria and my findings

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial planning and financial health</td>
<td>The Partnership approved an updated medium term financial strategy in September 2010, which reflects its updated Joint Municipal Waste Strategy. The financial strategy is underpinned by detailed workings agreed by the Management Group, based on outturn from previous years. The Partnership’s procurement costs are in line with budget. The costs of the contracts have increased due to known increases in landfill tax and are reimbursed by the constituent boroughs. Officers and members exercise collective responsibility for financial matters and receive regular reports through the year.</td>
</tr>
<tr>
<td>2. Understanding costs and achieving efficiencies</td>
<td>The main costs for the Partnership are driven by the volume of waste processed and landfill tax levied. The Joint Municipal Waste Strategy sets out how the Partnership will ensure that waste is disposed of in as efficient a way as possible. The Partnership has considered the social and environmental impact of its work. The Partnership receives information on costs incurred as part of regular budget monitoring and is given assurance that these are in line with contracts. It holds the contractors to account for addressing complaints and service quality.</td>
</tr>
<tr>
<td>Criterion</td>
<td>Findings</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3. Financial reporting</td>
<td>The Partnership’s Management Group and the Joint Committee receive regular reports on financial performance for the procurement costs. They discuss variances and the action taken to resolve them. The committee also receives updates on the quality of service provided by contractors. The Partnership’s financial statements are free from material error and are made available to members of the public. The Partnership should consider publishing these, and our annual audit letter, on its own website in the future.</td>
</tr>
<tr>
<td>4. Risk management and internal control</td>
<td>The Partnership has a strategic risk register which Joint committee members review regularly to ensure risks are addressed. Risks and action to address them are assigned to named individuals. As transactions are processed by the Royal Borough of Kingston, the Partnership is subject to its internal control arrangements which we have assessed as satisfactory. The Partnership has reported on its internal control arrangements in the Annual Governance Statement, which is a fair assessment of its performance.</td>
</tr>
</tbody>
</table>
Appendix 1 – Draft audit report

Independent auditor’s report to the members of South London Waste Partnership

Opinion on the Partnership accounting statements

I have audited the accounting statements of South London Waste Partnership for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South London Waste Partnership in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance’s Responsibilities, the Director of Finance 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Partnership’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Partnership; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.
Opinion on accounting statements
In my opinion the accounting statements:
■ give a true and fair view of the state of South London Waste Partnership’s affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
■ have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters
In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception
I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007.

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

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

Auditor’s responsibilities
I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Partnership has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Partnership’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the criteria for other local government bodies published by the Audit Commission in October 2010.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Partnership had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, South London Waste Partnership put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of South London Waste Partnership in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

XX September 2011
Appendix 2 – Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

<table>
<thead>
<tr>
<th>Adjusted misstatement - nature of adjustment</th>
<th>Comprehensive income and expenditure statement</th>
<th>Balance sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amended figures on balance sheet to include amounts that had not been correctly accrued.</td>
<td>Dr £000s: 2,773 (debtors) Cr £000s: 2,770 (creditors)</td>
<td>Dr £000s: 2,777 (debtors) Cr £000s: 3 (cash)</td>
</tr>
<tr>
<td>Amended figures on prior year balance sheet to include amounts that had not been correctly accrued.</td>
<td></td>
<td>Dr £000s: 2,257 (debtors) Cr £000s: 239 (cash)</td>
</tr>
<tr>
<td>Amended Note 9 to show all fees as relating to external audit services</td>
<td>Dr £000s: n/a Cr £000s: n/a</td>
<td>Dr £000s: n/a Cr £000s: n/a</td>
</tr>
<tr>
<td>Amended Note 12 to include creditors due to the Audit Commission, so it matches creditors disclosed in the Balance Sheet.</td>
<td>Dr £000s: n/a Cr £000s: n/a</td>
<td>Dr £000s: n/a Cr £000s: n/a</td>
</tr>
</tbody>
</table>
# Appendix 3 – Action plan

<table>
<thead>
<tr>
<th>Recommendations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 1</strong></td>
<td></td>
</tr>
<tr>
<td>Include all amounts that are unpaid or not received at the year-end as creditors and debtors in the Partnership's statements.</td>
<td></td>
</tr>
<tr>
<td><strong>Responsibility</strong></td>
<td>Capability Lead - Financial Accounting, Royal Borough of Kingston upon Thames</td>
</tr>
<tr>
<td><strong>Priority</strong></td>
<td>High</td>
</tr>
<tr>
<td><strong>Date</strong></td>
<td>March 2012</td>
</tr>
<tr>
<td><strong>Comments</strong></td>
<td>Work is underway to ensure the chart of accounts fully separates the Partnership trial balance from the RBK trial balance. This will ensure that all debtors and creditors to the Partnership are accounted for correctly. Additionally, processes have been reviewed to ensure all material accruals are correctly actioned.</td>
</tr>
</tbody>
</table>

| **Recommendation 2** |  |
| Review the requirements of the CIPFA Code of Practice on Local Authority Accounting each year and ensure that the financial statements reflect all relevant requirements. |  |
| **Responsibility** | Capability Lead - Financial Accounting, Royal Borough of Kingston upon Thames |
| **Priority** | High |
| **Date** | March 2012 |
| **Comments** | Responsibility for the production of the Partnership accounts has been moved to the Council's Financial Accounting team to ensure that all changes to accounting treatments and the CIPFA accounting framework are reflected in the Partnership's accounts. |
Appendix 4 – Glossary

Annual governance statement
A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate
A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion
On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:
■ whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
■ whether they have been prepared properly, following the relevant accounting rules.

Opinion
If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:
■ I find the statements do not give a true and fair view; or
■ I cannot confirm that the statements give a true and fair view.

Materiality and significance
The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.
‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

**Weaknesses in internal control**

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

**Value for money conclusion**

The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.
The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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