



Prosiect Gwyrdd

Statement of Accounts

2012/13

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Explanatory Foreword

1. Introduction

- 1.1 This document presents the Statement of Accounts for the Prosiect Gwyrdd Joint Committee. These are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by International Financial Reporting Standards (IFRS).
- 1.2 Prosiect Gwyrdd is a partnership between Caerphilly County Borough Council, the County Council of the City and County of Cardiff, Monmouthshire County Council, Newport City Council and the Vale of Glamorgan Council.
- 1.3 The partnership aims to deliver the best long term, environmentally sustainable and cost effective solution for waste after recycling and composting has been maximised. By all of the authorities working together on a regional basis, the partnership is seeking to maximise economies of scale and provide best value for the taxpayer in an area of service delivery that is complex, emotive and often attracts significant public interest, requiring extensive stakeholder engagement.
- 1.4 The five Local Authority partners signed a formal Memorandum of Understanding in July 2007 to deliver the work required in preparation for a procurement process to find a long-term solution for the treatment of their residual waste. In addition, funding was secured from the Welsh Government's Regional Capital Access Fund (RCAF), allowing the partnership to move forward and prepare a robust Outline Business Case.
- 1.5 Each of the partners secured approval from their respective Councils in the summer of 2009 to commence the formal procurement and the formation of the Prosiect Gwyrdd Joint Committee was confirmed on 31st July 2009.
- 1.6 The Joint Committee was formed by the five participating councils to carry out the functions set out in the Joint Working Agreement (JWA) which defines the Councils respective roles and responsibilities for the procurement phase of the Project. Each Council has appointed two elected member representatives to the Joint Committee, with the Chairperson being an elected member of the Lead Council. In addition a Joint Scrutiny Committee with representatives from the five participating councils has also been formed with a role to monitor and review the work of the Joint Committee.

- 1.7 The Authorities have agreed that Cardiff Council will be the Lead Council for the purposes of carrying out the procurement phase of the project. In addition, it has been agreed that all revenue costs associated with procurement will be met equally by the five partnering authorities. However, where appropriate, some costs such as the costs associated with the Optional Site, will be shared on a tonnage basis.
- 1.8 In addition, the Joint Working Agreement clearly sets out the financial remedies available to the Joint Committee should any partner decide to withdraw from the partnership whilst the project remains affordable, in terms of their approved Affordability Envelope. The clause sets out a potential liability cap of up to £3m per partner, which will be calculated taking into account the impact of delay and other costs that crystallise to the remaining partners.
- 1.9 Table 1 details the Joint Committee's elected membership as at 31st March 2013.

Table 1: Prosiect Gwyrdd Joint Committee Elected Membership as at 31st March 2013

Elected Member	Partner	Portfolio
Cllr David Poole	Caerphilly County Borough Council	Community and Leisure Services
Cllr Keith Reynolds	Caerphilly County Borough Council	Deputy Leader & Corporate Services
Cllr Russell Goodway	Cardiff Council	Finance, Business and Local Economy
Cllr Ashley Govier	Cardiff Council	Environment
Cllr Phil Murphy	Monmouthshire County Council	Finance & Performance Improvement
Cllr Bryan Jones	Monmouthshire County Council	County Operations
Cllr Gail Giles	Newport City Council	Licensing and Statutory Functions
Cllr Ray Truman	Newport City Council	Deputy Leader
Cllr Rob Curtis	Vale of Glamorgan Council	Environment and Visible Services
Cllr Neil Moore	Vale of Glamorgan Council	Leader and Corporate Management and Services

- 1.10 The Joint Committee is supported in its work by the Project Board, a fully resourced Project Team and appointed professional Technical, Legal, Insurance and Financial advisors.

- 1.11 At its meeting on 7th February 2013 the Prosiect Gwyrdd Joint Committee recommended to the Partner Councils that Viridor should be identified as the Preferred Bidder, to deliver an environmentally sustainable residual waste management solution for the Partnership. This recommendation was endorsed by the five individual partner authority Full Council meetings between 26th February and 6th March 2013.
- 1.12 Viridor signed the Preferred Bidder letter on the 28th March, with the Partnership signing on 4th April 2013. This letter outlines both parties agreement of the outstanding areas of “fine tuning” that needs to be completed before the Contract can be signed.

2 Summary of Financial Performance

2.1 The Summary of Financial Performance provides an analysis of the Joint Committee financial performance for the period 1st April 2012 to the 31st March 2013. Table 2 below gives a summary of the 'Actuals' against 'Budgets' analysed using the Chartered Institute of Public Finance and Accountancy (CIPFA) standard subjective groupings.

Table 2: Summary of Financial Performance (1st April 2012 to 31st March 2013)

	Original Budget	Revised Budget	Actual	Variance – Revised : Actual
	£	£	£	£
Expenditure				
Employees	283,215	359,112	310,873	(48,239)
Premises	38,530	43,050	43,060	10
Transport	1,700	1,750	1,317	(433)
Supplies & Services	640,563	739,934	643,503	(96,431)
Support Services	10,245	12,145	8,565	(3,580)
Gross Expenditure	974,253	1,155,991	1,007,318	(148,673)
Income				
Interest	0	0	(1,692)	(1,692)
WG Grant	(300,000)	(200,000)	(310,000)	(110,000)
Non-WG Grant	0	(15,000)	(18,000)	(3,000)
Contributions from Local Authorities	(226,540)	(369,040)	(369,040)	0
Net (Surplus) / Expenditure before appropriations (to) / from Reserves.	447,713	571,951	308,586	(263,365)
Appropriations (from) / to Joint Committee General Reserve.	(447,713)	(571,951)	(308,586)	263,365
Total Joint Committee	0	0	0	0

2.2 The Revised Budget reflects the slippage in the anticipated Financial Close date which is now projected to be the end of July 2013, compared with the end of December 2012 which was the Original Budget

assumption. The Revised Budget was therefore based on a provision for a full years expenditure in 2012/13 whereas the Original Budget assumption was that only 9 months of expenditure was required. A comparison between the Revised Budget and Actuals identify a number of variances and budget slippage. A summary of the key variances between the Revised Budget and the Actual for 2012/13 are detailed below:-

Project Team – reduction in Projected Outturn expenditure is a reflection of delays in filling vacancies and a prudent approach to estimating charges for support staff included in the Revised Budget. Some members of the Project Team also supported the Cardiff Organics Waste Procurement Project for which Prosiect Gwyrdd received income which was not included in the budget.

External Advisors – External Advisors expenditure is the single largest expenditure heading for the Project. The reduction in projected outturn expenditure relative to the Revised Budget is the result of a combination of the cautious projection prepared for the Revised Budget plus the realignment of the External Advisors Preferred Bidder related expenditure between financial years. A consequence of the latter factor is that additional External Advisors expenditure will be incurred in 2013/14 but it is anticipated that this expenditure slippage will be contained within the existing 2013/14 budgets supplemented by appropriate drawdowns from the carried forward Joint Committee Reserve account.

Other Project Costs – this projection now reflects the level of engagement activity undertaken in association with the Preferred Bidder announcement. The Revised budget projection modelled a number of potential scenarios which were not reflected in the activity subsequently undertaken.

Grant Funding - The Joint Committee has been successful in securing additional grant funding of £110,000 for 2012/13 financial year from the Welsh Government. In addition the initial grant of £15,000 from Waste Awareness Wales to assist in the funding of community engagement and communications activities in 2012/13 was increased by £10,000 to a maximum of £25,000. Table 1.0 above indicates that the projected outturn expenditure for engagement activity will be £18,000 and funding from WAW has been assumed to match this expenditure so a full drawdown of the WAW grant has not been assumed.

- 2.3 The net revenue deficit for the 2012/13 financial year of £308,586 has been transferred from the Joint Committee Reserve Account. This is a decrease of £263,365 compared with the Revised Budget projected drawdown of £571,951. The balance of the Joint Committee Reserve as at 31st March 2013 was £263,365.

3 Introduction to Accounting Statements

3.1 Statement of Accounting Policies

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

3.2 Statement of Responsibilities for the Statement of Accounts

This sets out the responsibilities of the Joint Committee and the arrangements for the preparation of the Statement of Accounts. The Statement is to be signed by the Joint Committee Chair on behalf of the Committee.

3.3 Comprehensive Income and Expenditure Statement

This statement is prepared in accordance with generally accepted accounting practices to record the day-to-day expenditure, on an accruals basis, on items such as salaries and wages, running costs of the service and income received to calculate the net operating expenditure of the Joint Committee.

3.4 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee analysed into 'usable reserves' and other reserves.

3.5 Balance Sheet

This statement shows the Prosiect Gwyrdd Joint Committee financial position as at the balance sheet date. Where relevant, it includes the fixed assets, current assets and liabilities of all activities of the Joint Committee together with the balances and reserves at its disposal.

3.6 Cash flow Statement

This summarises the inflows and outflows of cash arising from activities during the year which reconciles to the movement in the cash and cash equivalents.

3.7 Annual Governance Statement

This statement sets out the governance framework within which the Joint Committee conducts its affairs, including its arrangements for the management of risk.

Statement of Responsibilities for the Statement of Accounts

The Prosiect Gwyrdd Joint Committee Responsibilities

The Joint Committee is required to:

- make arrangements for the proper administration of its financial affairs and to secure that an appropriate officer has the responsibility for the administration of those affairs. In 2012/13, this officer was Christine Salter, Corporate Director Resources and Section 151 Officer of Cardiff Council who held the statutory post of Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Cllr Russell Goodway
Chairman
Prosiect Gwyrdd Joint Committee

Date

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Joint Committee's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ('the Code')

In preparing these financial statements, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

The Chief Finance Officer's Certificate

The financial statements present a true and fair view of the financial position of the Prosiect Gwyrdd Joint Committee at 31st March 2013 and its income and expenditure for the year ended **31st March 2013.**

Marcia Sinfield
Treasurer to Prosiect Gwyrdd Joint Committee
Interim Section 151 Officer
Cardiff Council

Date

Statement of Accounting Policies

In accordance with the Accounts and Audit (Wales) Regulations 2005, this Statement of Accounts summarises the Joint Committees transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by International Financial Reporting Standards (IFRS).

1. Debtors and Creditors

The revenue transactions of the Joint Committee are recorded on an accruals basis. All known debts due to the Joint Committee as at 31st March 2013 are taken into account, as are all known liabilities for goods received or work carried out by this date. Where there was insufficient information available to provide actual figures, estimated amounts have been included.

2. Inventories

The Joint Committee held no inventories as at 31st March 2013. Inventories previously held related to the Regional Focus Group Incentive retail vouchers but as these vouchers expired on 31st March 2012 their cost of £180 has been written-off in 2012/13 to reflect their nil realisable value post 31st March 2012.

3. Value Added Tax (VAT)

The Income and Expenditure Account has been prepared excluding Value Added Tax. The Committee is not separately registered for VAT and therefore the net value of VAT incurred is recoverable from HM Revenue and Customs under the umbrella of Cardiff Council's VAT registration.

4. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash payments are made or received. Where income 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.

5. Allocation of Central Departmental Support

A proportion of central departmental support of Cardiff Council is allocated to the Prosiect Gwyrdd Joint Committee by the most appropriate method for that particular support service, e.g. Staff time, number of licences, number of transactions, number of PCs etc. The information used to allocated Support Service costs is to be reviewed annually

6. Retirement Benefits

The Joint Committee does not have the legal power to directly employ staff. Staff involved in Joint Committee activities are therefore employed by a constituent authority. Each constituent authority participates in a defined benefit pension scheme. The Joint Committee meets the cost of the actual pension contributions and accounts for them in the income and expenditure account. Pension costs are therefore accounted for as if contributions had been made to a defined contribution pension scheme because it is not possible to determine the underlying assets and liabilities in the schemes relating to the staff involved in Joint Committee activities on a reasonable and consistent basis. Therefore, no liability for future payments of benefits is recognised in the Balance Sheet. The resultant assets and liabilities relating to Prosiect Gwyrdd employees are included within the Balance sheet of the respective employing authority.

7. Grants and Contributions

Revenue grants and contributions received are matched to the expenditure to which they relate. Government grants are accounted for on an accruals basis and recognised in the accounting statements when the conditions of their receipt have been complied with and there is reasonable assurance that the grant will be received.

Where grants are received or receivable that have conditions attached to them that have not been satisfied and are unlikely to be satisfied then this element will be shown as a creditor in the accounts.

8. Events after the Reporting Period

Events after the reporting period 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 events 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.

9. Cash and Cash equivalents

The Joint Committee does not hold its own bank account so all income and expenditure is handled by the Lead Authority through its own bank balance. Therefore, the amount shown as cash in the balance sheet represents the inter-authority cash held by the Lead Authority on behalf of the Joint Committee.

Comprehensive Income and Expenditure Statement for the year ended 31st March 2013			
2011/12		2012/13	Note
£		£	
	Expenditure		
338,353	Employees	311,269	1.0
43,040	Premises	43,060	2.0
1,314	Transport	1,317	
797,640	Supplies and Services	643,503	
4,732	Support Services	8,565	3.0
1,185,079	Net Cost of Services	1,007,714	
	Interest Payable and Similar Charges		
0	Interest and Investment Income	(1,692)	4.0
(1,918)			
1,183,161	Net Operating Expenditure	1,006,022	
	Income		
0	Welsh Government Grant	(310,000)	
0	Non-Welsh Government Grant	(18,000)	
(880,140)	Contributions from Local Authorities	(369,040)	5.0
303,021	Net (Surplus)/Deficit on Provision of Services	308,982	

There have been no other gains or losses during the year

**Movement in Reserves Statement for the year ended
31st March 2013**

	Usable General Reserve £	Unusable Reserves £	Total Reserves £
Balance at 31st March 2012	571,951	(1,320)	570,631
Surplus/(Deficit) for the Year on the Income and Expenditure Account	(308,982)		(308,982)
Appropriation to / (from) Accumulated Absences Account	396	(396)	
Net Transfer to/(from) General Reserve	(308,586)	(396)	(308,982)
Balance at 31st March 2013	263,365	(1,716)	261,649

Balance Sheet as at 31st March 2013

2011/12 £		2012/13 £	Note
	Property, Plant & Equipment		
0	Operational Assets	0	
0	Land & Buildings	0	
0	Assets Under Construction	0	
0	Vehicles, Plant, Furniture & Equipment	0	
0		0	
	Current Assets		
180	Inventories	0	6.0
698,592	Short-term debtors	161,866	8.0
73,224	Cash and Cash Equivalents	294,813	
771,996		456,679	
	Current Liabilities		
(201,365)	Short-term creditors	(195,030)	9.0
570,631	NET ASSETS	261,649	
	Represented By:		
	Usable Reserves:		
571,951	Joint Committee Reserve	263,365	10.0
	Unusable Reserves:		
(1,320)	Accumulated Absences Account	(1,716)	7.0
570,631	TOTAL RESERVES	261,649	

Cashflow Statement for the Year Ended 31st March 2013

2011/12 £		2012/13 £
	Operating Activities	
	Cash Outflows	
338,353	Cash Paid to and on Behalf of Employees	315,635
792,423	Other Operating Cash Payments	698,234
1,130,776	Cash outflows generated from operating activities	1,013,869
	Cash Inflows	
(130,000)	Cash Received from Welsh Government Grant	(310,000)
(775,432)	Contributions from Local Authorities	(923,766)
(1,918)	Interest Received	(1,692)
(907,350)	Cash inflows generated from operating activities	(1,235,458)
223,426	Net cash flows from operating activities	(221,589)
223,426	Net (increase)/decrease in Cash and Cash Equivalents (See Note 13)	(221,589)
296,650	Cash and cash equivalents at the beginning of the reporting period	73,224
73,224	Cash and cash equivalents at the end of the reporting period	294,813

Cardiff Council administers all cash transactions as the Joint Committee does not operate its own bank account. Interest Receivable/Payable is calculated on all Joint Committee transactions during the year.

Notes to the Statement of Accounts

Note 1 - Officers Emoluments

- 1.1 Under the Accounts and Audit (Wales) Regulations 2005, as amended, Local Authorities and Joint Committees must disclose in their accounts the number of officers whose total remuneration exceeded £60,000 (listed in ranges, in multiples of £5,000). For the purpose of this disclosure, remuneration includes Gross Pay, Employer's National Insurance Contributions, Redundancy payments etc., but excludes Employer's Pension Contributions.
- 1.2 During 2012/13, total expenditure on staff was £310,859. Within this amount no single employee received remuneration above £60,000. (2011/12 – no single employee received remuneration above £60,000.)

Note 2 - Premises

- 2.1 Premises expenditure includes the cost of the annual option payment of £25,000 for the Welsh Government owned site plus the rent of £18,060 for the office space used by Prosiect Gwyrdd Project Team at Cardiff Councils Lamby Way depot.

Note 3 - Support Services

- 3.1 A proportion of central departmental support of Cardiff Council is allocated to the Prosiect Gwyrdd Joint Committee by the most appropriate method for that particular support service, e.g. Staff time, number of licences, number of transactions, number of PCs etc. The information used to allocated Support Service costs are reviewed annually.

Note 4 - Interest and Investment Income

- 4.1 The interest was received in respect of the cash balance held by Cardiff Council on behalf of the Joint Committee during the year. The average rate of interest for the year was 0.39% in line with the 7 day LIBID (London Interbank Bid) rate.

Note 5 - Contributions Received

- 5.1 The JWA provides for contributions towards estimated expenditure for each year to be notified in advance to each Authority, and to be made in one annual instalment – (Clause 7.9 of the JWA).
- 5.2 The contribution provided by the 5 Local Authorities for the period to the 31st March 2013 was as shown in Table 3 below.

Table 3: 2012-13 Partner Contributions

Authority	2011/12 Total Contributions £	2012/2013 Revenue Contributions £	2012/2013 Optional Site Contributions £	2012/2013 Total Contributions £
Caerphilly CBC	175,528	68,808	4,500	73,308
Cardiff Council	181,528	68,808	10,500	79,308
Monmouthshire CC	173,528	68,808	2,500	71,308
Newport CC	174,778	68,808	3,750	72,558
Vale of Glamorgan Council	174,778	68,808	3,750	72,558
TOTAL	880,140	344,040	25,000	369,040

5.3 Since the project's inception all partnering Councils have contributed equally to the cost of project revenue expenditure after applying the approved level of grant funding. Partner contributions relating to the acquisition of the optional site are based on a projected tonnage basis rather than being shared equally.

Note 6 – Inventories

6.1 Inventories relate to the Regional Focus Group Incentive retail vouchers. These vouchers expired on 31st March 2012 and so their cost of £180 was written-off in 2012/13 to reflect their nil realisable value post 31st March 2012.

Note 7 – Accumulated Absences Account

7.1 IFRS introduced a requirement to accrue for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that there is no impact on contributions paid by the partner Local Authorities. This account does not represent a usable resource for the Joint Committee with the account being an Unusable Reserve earmarked for the payment of the Accrued employee benefits.

Note 8 - Short Term Debtors

8.1 Short Term Debtors in the Balance Sheet consist of:

Table 4: 2012/13 Debtors

	2011/12	2012/13
	£	£
Central Government Bodies	0	0
Other Local Authorities	698,592	143,866
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	0	18,000
	698,592	161,866

8.2 Other Local Authorities Debtors comprise Partner Local Authority Revenue Contributions that were invoiced but unpaid as at 31st March 2013.

Note 9 - Short Term Creditors

9.1 Short Term Creditors in the Balance Sheet as at the 31st March 2013 were as follows:

Table 5: 2012/13 Creditors

	2011/12	2012/13
	£	£
Central Government Bodies	0	31,680
Other Local Authorities	49,511	27,410
NHS Bodies	0	0
Public Corporations and Trading Funds	21,120	0
Other Entities and Individuals	130,734	135,940
	201,365	195,030

Note 10 - Joint Committee Reserve

10.1 The Joint Committee Reserve Balance being carried forward as at 31st March 2013 (£263,365), relates to the deficit from the current financial year (£308,982) plus the Reserve brought forward from 31st March 2012

(£571,951) less an adjustment for the accumulated absences account (£396).

10.2 The accumulation of a substantial reserve balance is largely in-line with the budget strategy approved by the Joint Committee in December 2009 and reconfirmed in December 2010. The Partner Authorities agreed to pay their full 2012/13 budgeted contributions on the basis that any surplus would be held by the Joint Committee and used to reduce the level of Partner contributions required in future years, thereby minimising any future budgetary impact.

10.3 The Joint Committee Reserve Balance is an integral element of the sources of funding identified to support the overall Project Budget to the end of the procurement process.

Note 11 - Related Party Transactions

11.1 The Joint Committee has a duty to disclose any material transactions with a "related party". This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

11.2 Prosiect Gwyrdd is managed and administered by the Prosiect Gwyrdd Joint Committee. The Joint Committees terms of reference and powers delegated to it are set out in the JWA dated 12th October 2009.

11.3 Cardiff Council is the Lead Procurement Authority for the procurement stage of the project and as such is responsible for the financial and administrative arrangements relating to the Joint Committee's financial affairs.

11.4 Under the terms of the JWA any of the five Local Authority partners may provide support to the Joint Committee to assist it in discharging its responsibilities. In the period ending 31st March 2013, the following Related Party Transactions were recorded:

Table 6: Related Party Transactions for the Year ending 31st March 2013

	2011/12	2012/13		
Authority	Net £	Income £	Expend. £	Related Party Details
Caerphilly CBC	(117,539)	(73,308)	52,226	Funding, Procurement Staff and website costs
Newport CC	(148,764)	(72,558)	26,597	Funding, Committee Services, Drop- in session and Optional Site expenditure
Cardiff Council	914,410	(81,000)	928,495	Funding, Interest Income and all other project expenditure
Monmouthshire CC	(173,528)	(71,308)		Funding
Vale of Glamorgan CC	(174,778)	(72,558)		Funding
TOTAL	299,801	(370,732)	1,007,318	

Balances due from or to these related parties at the year end are as follows:

	2011/12	2012/13	
Authority	Net £	Debtors £	Creditors £
Caerphilly CBC	(145,071)		26,254
Newport CC	(173,764)		1,156
Cardiff Council	18,040		
Monmouthshire CC	(173,528)	(71,308)	
Vale of Glamorgan CC	(174,778)	(72,558)	
TOTAL	(649,101)	(143,866)	27,410

Note 12 - External Audit Costs

12.1 In 2012/13 the Joint Committee incurred estimated External Audit costs of £3,000. The amount incurred in 2011/12 was £2,500.

Note 13 - Reconciliation of Comprehensive Income and Expenditure Statement to Cashflow Statement

2011/12 £		2012/13 £
303,021	Income and Expenditure Account (Surplus)/Deficit	308,982
(54,303)	(Increase)/Decrease in Creditors	6,335
(25,292)	Increase/(Decrease) in Debtors	(536,726)
0	Increase/(Decrease) in Stocks	(180)
223,426	Cash (Inflow)/Outflow from Revenue Items	(221,589)

Note 14 – Events After the Reporting Period

14.1 There were no material events after the reporting period.

14.2 Prosiect Gwyrdd signed the Preferred Bidder letter on 4th April 2013, Viridor had signed on 28th March 2013. This letter outlines both parties agreement of the outstanding areas of “fine tuning” that needs to be completed before the Contract can be signed.

14.3 At its meeting on June 19th 2013 Project Board noted that the Projected Financial Close date is now expected to be the end of September 2013, previously end of July.

Note 15 – Date of Authorisation of the Accounts for Issue

15.1 This Statement of Accounts was authorised for issue on 23rd September 2013 by Marcia Sinfield, Treasurer to the Prosiect Gwyrdd Joint Committee. Events after the reporting period have been considered up to this date.

Annual Governance Statement 2012/13: Prosiect Gwyrdd Joint Committee

Scope of Responsibility

The five Local Authorities had each determined to set up the Joint Committee and proceed with the Procurement by decisions made by their respective Cabinets and Councils. The last such decision was made on 30th July 2009 and the Joint Committee is deemed to have become operational on 31st July 2009. The scope of responsibility was to oversee the progress and implementation of the Project, to give the Project strategic direction and to deliver those Procurement Milestones delegated to the Joint Committee by the Partner Councils.

In discharging this overall responsibility, Prosiect Gwyrdd is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Joint Committee has approved and adopted a code of corporate governance, which is, where relevant, consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Prosiect Gwyrdd complied with the Governance Framework and also meets the requirements of the Accounts and Audit Regulations 2005.

The Purpose of the Governance Framework

The Governance Framework comprises the systems, processes, culture and values by which the Project is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Project 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 is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Project's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The following paragraphs summarise the core principles of Prosiect Gwyrdd's Governance Framework and reflects the arrangements in place to meet the relevant core principles of effective governance.

Prosiect Gwyrdd's Governance Framework

The Partner Councils have determined that the Project structures its governance arrangements on the basis of a Joint Committee with a Lead Authority. These arrangements are established pursuant to the powers in section 101 of the Local Government Act 1972. The Councils have agreed that Cardiff Council will be the lead authority for the purposes of carrying out the procurement.

The Joint Committee is the key body which oversees the Project and represents the interests of the Councils and its Stakeholders. The Joint Committee is also responsible for monitoring Project progress and managing the political dimensions of the Project.

Each Council has appointed two elected, executive member representatives to the Joint Committee, with the Chairperson being the Cabinet member for the Finance, Business and Local Economy portfolio for Cardiff Council.

The key governance document is the Joint Working Agreement (JWA) which sets out:-

- Partner Authorities responsibilities and obligations
- The Joint Committee terms of reference
- The Project Board terms of reference
- Decision Making powers at these different hierarchical governance levels

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Prosiect Gwyrdd was established to consider the future arrangements for the management of residual waste across the five local authorities of Caerphilly, Cardiff, Monmouthshire, Newport and the Vale of Glamorgan in South-East Wales. The JWA identifies the key tasks and procurement stages the project will undertake – the 'Procurement Milestones' – in order to procure a residual waste treatment solution for the Councils.

Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Responsibility for decision making in relation to the functions of Prosiect Gwyrdd are clearly set out in the JWA.

The JWA sets out those matters that are reserved for the Councils, those matters that can be determined by the Joint Committee and those matters that can be determined by the Project Board.

'Matter Reserved To The Councils' – being a matter identified as such in the Procurement Milestones which will have to be referred to each Council for decision and, for the avoidance of doubt, any such matter will not be dealt with by the Project Board or the Joint Committee (as the case may be) until the matter has been determined by all the Councils. If the Councils fail to reach

the same decision in respect of such matter then the matter shall be referred under a dispute for resolution.

‘Joint Committee Matter’ – being a matter which is to be decided upon at a quorate meeting of the Joint Committee by those present and entitled to vote and any such decision will be binding on all the Councils. For the avoidance of doubt, the Joint Committee may determine that any Joint Committee Matter or any Project Board Matter may be referred back to each Council for decision.

The Joint Committee is supported in its work by the Project Board, a fully resourced Project Team and appointed professional Technical, Legal and Financial advisors.

The Joint Committee will also carry out the following functions;

- Provide strategic direction to the Project Board (to include approval of remit for the Project Board and approval of any resourcing issues);
- Act as a representative for each Council’s Executive/Cabinet to ensure consistency with individual objectives and visions;
- Monitor Project performance, management and working arrangements (to include the necessary audit and assurance checks);
- Ensure that sufficient resources are committed to the Project;
- Arbitrate on any conflicts within the programme or negotiate a solution to any problems between the programme and external bodies;
- Communicate and provide progress on strategic issues within the Project;
- Promote Partnership working between the Councils.

‘Project Board Matter’ – being a matter which is to be decided upon at a quorate meeting of the Project Board by those present and entitled to vote and any such decision will be binding on all the Councils;

It has been agreed that the Joint Committee will follow the principles of the Lead Authority’s Financial and Contract Procedure Rules and their Scheme of Delegations.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

As Cardiff is the lead authority Prosiect Gwyrdd is primarily following Cardiff Council policies and procedures. Cardiff Council’s values have been actively communicated across the Project and the Council’s performance and development arrangements have been adopted which include specific tools to support staff in reflecting on how best to bring these behavioural values to life in their day to day work. Staff would have undertaken induction training which provides information on a range of policies, procedures and regulations

including those relating to financial control, Health & Safety, Equalities and IT Security.

The lead authority takes fraud, corruption and maladministration very seriously and has the following policies to prevent, and deal with, such occurrences:

- Whistleblowing Policy
- Anti-Fraud, Anti-Corruption and Bribery Policy.
- HR policies regarding disciplinary of staff involved in such incidents;

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Responsibility for decision making in relation to the functions of Prosiect Gwyrdd are clearly set out in the JWA and these have been outlined above.

The JWA, and Project Plan, include key milestones to be met which are monitored on a regular basis through reports to the Project Board. This allows all Partner Authorities to track progress against the key objectives, monitor performance against milestones and inform remedial action where required. External Quality Assurance is also obtained from the Welsh Government appointed Partnerships UK Transactor, whilst OGC Gateway Reviews have been undertaken at previous stages of the procurement.

The Joint Committee meeting on 7th February 2013 was especially significant in terms of procurement milestones as this meeting recommended the approval of Viridor as the Preferred Bidder and associated Joint Working Agreement 2 (JWA2) and Final Business Case (FBC) documents to the Partner Councils. In turn the five Partner Councils approved the Joint Committee recommendations between February 26th and 6th March 2013.

A Member Joint Scrutiny Panel operates whose terms of reference include a role in ensuring the Project decision making process adheres to the published evaluation criteria and process. The Joint Scrutiny Panel met on 13th February 2013 to consider the Joint Committee's Preferred Bidder recommendations.

Highlight reports to Project Board also include assessment of the key risks and their mitigations and sets out the challenges and issues for the forthcoming stage of the procurement process.

In addition the Project maintains a comprehensive risk register that identifies all of the Projects Risks and this document was included in the Final Business Case (FBC) approved by the full Councils of the Partnership in February / March 2013.

The project has in place an approved Project Budget, which details the resources needed, allocated over financial years, to the end of the procurement. The Budget report approved by the Joint Committee in December 2012 also included indicative budgets for the post-procurement transitional monitoring and contract management activities covering the period up to 2016/17 financial year.

Project officers are acutely aware of the need to maximise value for money from the approved resources. Therefore, the Project Budget is reviewed annually as part of the annual budget setting process, to review the adequacy of existing resources and to review and re-align resources, where appropriate to do so.

All key resource commitments are reviewed on a regular basis, especially externally procured advisor support, which is reviewed as part of a regular programme of detailed financial monitoring reports.. All resources, but particularly advisor support, are subject to a level of scrutiny and challenge to ensure that the partnership secures continuous improvements and value for money.

The system of financial management is based on a framework of regular management information, Financial Procedure Rules within the Lead Authority's Constitution and a system of delegation and accountability. The Prosiect Gwyrdd Project budget is managed within this framework.

Financial Reports in terms of forecasting and budget monitoring have been regularly presented to the Prosiect Gwyrdd Joint Committee and Project Board , broadly in-line with the requirements of the JWA.

Cardiff Council's Interim Section 151 Officer, has overall responsibility for the financial administration of the Joint Committee in her role as Treasurer to the Joint Committee. The Joint Committee's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Developing the capacity and capability of Members and Officers to be effective

Prosiect Gwyrdd staff participates in Cardiff Council's Personal Performance and Development scheme through which each member of staff has regular structured opportunities to discuss their objectives, performance against those objectives, and their development needs and aspirations.

Prosiect Gwyrdd also benefits from its new staff attending an induction programme to introduce them to the Cardiff Council and its values, objectives, policies and procedures.

A number of workshop sessions for Project Board have been developed to explore issues arising from the procurement, of particular significance in the 2012/13 financial year was their review of commercial positions undertaken before the close of dialogue. In addition Project Team members have received specific Competitive Dialogue training.

Following the Local Authority elections in May 2012 the membership of the Joint Committee changed significantly with 8 new Members, out of 10, joining the Joint Committee. A number of informal briefing meetings were held with the Joint Committee in this post election period. The summer of 2012 also

saw a series of Members briefings for each of the Partner Councils recognising that this procurement was new to lots of members recently elected in the May 2012 elections.

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

The procurement of a major waste facility will be large scale and complex exercise which will impose obligations on the Project to protect the commercial confidentiality of bidders solutions and which will as a consequence restrict the availability of information that can be released to stakeholders.

Working within these constraints the Project has extensively engaged with local stakeholders through the following events:-

- A series of Roadshows and drop-in information sessions in each of the constituent Council areas have been run.
- Following the Preferred Bidder announcement four drop-in sessions were held jointly with Viridor in the vicinity of the proposed facility site, two in Splott and two in Cardiff Bay. These were followed by a further drop-in session in each of the other four Partner Councils during March 2013.
- A Focus Group with residents from across the five authority areas has been established.
- In addition a dedicated website for the Project has been developed – www.prosiectgwyrdd.co.uk -

Review of Effectiveness

Regulation 4 of the Accounts and Audit (Wales) Regulations 2005 requires authorities to carry out an annual review of the effectiveness of the system of internal control.

The review of the effectiveness of the system of internal control is informed by:-

- The senior managers within the Project and the Project Board who have responsibility for the development and maintenance of the internal control environment;
- The external auditors and other review agencies and inspectorates;
- The work of Internal Audit;
- Comments made by the public in the form of questions, complaints or ombudsman matters;
- The outcome of any Scrutiny reviews;
- Views or comments from the Joint Committee or any constituent Council.

An Internal Control Self Assessment

For 2012/13 Project Board have considered and completed a Senior Management Assurance Statement on internal control arrangements within the Project. The Project Board are responsible for monitoring and reviewing internal controls as an integral part of the risk management process.

Significant issues and risks were considered on highlight reports presented at Project Board meetings throughout the financial year.

External Audit and Inspection

External Audit is provided by the Wales Audit Office (WAO). The findings from WAO's audit of the 2011/12 Statement of Accounts include that it did not identify any material weaknesses in Prosiect Gwyrdd's internal controls and an unqualified audit report on the financial statements were issued.

The Office of Government Commerce (OGC) Gateway Review teams can provide independent reviews at various stages of the procurement. No reviews were scheduled or undertaken in 2012/13 and none are planned for 2013/14.

Internal Audit

An Internal Audit service to the Project has been provided by Cardiff Council's Internal Audit Section. For 2012/13 no Internal Audit work was completed with programmed work continuing into 2013/14. Future costs of providing this service will be recovered from Prosiect Gwyrdd through a time based Central Support Service charge. During the audit work previously undertaken no significant concerns about the adequacy of financial controls or any significant matters of governance were identified.

Other Sources of Assurance

As part of the Memorandum of Understanding signed between the Welsh Government and the Partnership, the project is assigned a dedicated Transactor (seconded from Partnerships UK). In addition, the project has access to a number of other project officers from within the Waste Procurement Project Office (WPPO) in the Welsh Government. The Transactor is a member of the Project Board and has a key role in terms of monitoring progress and providing assurance. In essence, the Transactor acts as a 'critical friend' ensuring that the project is progressing effectively and that decisions are consistent with the terms and condition previously agreed with the Welsh Government as part of the funding agreement.

The Project also shares information with other projects in Wales and obtains lessons learnt from projects in England that have already delivered partnerships and residual waste contracts.

During July 2012 the WPPO team undertook a “Healthcheck” review on behalf of the Welsh Government to confirm that the Project was in a position to close dialogue and Call for Final Tender submissions from the two remaining bidders.

Significant Governance Issues

The Highlight Reports presented to Project Board during 2012/13 included an analysis of the key risks facing the Project and an assessment of the ‘direction of travel’ for that risk. For 2012/13 the following significant issues were identified and the action implemented to mitigate that risk :-

Potential Delays to the Procurement timetable

Action implemented - Review of budget, including additional Partner Contributions for 2012/13 and 2013/14, to meet revised timetable with relevant financial and legal implications clearly documented in December 2012 report to Joint Committee.

Maintaining Competitive Tension

Action implemented - Commercial confidentiality of the information submitted by the two Call for Final Tender (CFT) bidders emphasised to Members, particularly during the Full Council approval process.

Commercial issues raised by Preferred Bidder during fine tuning.

Action implemented - Preferred Bidder letter now signed by Viridor which outlines outstanding items to be resolved during fine tuning phase. .

The Project both receiving and sending increasingly significant commercial information and documents as it moves through the procurement process.

Action implemented – A review and re-affirmation of the process for, in particular, providing information to the bidders as well as the dissemination of documents and information received from the bidders.

The following risks were identified in the 2011/12 document and the resulting outcome from the action taken to mitigate that risk is listed below :-

1. **Potential Delays to the Procurement timetable**
2. **Potential withdrawal of participant from bidding process**
3. **Insufficient political support leading to problems at key Joint Committee and Council decisions**
4. **The Project both receiving and sending increasingly significant commercial information and documents as it moves through the procurement process.**

With regard to 1. and 4. these are included as on-going risks in the 2012/13 analysis. For 2. both remaining Call for Final Tender (CFT) participants submitted final bids in October 2012.

For 3. all five Partner Councils approved the recommendation from the Joint Committee to appoint Viridor as the Preferred Bidder in at their full Council meetings in February and March 2013.

Monitoring

The JWA provides for relevant matters to be reported to the Joint Committee so that these matters can be monitored and reviewed. In addition, the above significant issues will be regularly monitored and considered further by Project Board including as part of the annual assessment of the Annual Governance Statement.

Project Board were also encouraged to identify any “new” issues for inclusion in the 2012/13 assessment of Internal Control.

Certification by the Chair of the Joint Committee and the Senior Responsible Officer (SRO)

The Treasurer to the Joint Committee and the Project Board are content that the process followed has been robust and has ensured the engagement of the Project Director and the Project Team.

Project Board will continue to review the effectiveness of the systems of internal control and the plans to provide improvements in review processes, address weaknesses to ensure continuous improvement of the system of internal control are in place.

On the basis of this process, the legal and financial advice of the statutory officers, and the Project’s Policies and working arrangements we certify that we approve the Annual Governance Statement 2012/13.

Date:

**Councillor Russell Goodway
Chair, Prosiect Gwyrdd Joint Committee**

Date:

**Andrew Kerr
Senior Responsible Officer, Prosiect Gwyrdd**

Independent auditor's report to the Prosiect Gwyrdd Joint Committee

I have audited the accounting statements and related notes of the Prosiect Gwyrdd Joint Committee for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

Prosiect Gwyrdd Joint Committee's accounting statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

This report is made solely to the Prosiect Gwyrdd Joint Committee in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose as set out in the *Statement of the Responsibilities* prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the Chief Finance Officer is responsible for preparing the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes 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 accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Prosiect Gwyrdd Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword and Summary of Financial Performance to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the Prosiect Gwyrdd Joint Committee

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Prosiect Gwyrdd Joint Committee as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword and the Summary of Financial Performance for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Annual Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Prosiect Gwyrdd Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
CARDIFF
CF11 9LJ

Date: 24th September 2013

The maintenance and integrity of Prosiect Gwyrdd web site is the responsibility of Caerphilly County Borough Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.