



**Gareth Owens LL.B Barrister/Bargyfreithiwr**  
Head of Legal and Democratic Services  
Pennaeth Gwasanaethau Cyfreithiol a Democraidd

To: Councillor Eryl Williams (Chairman)

CS/NG

Councillors: Aaron Shotton, Kevin Jones, Dave  
Cowans, Michael Priestley, David Smith,  
W. G. Roberts, John Wynn Jones, Richard Dew  
and J. Arwel Roberts

24 July 2014

Nicola Gittins 01352 702345  
nicola.gittins@flintshire.gov.uk

Dear Sir / Madam

The Annual Meeting of the **NORTH WALES RESIDUAL WASTE JOINT COMMITTEE** will be held in the **COUNCIL CHAMBER, COUNTY HALL, WYNNSTAY ROAD, RUTHIN, LL15 1YN** on **THURSDAY 31 JULY** at **10.30AM** to consider the following items.

Yours faithfully

Democracy & Governance Manager

## **AGENDA**

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST**
- 3 **APPOINTMENT OF CHAIRMAN AND VICE CHAIRMAN TO THE JOINT COMMITTEE**
- 4 **APPROVAL OF PREVIOUS MINUTES**

---

County Hall, Mold. CH7 6NA  
Tel. 01352 702400 DX 708591 Mold 4  
[www.flintshire.gov.uk](http://www.flintshire.gov.uk)  
Neuadd y Sir, Yr Wyddgrug. CH7 6NR  
Ffôn 01352 702400 DX 708591 Mold 4  
[www.siryfflint.gov.uk](http://www.siryfflint.gov.uk)

The Council welcomes correspondence in Welsh or English  
Mae'r Cyngor yn croesawau gohebiaeth yn y Cymraeg neu'r Saesneg

5 **MATTERS ARISING FROM PREVIOUS MEETING**

6 **OVERVIEW:**

**6.1) PROJECT PROGRESS REPORT (REPORT)**

7 **PROJECT MANAGEMENT MATTERS:**

**7.1) RISK REGISTER (REPORT)**

**7.2) COMMUNICATIONS UPDATE (REPORT)**

**7.3) STATEMENT OF ACCOUNTS (REPORT)**

**7.4) ANNUAL GOVERNANCE STATEMENT (REPORT)**

8 **PROGRESS:**

**8.1) 2<sup>ND</sup> INTER AUTHORITY AGREEMENT (REPORT)**

**8.2) FINAL BUSINESS CASE (VERBAL REPORT)**

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO  
CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC**

The following item is considered to be exempt by virtue of Paragraph(s) 14 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

The contract process is still underway and would be prejudiced by making public at this stage

**8.3) PROCUREMENT UPDATE AND FINANCIAL CLOSE WITH WTI  
(REPORT)**

9 **ANY OTHER BUSINESS**



## **NORTH WALES RESIDUAL WASTE JOINT COMMITTEE**

Minutes of the meeting of the Joint Committee held at County Hall, Mold,  
Flintshire County Council on Wednesday, 29 January 2014

### **PRESENT:**

Councillor Eryl Williams (Chairman) – Denbighshire County Council  
Councillor Mike Priestley (Vice-Chairman) – Conwy County Borough Council  
Councillor Dave Cowans – Conwy County Borough Council  
Councillor Richard Dew – Isle of Anglesey County Council  
Councillor Kevin Jones – Flintshire County Council  
Councillor William G. Roberts – Gwynedd County Council  
Councillor David Smith – Denbighshire County Council

### **ALSO PRESENT:**

#### **Flintshire County Council**

Chris Cohen (Lead Finance Officer), Colin Everett (Lead Chief Executive),  
Kerry Feather (Section 151 Officer), Carl Longland (Environment Director),  
Gareth Owens (Monitoring Officer) and David Webster (Internal Audit  
Manager).

#### **Denbighshire County Council**

Steve Parker (Head of Environment)

#### **Conwy County Borough Council**

Andrew Kirkham (Strategic Director – Finance and Efficiencies), Andrew  
Wilkinson (Head of Neighbourhood Services)

#### **Gwynedd Council**

Dilwyn Williams (Corporate Director)

#### **Isle of Anglesey County Council**



Meirion Edwards (Lead Technical Officer) and Dewi Williams (Head of Service – Highways and Waste Management).

### **North Wales Residual Waste Treatment Project**

Stephen Penny (Project Director) and Steffan Owen (Project Manager).

### **Local Partnerships UK**

Huw Roberts (Advisor)

### **Grant Thornton**

Saeefar Rehman

### **Amec**

Alex Green

### **Pinsent Masons**

John Bruce

Gemma Helliwell

## **1. APOLOGIES**

Apologies for absence were received from Councillor Aaron Shotton (Flintshire County Council), Councillor John Wynn Jones and Medwyn Williams (Gwynedd County Council) and Councillor J. Arwel Roberts (Isle of Anglesey County Council).

## **2. DECLARATIONS OF INTEREST**

None.

## **3. APPROVAL OF PREVIOUS MINUTES**



The minutes of the meeting of the North Wales Residual Waste Joint Committee held on the 3 September, 2013 were submitted for approval.

**RESOLVED:**

**That the minutes of the meeting of the North Wales Residual Waste Joint Committee held on 3 September, 2013 be approved as a correct record.**

**4. MATTERS ARISING FROM THE PREVIOUS MEETING**

There were no matters arising.

**5. PROGRESS REPORT (SO REPORT)**

The Project Manager presented the progress report and advised that all actions would be covered in the remaining agenda items.

**RESOLVED:**

That the report be noted.

**6. RIR – RISK STATUS UPDATE (SP REPORT)**

The Project Director presented the Risk Register report which highlighted some of the amendments to the risk register that had been made to reflect the current understanding of risks and mitigation measures that were in place.

The Project Director reported that there were 5 new risks identified with four previous risks being closed as no longer relevant. Details of the new risks were shown in the report.



**NWRWTP**

North Wales Residual Waste Treatment Project

Colin Everett, Chief Executive (Flintshire County Council), advised that there had been a change to risk PO4 arising from the publication by Welsh Government (WG) of the Environment Bill Consultation White Paper which included a proposal to provide Ministers with the powers to ban certain uncontaminated materials from being processed at EfW's. The WG had since confirmed that the ban was not intended to be considered for waste which had already been separated for recycling.

**RESOLVED:**

That the updated Risk Register for the project be noted.

**7. COMMUNICATIONS UPDATE (VERBAL UPDATE)**

The Project Manager updated Members on communication matters concerning the North Wales Residual Waste Treatment Project (NWRWTP). There had been one press article reporting on the NWRWTP meeting today. He said that copies of the press article could be made available to Members on request.

**RESOLVED:**

That the Communication Update be noted.

**8. BUDGET UPDATE (KF REPORT)**

Chris Cohen, Lead Finance Officer (Flintshire County Council) presented to Members, the revised budget for 2013/14 together with the budget to the procurement stage of Financial Close for 2014/15 for approval be each Partnership Council.

The Joint Committee approved a project budget to the stage of Preferred Bidder selection at it's meeting in July, 2013. At the September,



**NWRWTP**

North Wales Residual Waste Treatment Project

2013 meeting the Project Manager had advised Members that as a result of the additional work undertaken there would be an increase in expenditure and the project budget would have to be re-visited.

Members were advised that the approved 2013/14 budget had been reviewed in the light of actual expenditure incurred to date (December 2013). The project team have also assessed the input required from advisors to get to the point of Financial Close as shown in the report.

In response to a question on the project timetable, the Project Manager advised Members that the project procurement programme had been revised with Financial Close scheduled to be completed during June, 2014.

**RESOLVED:**

- (a) That the proposed 2013/14 revised budget of £595,558 be approved;
- (b) That each Partnership Council be recommended to approve expenditure of £321,066 to take the procurement process to the final stage of Financial Close.
- (c) That the ongoing project budget requirements as set out in section 3.5 of the report be noted.

**9. PARTNERSHIP AGREEMENT ITEMS**

**a – Second Inter Authority Agreement**

Gareth Owens, Monitoring Officer (Flintshire County Council) introduced a report which sought approval for the key principles for the 2<sup>nd</sup> Inter-Authority Agreement (IAA2) to be recommended to the five Partnership Authorities. The report also sought approval for delegated authority to be



given to the Lead Chief Executive to finalise the Agreement in readiness for recommendation to the Partnership Authorities.

Members were advised that a summary of the IAA2 principles produced by the project's legal advisors, Pinsent Masons, was attached at Appendix 2 of the report. It was intended that these reflected the key terms of the Project Agreement that Flintshire as Lead Authority would be entering into with the Preferred Bidder on Contract Award.

Councillor Kevin Jones (Flintshire County Council) raised concerns on the lack of detail on the annual financial threshold which the Contract Manager would have authority over and asked that this be reported back to the Joint Committee. Colin Everett confirmed that in supporting the recommendation of the report the Joint Committee would not be giving delegated authority for any major changes to be made to the Agreement as these would need to be reported back to the Joint Committee for approval.

In response to further questions on Guaranteed Minimum Tonnage, Members were advised that each Authority would be bound by its own Guaranteed Minimum Tonnage and the price bands as charged by the contractor.

## **b – Transfer Station Network**

Colin Everett introduced a report to recommend to the Joint Committee a method of cost sharing for the waste transfer network across the partnership.

At the Project Board meeting on the 12 December, 2013 Flintshire County Council requested that the costs of the transfer station network be reviewed and commissioned the Technical Officers' Group to review the options. There were two scenarios as a resolution, which were detailed at 3.2.1 and 3.2.2 of the report.



Members were advised that the second option shown at 3.2.2 was recommended as the preferred option. The overarching principle was that Authorities were responsible for their own operating costs for their residual waste management prior to the haulage and treatment contracts.

Councillor Mike Priestley (Conwy County Borough Council) thanked the officers for successfully securing, in principle, the grant from the Welsh Government as part of the total scheme cost within the 'affordable envelope'.

**RESOLVED:**

- (a) That the Joint Committee endorse the principles set out at 3.4 of the report and adopt the second options as set out at 3.2.2 of the report for funding the transfer station network; and
- (b) That the capital costs of the construction of a potential new transfer station serving Conwy be met by the partnership by a method to be agreed.

**c – Community Benefit**

The Project Manager introduced a report to finalise the proposals for providing a Community Benefit Fund.

Councillor Kevin Jones asked if there were examples across England and Wales of Community Benefit Funds. Colin Everett explained that during a previous meeting of the Joint Committee it had been indicated that the level of Community Benefit that had historically been seen in the UK for such projects was unlikely to be sufficient for local acceptability for this project.

**RESOLVED:**



That the Joint Committee agreed the Community Benefit Fund as outlined in section 3.02.2 of the report for recommendation to the constituent Partner Authorities.

**10. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC**

The following item is considered to be exempt by virtue of Paragraph(s) 14 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

The contract process is still underway and would be prejudiced by making public at this stage.

**11. PREFERRED BIDDER REPORT (SP REPORT)**

**a – Final Business Case Working Draft**

The Project Director introduced a report to recommend the appointment of the preferred bidder and to set out the stages leading to Financial Close and the award of a contract.

The Project Director invited Alex Green (Amec), Saeefar Rehman (Grant Thornton) and John Bruce (Pinsent Masons) to provide the Joint Committee with a detailed review of the technical, financial and legal risks and in light of their joint advice, the balance of risk favoured proceeding with the procurement process.

Councillor Kevin Jones sought assurance that there would not be a reduction in air emission testing in the future. The Project Director gave this assurance and explained that reference to air emission testing in the report referred to the upgrading of testing systems in the future.



# NWRWTP

North Wales Residual Waste Treatment Project

Members of the Joint Committee asked that the technical, financial and legal advisors be present at their individual Partnership Authority meetings in order to provide the necessary explanations to Members.

In response to questions on the legal risks, the Project Manager agreed to circulate further information on the legal risks which Pinsent Masons had challenged WTI on. The potential risks had been resolved prior to the Joint Committee meeting.

## **RESOLVED:**

- (a) That the report and advice from the NWRWTP Project Board be noted;
- (b) That fine tuning and clarification with WTI would be carried out before the NWRWTP Joint Committee be asked to consider moving to Financial Close on the project;
- (c) That it be recommended to the constituent Partnership Authorities that Wheelabrator Technologies Inc (WTI) be awarded Preferred Bidder status; and
- (d) That the working draft of the Final Business Case be recommended to the constituent Partnership Authorities; and
- (e) That delegated authority be granted to the Lead Chief Executive to complete the Final Business Case for approval by the Joint Committee and subsequent submission to the Welsh Government leading to close of financial dialogue and the award of a contract to WTI.

## **b – Planning Risk Paper (CL Report)**

The Project Manager introduced a report to demonstrate how planning risks of the proposed regional Energy from Waste (EfW) facility were being



**NWRWTP**

North Wales Residual Waste Treatment Project

managed. A summary of the Project Director's views on planning issues together with details of how risks would be managed should a preferred bidder be announced were set out in the report.

**RESOLVED:**

That the Joint Committee be assured by the arrangements to manage the planning risks as outlined in the report.

**11. ANY OTHER BUSINESS**

Colin Everett outlined the timetable for each constituent Partner Authority to present the recommendations of the Joint Committee to future Council meetings. He explained that a template report would be prepared to enable each Partner Authority to present the information in a common form with members of the Project Team and legal, financial and technical advisors available to attend the meetings to provide clarity.



## AGENDA ITEM: 6.1

### **NORTH WALES RESIDUAL WASTE TREATMENT PROJECT PROGRESS REPORT**

<b>NORTH WALES RESIDUAL WASTE JOINT COMMITTEE</b>
---

**Date : 31<sup>st</sup> July 2014**

**Period: 21<sup>st</sup> January 2014 to 31<sup>st</sup> July 2014**

<b>PROJECT SUMMARY</b>
------------------------

To procure a sustainable waste management solution for the 5 local authorities in North Wales (Conwy, Denbighshire, Flintshire, Gwynedd and Isle of Anglesey) that will assist with the reduction in greenhouse gas emissions from landfill and will minimise the tonnage of waste residue sent to landfill thus ensuring that the authorities avoid Landfill Allowance Scheme (LAS) infraction penalties and meet National Waste Strategy targets.

<b>PROJECT STATUS</b>
-----------------------

<b>Overall Project Status</b>	
Amber	<p>Following the Joint Committee on 29 January 2014, all partner authorities went through their internal approval processes as outlined.</p> <p>WTI were announced publicly as Preferred Bidder in April after all approvals were complete.</p> <p>The Partnership have held regular meetings with WTI to fine tune, clarify and finalise the contractual arrangements (see agenda item 8.3 (part 2 item)).</p> <p>Various discussions have been held with Finance, Legal and Technical Officer Groups and the Project Board to complete the final version of the IAA2. There were no material changes to the IAA2 from that considered by the Joint Committee in January or the partner authorities as part of their approvals process (see agenda item 8.1), therefore a final draft is now complete.</p> <p>The project's Final Business Case was completed and issued to WG, and a review panel was held with WG at</p>



# NWRWTP

North Wales Residual Waste Treatment Project

	the end of June. Ministerial approval is now awaited (Verbal Update on agenda item 8.2).
--	--

<b>Budget status</b>	
<b>Amber</b>	<p>The partner authorities approved a budget of in £321,066 2014/15 to take the procurement process to the final stage of Financial Close.</p> <p>Provisional expenditure for Quarter 1 of 2014/15 (Apr – Jun) shows expenditure of £195,877, leaving £125,189 remaining to take the project up to Financial Close. This will be monitored closely by the Project Team and reported to the Project Board.</p>

<b>Status</b>	<b>Meaning</b>
<b>Green</b>	There are no problems; all is progressing well and to plan
<b>Amber</b>	There are some minor/ less significant problems. Action is needed in some areas but other parts are progressing satisfactory.
<b>Red</b>	There are significant problems and urgent and decisive action is needed.

**PROJECT UPDATE** – Activities due for completion 21<sup>st</sup> January 2014 to 31<sup>st</sup> July 2014 (and highlighted longer term actions).

ID	Activity	RAG status	Comments	Forecast	Actual
110	Prepare for press / media announcement after Joint Committee on 29 January noting the Joint Committee's decision	Amber	Announcement made of WTI's appointment as Preferred Bidder in early April after the partner authority approvals process was complete.	30 January 2014	Complete
111	Discuss any communication / engagement requirement during the approvals process	Amber	See 110 above.	30 January 2014	Complete



# NWRWTP

North Wales Residual Waste Treatment Project

112	Provide support for partner authority approvals process	Green	Partner authority approvals process now complete	February – March 2014	Complete
113	Site visit to Energy from Waste facility by partner authority Members	Green	WTI willing to offer site visits to Ferrybridge facility (nearing completion of construction) if requested.	Summer / Autumn 2014	
114	Draft Final Business Case (FBC)	Green	The FBC was completed and issued to WG. A review panel was held with WG at the end of June. Verbal update on agenda item 7.2.	May 2014	Complete
115	Completion of fine tuning and clarification with WTI	Amber	See item 8.3 (part 2 item) on agenda	End of August 2014	
116	Develop contract management structure for post financial close	Amber	Project Director in discussions with lead Chief Executive. Project Manager to assist in the process.	August / September 2014	
117	IAA2 to be completed	Green	See agenda item 8.1.	June 2014	
118	Finalise Community Benefit Fund (CBF) governance arrangements	Green	Annual CBF sum of £180k agreed by all partner authorities as part of approvals process. WTI have since voluntarily added a further £50k per annum to the CBF. FCC now to work on governance arrangements to build on agreement by all partner authorities. CBF included as a commitment within IAA2.	September 2014	
119	Consider options for further partnership working	Green	The Project Board has considered a paper by the Project Director on possible areas for future collaborative working that may provide savings or additional income to the partner authorities. Such areas include markets for recyclates etc to be investigated further by the	On going	



# NWRWTP

North Wales Residual Waste Treatment Project

			technical officers and additional income from electricity and / or heat sales to be investigated further by the Project Board.		
120	Planning Application to be submitted by WTI	Green	WTI have carried out their pre-application public consultation (see agenda item 7.2). The application will be submitted soon after reaching Financial Close. Note: - this is not an action for the partnership, the application is the responsibility of WTI.	September 2014	
121	Further discussions with WG over capital funding options for the required new transfer station in the Conwy / Denbighshire area.	Green	As agreed in the IAA2, all partner authorities will contribute towards a new waste transfer station to service Conwy and part of Denbighshire. The partnership will discuss funding options for the waste transfer station with WG.	October / November 2014	

**KEY RISKS** – See item 7.1 on this agenda.

**Recommendation** – Note the content of this report and the positive progress made in project management and delivery.



# NWRWTP

North Wales Residual Waste Treatment Project

## Appendix 1 – Project Timetable

Stage	Date	Comments
Final Preferred Bidder Clarifications, Due Diligence and Approvals	March – end August 2014	
Joint Committee Approval of Contract Award (subject to finalisation of agreed actions)	July 2014	
Notification of Contract Award	Early September 2014	
Alcatel	Early September 2014	
Contract Award	Early September 2014	
Planning Application submission	September 2014	
Planning determination	May 2015	
Planning Consent achieved	August 2015	
Construction begins	September 2015	
Commissioning begins	May 2018	
Facility fully available	October 2018	



# NWRWTP

North Wales Residual Waste Treatment Project

## AGENDA ITEM NO: 7.1

**REPORT TO: NWRWTP JOINT COMMITTEE**

**DATE: 31<sup>st</sup> JULY 2014**

**REPORT BY: PROJECT MANAGER**

**SUBJECT: RISK REGISTER REPORT**

### **1. PURPOSE OF REPORT**

- 1.1. The members of the NWRWTP Joint Committee have requested that they are provided with an update of the risk register at each meeting of the Project Board.
- 1.2. This report will highlight some (if any) of the amendments to the risk register that have been made to reflect the current understanding of risks and mitigation measures that are in place.

### **2. BACKGROUND**

- 2.1. The Risk Register will require continual update throughout the project.

### **3. CONSIDERATIONS**

- 3.1. The new Project Director has sought to review and simplify the Risk Register.
- 3.2. The top (red) risks are highlighted in the table in Appendix 1 below.

### **4. RECOMMENDATIONS**

- 4.1. That the Joint Committee note the updated risk register.

### **5. FINANCIAL IMPLICATIONS**

- 5.1. Not applicable

### **6. ANTI-POVERTY IMPACT**

- 6.1. None

### **7. ENVIRONMENTAL IMPACT**



# NWRWTP

North Wales Residual Waste Treatment Project

7.1. Not applicable

## **8. EQUALITIES IMPACT**

8.1. Not applicable

## **9. PERSONNEL IMPLICATIONS**

9.1. Not applicable

## **10. CONSULTATION REQUIRED**

10.1. Not applicable

## **11. CONSULTATION UNDERTAKEN**

11.1. Not applicable

## **LOCAL GOVERNMENT ACCESS TO INFORMATION ACT 1985**

### **Background Documents:**

None

**Contact Officer:** Steffan Owen NWRWTP



## Appendix 1 Red Risks

ID	Risk / Issue (i.e.: Threat to the Project)	Consequence	Current Assessment			How the risk will be managed and controlled					Residual risk after management			Impln Date	Review Date	Closure Date	Additional explanatory notes
			Impact	L'hood	Overall	Already in Place	Who is Managing	Not in Place (Proposed)	Who will Manage	Impact	L'hood	Overall					
PS3	Planning determination period process delays build programme	Delay and costs.	4	4	16	Partnership working with planning colleagues to anticipate and mitigate risks.	PD			PD	4	4	16	Ongoing	May-14		Need to consider the financial impact for each Council of delay in order to consider a possible contingency plan - renegotiate landfill etc.
PS5	Planning decision goes to Inquiry/Judicial Review.	Delay, possible procurement challenge if material change to contract period. cost, stakeholder perceptions.	3	4	12	Partnership is working on cost effective interim arrangements.	PD			PD	3	4	12	Ongoing	May-14		Monitor planning process
PS6	Obtaining licensing / PPC	Delay start of operations.	3	4	12	Bidder risk within Risk matrix.	PD			PD	3	4	12	Ongoing	May-14		Monitor planning process



# NWRWTP

North Wales Residual Waste Treatment Project

## AGENDA ITEM NO: 7.2

**REPORT TO:** NWRWTP JOINT COMMITTEE

**DATE:** 31<sup>st</sup> JULY 2014

**REPORT BY:** PROJECT MANAGER

**SUBJECT:** COMMUNICATIONS UPDATE

### **1. PURPOSE OF REPORT**

- 1.1. To update the Joint Committee on communication matters concerning the North Wales Residual Waste Treatment Project (NWRWTP).

### **2. BACKGROUND**

- 2.1. The Joint Committee has requested regular updates on communication matters relating to the NWRWTP. This report provides an update on progress to date.

### **3. CONSIDERATIONS**

#### **3.1. Update**

Wheelabrator Technologies Inc (WTI) were publicly announced by the partnership as Preferred Bidder in early April following the approvals process within the partner authorities.

#### **3.2. Media Coverage**

A pack will be prepared for Members with the key press / media coverage since the last Joint Committee for distribution at the meeting.

#### **3.3. WTI Pre Planning Application Consultation.**

3.3.1. Once appointed as preferred bidder, WTI worked very closely with the project to gradually become more “active” in terms of engaging with key stakeholders and eventually consulting with the public. Following a joint process of engagement with key stakeholders such as Members, AM’s and MP’s etc, WTI launched a public consultation as part of the pre planning application preparations.

3.3.2. As part of their public consultation, WTI organised a series of six public drop in sessions. Five were within Flintshire and one was across the border in Burton. The sessions and the public consultation was advertised in the following way by WTI:-



# NWRWTP

North Wales Residual Waste Treatment Project

- Issued a newsletter to 13,000 residents close to the site
- Met with local and regional press / media
- Met with several key stakeholders (MP's, AM's, County Councillors, key Town Councils etc)
- Issued invites to key stakeholders (see above)
- Set up a comprehensive new website ([www.parcadfer.com](http://www.parcadfer.com))
- Issued several media releases and adverts
- Put posters in shops across Deeside / Connah's Quay

3.3.3. Around 200 people attended the six events, with a broad mixture of views received, and WTI are currently reviewing the feedback to feed into their planning application.

3.3.4. WTI are also continuing to engage with key stakeholders such as community councils, business forums etc.

## **4. RECOMMENDATIONS**

4.1. To note the content of this update report

## **5. FINANCIAL IMPLICATIONS**

5.1. Not applicable.

## **6. ANTI-POVERTY IMPACT**

6.1. Not applicable.

## **7. ENVIRONMENTAL IMPACT**

7.1. Not applicable.

## **8. EQUALITIES IMPACT**

8.1. Not applicable.

## **9. PERSONNEL IMPLICATIONS**

9.1. Not applicable.

## **10. CONSULTATION REQUIRED**

10.1. See above.

## **11. CONSULTATION UNDERTAKEN**

11.1. Not applicable.

## **LOCAL GOVERNMENT ACCESS TO INFORMATION ACT 1985**



# NWRWTP

North Wales Residual Waste Treatment Project

## Background Documents:

None

**Contact Officer:** Steffan Owen - NWRWTP Project Manager



# NWRWTP

North Wales Residual Waste Treatment Project

## AGENDA ITEM NO: 7.3

<b><u>REPORT TO:</u></b>	<b><u>NWRWTP JOINT COMMITTEE</u></b>
<b><u>DATE:</u></b>	<b><u>31 JULY 2014</u></b>
<b><u>REPORT BY:</u></b>	<b><u>CORPORATE FINANCE MANAGER</u></b>
<b><u>SUBJECT:</u></b>	<b><u>STATEMENT OF ACCOUNTS 2013/14</u></b>

<b>1.00</b>	<b><u>PURPOSE OF REPORT</u></b>
1.01	To present to Members of the Joint Committee the Statement of Accounts 2013/14 for the North Wales Residual Waste Treatment Project (NWRWTP), incorporating those changes agreed with the Wales Audit Office (WAO) during the course of the audit.
1.02	To present to Members of the Joint Committee, the WAO's report in connection with the audit of the 2013/14 financial statements.
1.03	To present to Members of the Joint Committee the Letter of Representation.
<b>2.00</b>	<b><u>BACKGROUND</u></b>
2.01	The Accounts and Audit (Wales) (Amendment) Regulations 2010 specify the statutory deadline for the approval of the accounts, being 30th September.
<b>3.00</b>	<b><u>CONSIDERATIONS</u></b>
3.01	The Statement of Accounts for 2013/14 incorporating those changes agreed with the WAO during the course of the audit is attached at Appendix A.
3.02	Under the International Standards on Auditing (ISA) 260, the WAO is required to communicate relevant matters relating to the audit of the final statements to those charged with governance, which for the Partnership is the Joint Committee.
3.03	The WAO's ISA 260 report 'Audit of the Financial Statements – North Wales Residual Waste Joint Committee, is attached at Appendix B.



# NWRWTP

North Wales Residual Waste Treatment Project

3.04	The WAO's report includes details of significant issues arising from the audit, and a summary of corrections made to the draft financial statements.
3.05	It is usual, within the course of the audit of any organisation, that items will be brought to the attention of the body being audited (in this case the Joint Committee). The audit findings have been discussed in detail with the WAO, and those adjustments made have been reflected in the Statement of Accounts. The lead authority will make arrangements to ensure any issues identified will be addressed in future.
3.06	The Letter of Representation requires the Joint Committee to confirm the accuracy of the audit. In this letter, the Joint Committee confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed. The proposed Letter of Representation is attached at Appendix C.
<b>4.00</b>	<b><u>RECOMMENDATIONS</u></b>
4.01	Members are requested to approve the final version of the Statement of Accounts 2013/14 (subject to the public inspection period as noted within the WAO report).
4.02	Members are requested to consider the WAO's report; Audit of the Financial Statements – North Wales Residual Waste Treatment Partnership.
4.03	Members are requested to approve the Letter of Representation (subject to the public inspection period as noted within the WAO report).
<b>5.00</b>	<b><u>FINANCIAL IMPLICATIONS</u></b>
5.01	None.
<b>6.00</b>	<b><u>ANTI POVERTY IMPACT</u></b>
6.01	None.
<b>7.00</b>	<b><u>ENVIRONMENTAL IMPACT</u></b>
7.01	None.
<b>8.00</b>	<b><u>EQUALITIES IMPACT</u></b>
8.01	None.



# NWRWTP

North Wales Residual Waste Treatment Project

<b>9.00</b>	<b><u>PERSONNEL IMPLICATIONS</u></b>
9.01	None.
<b>10.00</b>	<b><u>CONSULTATION REQUIRED</u></b>
10.01	None required.
<b>11.00</b>	<b><u>CONSULTATION UNDERTAKEN</u></b>
11.01	None required.
<b>12.00</b>	<b><u>APPENDICES</u></b>
12.01	Appendix A – Statement of Accounts NWRWP 2013/134 Appendix B – WAO report, Audit of the Financial Statements – North Wales Residual Waste Joint Committee. Appendix C – Letter of Representation NWRWP 2013/14
	<b><u>LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS</u></b>
	Various 2013/14 Final Accounts Working Papers
	<b>Contact Officer:</b> Liz Thomas <b>Telephone:</b> 01352 702289 <b>Email:</b> liz.thomas@flintshire.gov.uk

# **NORTH WALES RESIDUAL WASTE PARTNERSHIP**

## **NORTH WALES RESIDUAL WASTE TREATMENT PROJECT**

### **STATEMENT OF ACCOUNTS**

**2013-14**

# **C O N T E N T S**

	<b>Page</b>
<b>North Wales Residual Waste Treatment Project</b>	
<b>Explanatory Foreword</b>	1-2
<b>Statement of Responsibilities for the Statement of Accounts</b>	3-4
<b>Financial Statements -</b>	
<b>Movement in Reserves Statement</b>	5
<b>Comprehensive Income and Expenditure Statement</b>	6
<b>Balance Sheet</b>	7
<b>Cash Flow Statement</b>	8
<b>Notes to the Core Financial Statements (Including Statement of Accounting Policies)</b>	9-12
<b>Independent Auditor's Report to the Joint Committee</b>	13-14
<b>Annual Governance Statement</b>	15-23

## EXPLANATORY FOREWORD

### Introduction

The North Wales Residual Waste Treatment Project (NWRWTP) is a partnership of Flintshire County Council (Lead Authority), the Isle of Anglesey County Council, Conwy County Borough Council, Denbighshire County Council, and Gwynedd County Council created in order to seek a solution for residual waste on behalf of the five partner authorities, for a 25 year period.

The partnership is underpinned by a legally binding Inter-Authority Agreement (IAA) that all five partner authorities have signed. This commits the partner authorities to working together throughout the procurement process up until contract award. The North Wales Residual Waste Joint Committee manages the project on behalf of all five partner authorities, and has delegated authority to do so (including de-selection of bidders) up until the Preferred Bidder stage of the procurement process. The North Wales Residual Waste Joint Committee consists of two members from each partner authority, with one member from each partner authority having voting rights at Joint Committee meetings.

The decision to award Preferred Bidder has been agreed by all five partner authorities individually, and Wheelabrator Technologies Inc (WTI) was formally announced as Preferred Bidder in April 2014. The partnership is at present in discussions with WTI to fine tune / clarify and finalise the contract details, with financial close expected sometime during the summer months of 2014. WTI are expected to submit their planning application immediately after, with the facility expected to be operational in late 2018.

The joint Committee approved a budget for the project to the point of financial close of £3.437m on 29 January 2014 as shown in the table below. Actual net expenditure for the year 2013/14 reported in these financial statements is £0.590m being gross expenditure of £0.790m less Welsh Government grant of £0.200m bringing actual total net project expenditure to £3.111m as at 31 March 2014, which is £0.005m less than the budgeted amount.

<b>Time Period</b>	<b>Budget</b> £	<b>Actual</b> £	<b>Variance</b> £
2008/09 - 2012/13	2,521,000	2,521,000	0
2013/14	595,000	590,000	(5,000)
Total	<u>3,116,000</u>	<u>3,111,000</u>	<u>(5,000)</u>
2014/15 (April - June)	321,000		
Projection to financial close	<u>3,437,000</u>		

## EXPLANATORY FOREWORD

### The Financial Statements

The Statement of Accounts 2013/14 provide details of the NWRWTP's financial position for the year ended 31st March 2014, and reflects the wholly revenue nature of the activities undertaken. The information presented on pages 5 to 12 is in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2005. The statements included are :-

- **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' (i.e. those that can be applied to fund expenditure) and other reserves. Nil balances are recorded throughout the statement, linked with the equivalent nil values recorded within those statements referred to below.
- **comprehensive income and expenditure statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. All income and expenditure is shared equally between the five partner authorities.
- **balance sheet** - the Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets (assets less liabilities) of the Joint Committee are matched by the reserves held.
- **cash flow statement** - the Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents.

The Statement of Accounts is available on the internet ([www.nwrwtp.org](http://www.nwrwtp.org)); further information is available from the Head of Finance, Flintshire County Council, County Hall, Mold, CH7 6NA.

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS –  
NORTH WALES RESIDUAL WASTE TREATMENT PROJECT**

**THE JOINT COMMITTEE'S RESPONSIBILITIES**

The Joint Committee is required to :-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Joint Committee, this is the Corporate Finance Manager as Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the statement of accounts.

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Chair of North Wales Residual Waste Treatment Partnership Joint Committee**

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS – NORTH WALES RESIDUAL WASTE TREATMENT PROJECT**

### **THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES**

The Chief Finance Officer is responsible for the preparation of the statement of accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Chief Finance Officer has :-

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

### **Certificate of the Chief Finance Officer as Treasurer of the Joint Committee**

The following statement of accounts has been prepared in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2010. The statement of accounts presents a true and fair view of the financial position of the Joint Committee at 31<sup>st</sup> March 2014, and its income and expenditure for the year then ended.

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Gary Ferguson CPFA  
Corporate Finance Manager**

**Treasurer of the Joint Committee**

## MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2014

### Movements 2013/14

	Capital Receipts Reserve £	Capital Grants Unapplied £	General Balance £	Earmarked Reserves £	Total Usable Reserves £	Unusable Reserves £	Total Reserves £
<b>At 31st March 2013</b>	0	0	0	0	0	0	0
Surplus/(deficit) on the provision of services	0	0	0	0	0	0	0
Other comprehensive income and expenditure	0	0	0	0	0	0	0
<b>Total comprehensive income and expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Adjustments between accounting and funding basis under regulations	0	0	0	0	0	0	0
<b>Net increase/(decrease) before transfer to earmarked reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers to/(from) earmarked reserves	0	0	0	0	0	0	0
<b>Increase/(decrease) in year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31st March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Movements 2012/13

	Capital Receipts Reserve £	Capital Grants Unapplied £	General Balance £	Earmarked Reserves £	Total Usable Reserves £	Unusable Reserves £	Total Reserves £
<b>At 31st March 2012</b>	0	0	0	0	0	0	0
Surplus/(deficit) on the provision of services	0	0	0	0	0	0	0
Other comprehensive income and expenditure	0	0	0	0	0	0	0
<b>Total comprehensive income and expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Adjustments between accounting and funding basis under regulations	0	0	0	0	0	0	0
<b>Net increase/(decrease) before transfer to earmarked reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers to/(from) earmarked reserves	0	0	0	0	0	0	0
<b>Increase/(decrease) in year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31st March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note: There are no recorded entries in the Movement in Reserves Statements, reflecting the opening and closing balance sheet position of nil reserves

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2014

	2014 £	2013 £
<b>Expenditure</b>		
<b>Note 2</b>		
(a) Employees	189,821	207,994
Transport	1,886	998
(b) Supplies & Services	510,765	518,826
(c) Support Services	87,688	114,979
	<hr/>	<hr/>
Gross Expenditure	<b><u>790,160</u></b>	<b><u>842,797</u></b>
<b>Income</b>		
(d) Grants and Contributions	<u>(790,160)</u>	<u>(842,797)</u>
Total Income	<b><u>(790,160)</u></b>	<b><u>(842,797)</u></b>
<b>Net (Surplus)/Deficit</b>	<b><u>0</u></b>	<b><u>0</u></b>

# BALANCE SHEET

as at 31st March 2014

	Note	2014 £	2013 £
<b>NON-CURRENT ASSETS</b>		0	0
<b>CURRENT ASSETS</b>			
Short term debtors	3	472,128	417,599
<b>CURRENT LIABILITIES</b>			
Short term creditors	4	<u>(472,128)</u>	<u>(417,599)</u>
<b>NET CURRENT ASSETS</b>		0	0
		<hr/>	<hr/>
<b>NET ASSETS</b>		<u>0</u>	<u>0</u>
		<hr/>	<hr/>
<b>TOTAL RESERVES</b>		<u>0</u>	<u>0</u>

**CASH FLOW STATEMENT**  
for the year ended 31st March 2014

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Net surplus or (deficit) on the provision of services	0	0
Net cash (outflow)/inflow from returns on investments and servicing of finance	0	0
Net cash outflow from capital expenditure	<u>0</u>	<u>0</u>
<b>Net increase or decrease in cash and cash equivalents</b>	0	0
Cash and cash equivalents at start of year	<u>0</u>	<u>0</u>
Cash and cash equivalents at end of year	<u>0</u>	<u>0</u>

Note: There are no individual entries in the summary cash flow statement as entries at the more detailed level sum to zero.

# NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31st March 2014

## 1. STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the requirements of the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) - based on International Financial Reporting Standards (IFRSs) - issued by CIPFA, supported by guidance notes on the application of accounting standards.

### Debtors and Creditors

The revenue accounts of the Joint Committee are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31st March 2014.

### Government Grants and Contributions

Grant receipts in support of revenue expenditure are accounted for on an accruals basis.

### Overheads

The costs of centrally provided support services and administrative buildings have been charged to services in line with the Service Reporting Code of Practice (SeRCOP).

### Value Added Tax

The Council receives reimbursement for the net cost of value added tax incurred. The accounts have been prepared exclusive of tax, in accordance with SSAP 5.

## 2. INCOME AND EXPENDITURE STATEMENT

	2014 £	2013 £
(a) Employees		
Contractor payments - Project Director	104,264	123,263
Salaries	65,582	64,933
Social Security costs	5,219	5,188
Other Pension costs	14,756	14,610
	<u>189,821</u>	<u>207,994</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2014	2013
	£	£
<b>(b) Supplies and Services</b>		
<b>Advisor costs</b>		
Technical and Communications	174,560	273,171
Legal	236,751	146,201
Financial	89,325	82,243
Insurance	0	9,500
Other	0	1,190
	<u>500,636</u>	<u>512,305</u>
<b>Advertising/Publicity</b>	<u>221</u>	<u>3,997</u>
<b>Audit Fee</b>	<u>9,908</u>	<u>2,524</u>
<b>Total Supplies and Services</b>	<b>510,765</b>	<b>518,826</b>
	<b>2014</b>	<b>2013</b>
	£	£
<b>(c) Support Services -</b>		
<b>Finance, Technical, Legal &amp; Procurement Support</b>		
Lead Authority Personnel		
Finance	43,406	42,543
Legal	14,760	29,466
	<u>58,166</u>	<u>72,009</u>
Isle of Anglesey County Council Personnel	12,152	26,999
	<u>70,318</u>	<u>99,008</u>
<b>Office services</b>		
IT/ Telephones	1,114	738
Software	2,080	2,440
Stationery/Printing	975	2,048
Translation	6,147	2,977
	<u>10,316</u>	<u>8,203</u>
<b>Accommodation</b>	<u>7,054</u>	<u>7,768</u>
<b>Total Support Services</b>	<b>87,688</b>	<b>114,979</b>
	<b>2014</b>	<b>2013</b>
	£	£
<b>(d) Income -</b>		
<b>Contribution from participating Local Authorities</b>		
Conwy County Borough Council	(118,032)	(100,629)
Denbighshire County Council	(118,032)	(100,628)
Flintshire County Council	(118,032)	(100,628)
Gwynedd County Council	(118,032)	(100,628)
Isle of Anglesey County Council	(118,032)	(100,628)
	<u>(590,160)</u>	<u>(503,141)</u>
<b>Grants</b>		
Welsh Government	(200,000)	(339,656)
<b>Total Income</b>	<b>(790,160)</b>	<b>(842,797)</b>

\* includes Internal Audit charges £3,600 (2012/13 £Nil) for external fees see note 6 on page 11.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3. DEBTORS

	2014 £	2013 £
Local authorities	472,128	411,582
Other entities and individuals	0	6,017
	472,128	417,599

### 4. CREDITORS

	2014 £	2013 £
Local authorities	396,587	298,863
Other entities and individuals	75,541	118,736
	472,128	417,599

### 5. OFFICERS' REMUNERATION

Regulation 7A of the Accounts and Audit (Wales) Amendment Regulations 2010 requires disclosure (in £5,000 bandings) of the number of employees whose remuneration – all sums paid to or receivable by the employee, expense allowances chargeable to tax, and the money value of benefits - exceeded £60,000.

One employee meets the disclosure requirement – the Project Director, a contracted employee in post from April 2013 to November 2013. A new Project Director was appointed in January 2014, his remuneration for January 2014 to March 2014 is below the £60,000 limit :-

	2014	2013
Remuneration Band	No.	No.
£80,000 - £84,999	1	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	1
	1	1

### 6. EXTERNAL AUDIT COSTS

The 2013/14 audit fee charges in relation to the Statement of Accounts amounted to £5,856. The provision for audit fees in 2012/13 was under estimated by £452 bringing the current year charge to £6,308. (£4,452 in 2012/13 a figure which was netted down to £2,524 by way of a prior year accounting adjustment.) External audit services were provided by Wales Audit Office.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. RELATED PARTIES

The Joint Committee is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Committee or to be controlled or influenced by the Committee; there were no such transactions during 2013/14 (as was the position in 2012/13).

# **PROPOSED INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NORTH WALES RESIDUAL WASTE JOINT COMMITTEE**

I have audited the accounting statements and related notes of:

- the North Wales Regional Waste Joint Committee

for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

North Wales Regional Waste Joint Committee's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the 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 2013-14 based on International Financial Reporting Standards (IFRSs).

## **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, the responsible financial officer is responsible for the preparation of the statement of accounts, North Wales Regional Waste Joint Committee's accounting statements, 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 North Wales Regional Waste 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 to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Opinion on the accounting statements of North Wales Regional Waste Joint Committee**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of North Wales Regional Waste Joint Committee as at 31 March 2014 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 2013-14.

## **PROPOSED INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NORTH WALES RESIDUAL WASTE JOINT COMMITTEE**

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword 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 North Wales Regional Waste 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

**Signature**

**xx September 2014**

# ANNUAL GOVERNANCE STATEMENT

for the year ended 31<sup>st</sup> March 2014

This statement has the following five sections:-

1. Scope of Responsibilities.
2. The Purpose of the Governance Framework.
3. The Governance Framework.
4. Review of Effectiveness
5. Significant Governance Issues.

## 1. SCOPE OF RESPONSIBILITY

The North Wales Residual Waste Treatment Project is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used appropriately and effectively.

In discharging this overall responsibility, the North Wales Residual Waste Treatment Project should maintain proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and the management of risk.

Each of the Authorities taking part in the Project has approved and adopted a Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government : A Framework.

Flintshire County Council is the Project's lead council and its Code of Corporate Governance is included in Flintshire County Council's Constitution and a copy is also available from Flintshire's Democracy & Governance Manager in Legal and Democratic Services.

This Statement explains how the North Wales Residual Waste Treatment Project has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework brings together the systems and processes, staff, other resources, culture and values by which the Project is managed and controlled and the activities through which it accounts to, engages with and leads the community. The framework enables the Project to monitor achievement against its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risks and challenges to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide proportionate 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, priorities, aims and objectives, to evaluate the likelihood of those risks and challenges occurring and to evaluate the impact if they do; to manage risks efficiently, effectively and economically.

## ANNUAL GOVERNANCE STATEMENT

The governance framework has been in place at the North Wales Residual Waste Treatment Project for the year ended 31st March 2014 and up to the date of approval of the annual statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

#### **Code of Corporate Governance**

The key elements of each Authority's governance arrangements are reflected in their individual Codes of Corporate Governance. Codes apply to all aspects of each Authority's business. Members and employees are required to conduct themselves in accordance with the high standards expected by the citizens of North Wales and the six core principles set out within the revised CIPFA / SOLACE Framework:-

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

#### **Inter Authority relationship**

The whole Project is based on the joint working of all five North Wales Authorities with a common aim of securing a Residual Waste Treatment facility. The relationship is made legally binding by the Inter Authority Agreements (the 1<sup>st</sup> one signed by the Authorities on the 24<sup>th</sup> June 2010 takes matters up to the conclusion of the Procurement and the 2<sup>nd</sup> one will take matters through the long-term Project Agreement with the approved final bidder). The Inter Authority Agreement is supported financially and in terms of policy by the Welsh Government (who also carry out a commercial review of the final Project Agreement to be signed prior to close of Dialogue with the Bidder).

#### **Inter Authority Agreement**

The key elements of the Project's governance arrangements are reflected in the Inter-Authority Agreement, which outlines the Joint Committee's terms of reference, formalises the respective roles and responsibilities in relation to the joint working arrangements for the procurement of the Project, and appoints Flintshire County Council as the lead council.

Copies of the first Inter-Authority Agreement are available by contacting Flintshire County Council's Head of Legal and Democratic Services.

During the last year, the contents and the core set of principles of the second Inter Authority Agreement ( IAA2) have been progressed at several meetings of the legal, technical and financial officers from all five authorities.

## ANNUAL GOVERNANCE STATEMENT

The governance arrangements in the IAA2 very much mirror those in the 1st Inter Authority Agreement. The constitutional and governance arrangements of the IAA2 are intended to reflect those of the first IAA:- that the Project Board and Joint Committee decisions are to be by majority vote and the matters reserved to the individual Councils are to be unanimous decision; the quorum for the Project Board would be a senior officer from each participating Council in person (or if in an emergency by telephone) and for the Joint Committee, the quorum would be attendance by one member (voting or non-voting member) from each participating Council. The new agreement develops those principles as they will apply to the construction, operation and decommissioning phases of the project and so make appropriate arrangements for such matters as partner councils making contributions to Flintshire County Council so that it may make contract payments, what will happen to the facility at the end of the contract etc.

### **Project Structure**

Section 6 of the first Inter-Authority Agreement sets out the procedures for making decisions during the procurement phase of the Project. The Councils have approved 3 categories together with the means by which decisions will be taken; 'Project Board Matter', 'Joint Committee Matter' and a 'Matter Reserved to the Councils'. A list of procurement stages called 'Procurement Milestones' along with the decision making category allocated to each milestone is included in Schedule 1 of the first Inter-Authority Agreement. The second Inter Authority Agreement will similarly lay out the remit for each of the decision making bodies.

### **Project Board**

The Project Board consists of the Chief Executive of the lead council, one director or senior office representative from each of the other four Councils, the Project Director, the Project Section 151 Officer (of the lead council), the Project Monitoring Officer (of the lead council) and other external parties as appropriate. The quorum necessary for Project Board Meeting is a Senior Officer Representative from each Council. The Chair of the Project Board is appointed by the Project Board from time to time. The Project Board strives to reach a consensus but decisions at meetings are taken by a simple majority vote with each Council having one vote only.

The purpose of the Project Board is to implement the Procurement Milestones and the day-to-day management and monitoring of the procurement process. The Project Board has the powers to make decisions and make recommendations as set out in Schedule 3 of the first Inter-Authority Agreement.

The Project Board has responsibility for managing the progress and implementation of the Project including identifying all project activities necessary to be carried out and instructing the internal and external financial, legal, procurement and technical advisors. It monitors the Project to ensure that it remains within budget and deploys those resources in line with those functions. The Project Board also has responsibility for risk management for the project, which it carries out through a best practice Risk Register that is reported to the Project Board at each meeting.

### **External Advisors**

External legal, technical and financial advisors are required for large and complex project's such as the NWRWTP, and have played a crucial role in advising the partnership through the procurement process, including areas such as scrutiny and evaluation of bids received, advice on markets norms, risk positions and negotiations with the bidders.

## ANNUAL GOVERNANCE STATEMENT

### **Joint Committee**

Each Council appoints two elected members of their executive or cabinet, one of whom is a voting member, as their representatives to the Joint Committee. The Chair and Vice Chair of the Joint Committee are elected executive members of a Council who are elected by the Joint Committee at the annual general meeting. Appointments take effect until the next annual general meeting. The quorum necessary for a Joint Committee Meeting is five members of the Joint Committee comprising at least one member from each of the Councils. Decisions at meeting of the Joint Committee are taken by simple majority vote with each elected voting member or appropriate deputy from each Council having one vote.

The Joint Committee has the powers to make decisions and recommendations within its terms of reference as set out in Schedule 2 of the first Inter-Authority Agreement.

### **Matters Reserved to the Councils**

Each Authority has its own Constitution which sets out responsibility for making decisions which can be found on each Council's website.

### **Members**

On taking office all elected Members are required to sign a Declaration of Acceptance of Office whereby they undertake to be guided by the National Code of Local Government Conduct in the performance of their functions as a Councillor. Each Authority has an individual Members' Code that complies with the National Code and all Members are given a copy of it when taking up office. Any complaints that a Member has not complied with the Code are considered by the Public Services Ombudsman for Wales who may refer any apparent breaches to either the relevant Council's Standards Committee or to the Adjudication Panel for Wales which may apply sanctions if a breach of the Code is found.

### **Officers**

Officers are subject to a separate Code of Conduct, each Authority has an individual Officers' Code of Conduct. Breach of the Officers' Code can lead to disciplinary action.

Copies of both the Members and Officers Codes of Conduct are available from each Authority.

### **Lead Council**

The Councils have agreed that Flintshire County Council shall be the lead council. Responsibilities include:

- Acting on behalf of the Project in the management and supervision of the procurement exercise
- Act as the employing authority for any staff engaged in the discharge of the Project's functions
- Being the legal point of contact for the purposes of managing the procurement
- Providing such additional administrative resources and office facilities that may be necessary for the purpose of discharging the Project and hold all central funds
- Provide senior officers who will act as Secretary, Monitoring Officer, and Treasurer (who will also be the Section 151 Officer) for the Project and who will therefore act as the primary legal and financial advisers to the Project
- Responsibility for liaison and communication with Welsh Government and co-ordination of communication and public relations
- Power to enter into contracts for Consultants as required for the purposes of the Project

## ANNUAL GOVERNANCE STATEMENT

### **Monitoring Officer**

Article 15 of Flintshire County Council's Constitution designates the Head of Legal and Democratic Services as the Council's Monitoring Officer under Section 5 of the Local Government & Housing Act 1989 and therefore is the Project's Monitoring Officer.

### **Finance**

Flintshire County Council's Head of Finance as lead council is the Project's Responsible Finance Officer and takes responsibility for the proper administration of the North Wales Residual Waste Treatment Project's financial affairs under Section 151 of the Local Government Act 1972 and in accordance with the CIPFA Statement on the role of the Chief Financial Officer. Following an internal restructure within FCC from 1<sup>st</sup> June 2014 this role will be undertaken by the Corporate Finance Manager.

Flintshire County Council as lead council holds all central funds, and the Project applies the lead council's Contract Procedure Rules and Financial Procedure Rules. Flintshire County Council treats the Project's funds with the same stewardship to that of its own funds and there are robust arrangements for effective financial management and control through the Council's accounting procedures, key financial systems, Financial Procedure Rules and Contract Procedure Rules as set out in Flintshire County Council's Constitution. Both the Financial Procedure Rules and Contract Procedure Rules are regularly reviewed and are available on Flintshire County Council's intranet called the infonet.

Section 9 of the first Inter-Authority Agreement sets out the financial commitments each Council has agreed to make to the Project, together with arrangements for agreeing and reimbursing Project costs incurred by each Council. There is a section within the first Inter-Authority Agreement that sets out procedures for any expenditure not within the agreed expenditure profile; the Project Board must agree any such expenditure in advance.

The second Inter-Authority Agreement sets out the financial responsibilities and liabilities of the authorities, reflecting where appropriate those contained in the project agreement.

### **Budget Monitoring**

In both Inter Authority Agreements the Joint Committee has overall responsibility for monitoring the budget, which it does by receiving regular budget status reports as part of the overall project update as a regular agenda item. The Project Board also receives a budget status report as part of the overall project update as a regular agenda item.

### **Business Planning**

The Project has established a robust approach to business planning. The project is not a continuous project, but rather a specific one off process with a set outcome – the procurement of a residual waste treatment contract. The justification for the project, its outline description and indicative costs, project timetable, project governance and management arrangements and the project budget was set out in a Project Initiation Document (PID – final version dated 1 October 2008) and was agreed by all authorities. This allowed a dedicated project team to be employed, which allowed an Outline Business Case and Inter-Authority Agreement to be developed, and ultimately agreed by all authorities.

The Outline Business Case (OBC) set out the strategic, economic, commercial, financial and management case for the Project, all prepared in accordance with good industry practice. It also served as a bid document to the Welsh Government (WG) for financial support for the project. The OBC was approved by WG, which led to WG committing to supporting the cost of the contract up to a value of £142.7m. It is anticipated that the Final Business Case will be submitted in early June 2014.

## ANNUAL GOVERNANCE STATEMENT

There are also various stages where WG have carried out and will carry out “gateway reviews” to ensure that the project is progressing satisfactorily and that the project agreement (contract) represents value for money and does not pose unacceptable risk to the authorities.

All the authorities report the project’s progress to their Members that are not on the Joint Committee.

### **Welsh Government**

As well as the gateway reviews noted above, the partnership has maintained a close relationship with the WG throughout the project’s life, both through the project’s transactor who acts as a communication bridge between WG and the partnership, and also directly at a senior level as and when required.

### **Communications**

Communicating, consulting and engaging with the public and stakeholders are key aspects of the NWRWTP. Since its inception, the partnership has created and regularly updated a communications plan. Communication and Engagement is a regular item on the agenda of every Project Board and Joint Committee meeting and there is a communication officer group that meet on an as and when basis with each partner authority’s press office / communications officers present.

The above governance arrangements have ensured that there has been consultation, communication and engagement with stakeholders at all levels from partner authority Members to interest groups to residents throughout the process.

The communications strategy (both within and outside the partnership structure) has been led by the Lead Chief Executive with the Project Board and Joint Committee support and approval where necessary. This reflects the location of the site within the lead authority’s boundaries.

### **Risk Management**

The Project has a detailed risk register that is a regular item on the Project Board and Joint Committee agendas. Any new risks, any changes to existing risks and the highest level risks are highlighted to both groups at all of their meetings.

### **Regulation and Assurance**

Regulation and accountability provides assurance for the effectiveness of the Project’s arrangements for the services it is responsible for and the achievement of its objectives. It is undertaken both internally through governance arrangements, practices and procedures and externally by various organisations such as the Wales Audit Office (WAO) which has an independent statutory role. Responsibility for procuring necessary audit and assurance checks resides with the Joint Committee. The Joint Committee oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information, and, monitors the performance and effectiveness of the external audit functions within the wider regulatory context.

### **Audit Committee**

Internally, Flintshire County Council’s Audit Committee’s role and function, as lead council, provides assurance of the systems of internal control through reviewing the effectiveness of Flintshire’s systems through which the Project’s funds are controlled. It also monitors the performance and effectiveness of Flintshire’s internal audit function.

# ANNUAL GOVERNANCE STATEMENT

## **Internal Audit**

Flintshire County Council's Internal Audit service is provided in accordance with the Public Sector Internal Audit Standards (PSIAS) and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. The Standards state that Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

In accordance with the requirements of the PSIAS the Internal Audit Manager reports to Flintshire County Council's Audit Committee, as the lead Council, a summary of audit findings and prepares an annual report that summarises the results of internal audit work during the year on the overall system of internal control at Flintshire County Council, through which the Partnership's funds are controlled.

## **External Regulation**

External arrangements for regulation and assurance are provided principally by the Wales Audit Office (WAO).

Their role is independent of government and they examine and challenge the performance and effectiveness of Welsh public bodies work and produce either periodic or annual local and national reports on their findings. All formal reports are presented to the Joint Committee.

The whole project is closely supported, monitored and reviewed by WG to ensure the project is delivering part of their waste strategy as it set out to do.

## **Whistle blowing**

Each Council is committed to the highest possible standards of openness, probity and accountability. To support that commitment employees and others with serious concerns about any aspect of the Project's work are encouraged to come forward and voice those concerns. It is recognised that sensitive cases have to proceed on a confidential basis. Each individual Council's policy makes it clear that employees can do so without fear of reprisal. Policies are available from each Partner Council.

## **Complaints**

Each Council has adopted a formal complaints procedure and these are periodically updated.

## **4. REVIEW OF EFFECTIVENESS**

The North Wales Residual Waste Treatment Project has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Senior Managers within the Councils who have responsibility for the development and maintenance of the governance environment, and by comments made by the external auditors and other review agencies and inspectorates.

## **ANNUAL GOVERNANCE STATEMENT**

### **Member Review and Approval**

During the year the project moved to the appointment of the Preferred Bidder. This appointment, the contents and the core set of principles to be included in the IAA2 have all been agreed through a programme of approvals at Project Board (16th January 2014), the Joint Committee (29th January 2014) and each Individual Council in February/March 2014. There is some fine tuning now being conducted by all of the legal, technical and financial officer groups to finalise the IAA2, which will then be disseminated to all Authorities for a final check prior to financial close of the procurement process, followed by approval by the Chief Executive under delegated authority.

### **Welsh Government Review**

During the year the main governance issue was the need to complete the procurement phase with a single bidder. This was managed by the Joint Committee, the Project Board and officers of the lead council.

WG gave approval to proceed with one bidder with acceptances received from the Joint Committee that the contract represented value for money.

The latest WG Gateway review was conducted in November 2013 with an approval being given to close dialogue at that stage.

### **Internal Audit Review**

During the year Internal Audit tracked the implementation of recommendations from the overall governance review completed in the previous year, which had concluded that an effective governance framework was in place.

As the project moved towards the completion of the procurement phase governance was monitored by attendance at Project Board and Joint Committee meetings. This showed that the high standards of governance were maintained throughout the year.

### **Member Training**

The project has carried out a number of briefing sessions and consultation sessions with Members of all five authorities at key stages in the procurement process. The intention is to continue this direct engagement with Members across the Councils leading up to the implementation of the second IAA.

### **Flintshire County Council's Internal Audit**

The department undertook an internal self-assessment against the PSIAS guidelines for Internal Audit in Local Government and found that it generally conforms with the standards.

In his annual report, based on the results of internal audits undertaken during the year, the Internal Audit Manager has concluded that Flintshire's arrangements for governance, risk management and internal control are adequate and effective.

### **Flintshire County Council's Audit Committee**

Members completed a self-assessment against CIPFA Audit Committees – Practical Guidance for Local Authorities and Police in early 2014. The results showed that the Committee is effective in complying with the guidance.

# ANNUAL GOVERNANCE STATEMENT

## 5. SIGNIFICANT GOVERNANCE ISSUES

The governance of the project is very clearly set out in the Inter Authority Agreement which defines key decisions throughout the project and at which level those decisions are required. This has given clarity and certainty to the governance arrangements which protect all the authorities.

No significant issues have been identified when completing the above statement

Signed.....Chair of the North Wales Residual Waste Partnership  
Joint Committee

Signed.....Chief Executive of the Lead Authority

Archwilydd Cyffredinol Cymru  
Auditor General for Wales



WALES **AUDIT** OFFICE  
SWYDDFA **ARCHWILIO** CYMRU

# Audit of Financial Statements Report

## **North Wales Residual Waste Joint Committee**

**Audit year:** 2013-14

**Issued:** September 2014

**Document reference:** 441A2014

# Status of report

---

This document has been prepared for the internal use of North Wales ResidualWaste Joint Committee as part of work performed in accordance with the statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@wao.gov.uk](mailto:infoofficer@wao.gov.uk).

The team who delivered the work comprised John Herniman, Amanda Hughes, Ron Parker and Diane Jones

# Contents

---

The Appointed Auditor intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

---

## Summary report

Introduction	4
Status of the audit	4
Proposed audit report	4
Significant issues arising from the audit	5
Independence and objectivity	6

## Appendices

Final Letter of Representation	7
Proposed audit report of the Appointed Auditor to North Wales Residual Waste Joint Committee	10
Summary of corrections made to the draft financial statements which should be drawn to the attention of the North Wales Residual Waste Joint Committee	12

---

# Summary report

---

## Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of North Wales Residual Waste Joint Committee at 31 March 2014 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for North Wales Residual Waste Joint Committee is £7,800. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of North Wales Residual Waste Joint Committee, for 2013-14, that require reporting under ISA 260.

## Status of the audit

6. We received the draft financial statements for the year ended 31 March 2014 on 16 June 2014, before the agreed deadline of 30 June 2014, and have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Gary Ferguson, Corporate Finance Manager.

## Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#). However, the opinion and audit report will not be issued until after the conclusion of the period of public inspection. This is outlined more fully in paragraphs 15 to 18.

---

## Significant issues arising from the audit

### Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

### Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

**We have one concern about the qualitative aspects of your accounting practices and financial reporting.**

13. An underlying requirement in the preparation of accounts is that income and expenditure relating to a period is accounted for in that period regardless of whether or not the actual payment or receipt (in cash terms) has occurred.
14. We have identified transactions which have not been accounted for in the correct period. Whilst we are satisfied that these have now been corrected, it is important, that in the preparation of future years' accounts, greater care is taken to ensure that services received up to 31 March are accrued in the correct period.

**There is one matter significant to the oversight of the financial reporting process that we need to report to you**

15. Sections 29 and 30 of the Public Audit (Wales) Act 2004 (and as further specified in the Accounts and Audit Regulations 2005), require that the accounts and other specified documents are made available for public inspection.
16. In respect of the 2013-14 accounts, the period of public inspection has been set from 31 July 2014 to 28 August 2014, after which an elector has the right to question the auditor or make an objection in relation to the accounts.
17. Normally those charged with governance (in this case the Joint Committee) meet to approve the accounts following completion of the public inspection period and any issues raised with the auditor which have a bearing on the audit opinion or certificate,

---

can be highlighted in our report on the audit of the financial statements. As you are meeting before the inspection period, that is not the case.

- 18.** Therefore whilst at this stage the Appointed Auditor intends, in September, to issue an unqualified audit opinion and issue a certificate to close the audit, should an elector raise anything relevant to the audit, then it may be necessary for the Committee to reconvene (no later than 30 September 2014) to consider those issues and any potential impact on the auditor's report.

**There are no other matters that we need to report to you**

- 19.** There are no other matters to report to you. In particular:
- we did not encounter any significant difficulties during the audit;
  - there were no significant matters discussed and corresponded upon with management which we need to report to you;
  - we did not identify any material weaknesses in your internal controls that we have not reported to you already; and
  - there are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

## **Independence and objectivity**

- 20.** As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 21.** We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and North Wales Residual Waste Joint Committee that we consider to bear on our objectivity and independence.

# Appendix 1

---

## Final Letter of Representation

[Audited body's letterhead]

Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ  
Xx September 2014

### Representations regarding the 2013-14 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of North Wales Residual Waste Joint Committee for the year ended 31 March 2014 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- 
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - Our knowledge of fraud or suspected fraud that we are aware of and that affects North Wales Residual Waste Joint Committee and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements.
  - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
  - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
  - The identity of all related parties and all the related party relationships and transactions of which we are aware.

### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

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.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### Representations by the North Wales Residual Waste Joint Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by North Wales Residual Waste Joint Committee on xx September 2014.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been

---

communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Gary Ferguson  
Corporate Finance Manager

Date:

Signed by:

Councillor  
Chairman

Date:

# Appendix 2

---

## Proposed audit report of the Appointed Auditor to North Wales Residual Waste Joint Committee

### **Independent auditor's report to the Members of North Wales Residual Waste Joint Committee**

I have audited the accounting statements and related notes of:

- the North Wales Residual Waste Joint Committee

for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

North Wales Residual Waste Joint Committee's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the 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 2013-14 based on International Financial Reporting Standards (IFRSs).

### **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, the responsible financial officer is responsible for the preparation of the statement of accounts, North Wales Residual Waste Joint Committee's accounting statements, 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 North Wales Residual Waste 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 to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I

---

become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of North Wales Residual Waste Joint Committee**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of North Wales Residual Waste Joint Committee as at 31 March 2014 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 2013-14.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword 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 North Wales Residual Waste 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**

**xx September 2014**

## Appendix 3

---

### Summary of corrections made to the draft financial statements which should be drawn to the attention of the Committee of North Wales Residual Waste Joint Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£5,370	Professional Legal fees under accrued.	To correctly reflect costs relating to the 2013-14 financial year.
£1,856	External Audit fees under accrued.	To correctly reflect costs relating to the 2013-14 financial year.
Narrative amendment	Additional information added to the Foreword to reflect the comparison of budgeted expenditure and income to the actual out-turn.	To assist the reader of the accounts.
Narrative amendment	Additional wording to Note 5 Officers' Remuneration to make clear that the Project Director was only in post for part of the year.	To assist the reader of the accounts.



Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@wao.gov.uk](mailto:info@wao.gov.uk)

Website: [www.wao.gov.uk](http://www.wao.gov.uk)

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [info@wao.gov.uk](mailto:info@wao.gov.uk)

Gwefan: [www.wao.gov.uk](http://www.wao.gov.uk)



## **APPENDIX C**

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

Date September 2014

### **Representations regarding the 2013-14 financial statements**

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of North Wales Residual Waste Joint Committee for the year ended 31 March 2014 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### **Management representations**

#### **Responsibilities**

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### **Information provided**

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the North Wales Residual Waste Joint Committee and involves:



# NWRWTP

North Wales Residual Waste Treatment Project

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

## **Financial statement representations**

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

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.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



**NWRWTP**

North Wales Residual Waste Treatment Project

## **Representations by the North Wales Residual Waste Joint Committee**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the North Wales Residual Waste Joint Committee on 31<sup>st</sup> July 2014.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:  
Gary Ferguson  
Corporate Finance Manager  
Date: September 2014

Signed by:  
Chair of North Wales Residual Waste  
Joint Committee  
Date: September 2014



# NWRWTP

North Wales Residual Waste Treatment Project

## AGENDA ITEM NO: 7.4

**REPORT TO:** **NWRWTP JOINT COMMITTEE**

**DATE:** **31 JULY 2014**

**REPORT BY:** **HEAD OF FINANCE (FCC) AND HEAD OF LEGAL & DEMOCRATIC SERVICES (FCC)**

**SUBJECT:** **ANNUAL GOVERNANCE STATEMENT**

### **1.00 PURPOSE OF REPORT**

1.01 For the Joint Committee to review and approve the annual governance statement for the project for the year 2013/14.

### **2.00 BACKGROUND**

2.01 For each financial year the project is required to produce an annual governance statement (AGS) as part of its final accounts. This statement explains the governance framework in operation throughout the year and how it has been reviewed to ensure it is effective.

2.02 The AGS is published as part of the annual statement of accounts. However, it is an important document detailing the Project's corporate governance arrangements and it is best practice for it to be reviewed and approved as a discreet agenda item.

2.03 The AGS has been prepared by the FCC Internal Audit Manager and Corporate Solicitor in compliance with "Delivering Good Governance in Local Government: A Framework" published jointly by CIPFA and SOLACE. It was then submitted to the Chief Executive, Section 151 Officer and Monitoring Officer of the lead council for their observations. It was considered by the Project Board in their meeting on 13<sup>th</sup> June. The final version after approval by the Joint Committee will be submitted to the Chief Executive of the lead council and the Chair of the Joint Committee for signing.

2.04 The AGS will be considered by the Wales Audit Office who have to report if it does not reflect compliance with the guidance in "Delivering Good Governance in Local Government: A Framework".

### **3.00 CONSIDERATIONS**

3.01 In accordance with the guidance the governance statement is divided into five sections namely:-



# NWRWTP

North Wales Residual Waste Treatment Project

1. Scope of responsibility
2. The Purpose of the Governance Framework
3. The Governance Framework
4. Review of Effectiveness
5. Significant Governance Issues

3.02 During 2013/14 the main governance issue was the completion of the procurement phase with a single bidder. This was managed by the Joint Committee, the Project Board and officers of the lead council. All participating councils approved the appointment of the Preferred Bidder and the draft Inter Authority Agreement covering the partnership through the operational phase of the project with the intention to award the contract in the summer of 2014.

3.03 Joint Committee members are requested to consider

1. Whether the statement accurately reflects the governance framework in place in the Project
2. Whether they are satisfied with the overall review of effectiveness, and
3. Whether they agree that there are no significant governance issues facing the project

## **4.00 RECOMMENDATIONS**

4.01 That the Joint Committee considers the draft AGS and provides any comments or amendments before it is finalised.

## **5.00 FINANCIAL IMPLICATIONS**

5.01 None as a result of this report.

## **6.00 ANTI POVERTY IMPACT**

6.01 None as a result of this report.

## **7.00 ENVIRONMENTAL IMPACT**

7.01 None as a result of this report.

## **8.00 EQUALITIES IMPACT**

8.01 None as a result of this report.

## **9.00 PERSONNEL IMPLICATIONS**

9.01 None as a result of this report.



# NWRWTP

North Wales Residual Waste Treatment Project

## **10.00 CONSULTATION REQUIRED**

10.01 None as a result of this report.

## **11.00 CONSULTATION UNDERTAKEN**

11.01 None as a result of this report.

## **12.00 APPENDICES**

Appendix A – Annual Governance Statement

## **LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS**

**Contact Officer:** David Webster  
**Telephone:** 01352 702248  
**Email:** [david.webster@flintshire.gov.uk](mailto:david.webster@flintshire.gov.uk)

**ANNUAL GOVERNANCE STATEMENT**

for the year ended 31<sup>st</sup> March 2014

This statement has the following five sections:-

1. Scope of Responsibilities.
2. The Purpose of the Governance Framework.
3. The Governance Framework.
4. Review of Effectiveness
5. Significant Governance Issues.

**1. SCOPE OF RESPONSIBILITY**

The North Wales Residual Waste Treatment Project is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used appropriately and effectively.

In discharging this overall responsibility, the North Wales Residual Waste Treatment Project should maintain proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and the management of risk.

Each of the Authorities taking part in the Project has approved and adopted a Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government : A Framework.

Flintshire County Council is the Project's lead council and its Code of Corporate Governance is included in Flintshire County Council's Constitution and a copy is also available from Flintshire's Democracy & Governance Manager in Legal and Democratic Services.

This Statement explains how the North Wales Residual Waste Treatment Project has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010.

**2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework brings together the systems and processes, staff, other resources, culture and values by which the Project is managed and controlled and the activities through which it accounts to, engages with and leads the community. The framework enables the Project to monitor achievement against its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risks and challenges to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide proportionate 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, priorities, aims and objectives, to evaluate the likelihood of those risks and challenges occurring and to evaluate the impact if they do; to manage risks efficiently, effectively and economically.

## ANNUAL GOVERNANCE STATEMENT

The governance framework has been in place at the North Wales Residual Waste Treatment Project for the year ended 31st March 2014 and up to the date of approval of the annual statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

#### **Code of Corporate Governance**

The key elements of each Authority's governance arrangements are reflected in their individual Codes of Corporate Governance. Codes apply to all aspects of each Authority's business. Members and employees are required to conduct themselves in accordance with the high standards expected by the citizens of North Wales and the six core principles set out within the revised CIPFA / SOLACE Framework:-

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

#### **Inter Authority relationship**

The whole Project is based on the joint working of all five North Wales Authorities with a common aim of securing a Residual Waste Treatment facility. The relationship is made legally binding by the Inter Authority Agreements (the 1<sup>st</sup> one signed by the Authorities on the 24<sup>th</sup> June 2010 takes matters up to the conclusion of the Procurement and the 2<sup>nd</sup> one will take matters through the long-term Project Agreement with the approved final bidder). The Inter Authority Agreement is supported financially and in terms of policy by the Welsh Government (who also carry out a commercial review of the final Project Agreement to be signed prior to close of Dialogue with the Bidder).

#### **Inter Authority Agreement**

The key elements of the Project's governance arrangements are reflected in the Inter-Authority Agreement, which outlines the Joint Committee's terms of reference, formalises the respective roles and responsibilities in relation to the joint working arrangements for the procurement of the Project, and appoints Flintshire County Council as the lead council.

Copies of the first Inter-Authority Agreement are available by contacting Flintshire County Council's Head of Legal and Democratic Services.

During the last year, the contents and the core set of principles of the second Inter Authority Agreement ( IAA2) have been progressed at several meetings of the legal, technical and financial officers from all five authorities.

## ANNUAL GOVERNANCE STATEMENT

The governance arrangements in the IAA2 very much mirror those in the 1st Inter Authority Agreement. The constitutional and governance arrangements of the IAA2 are intended to reflect those of the first IAA:- that the Project Board and Joint Committee decisions are to be by majority vote and the matters reserved to the individual Councils are to be unanimous decision; the quorum for the Project Board would be a senior officer from each participating Council in person (or if in an emergency by telephone) and for the Joint Committee, the quorum would be attendance by one member (voting or non-voting member) from each participating Council. The new agreement develops those principles as they will apply to the construction, operation and decommissioning phases of the project and so make appropriate arrangements for such matters as partner councils making contributions to Flintshire County Council so that it may make contract payments, what will happen to the facility at the end of the contract etc.

### **Project Structure**

Section 6 of the first Inter-Authority Agreement sets out the procedures for making decisions during the procurement phase of the Project. The Councils have approved 3 categories together with the means by which decisions will be taken; 'Project Board Matter', 'Joint Committee Matter' and a 'Matter Reserved to the Councils'. A list of procurement stages called 'Procurement Milestones' along with the decision making category allocated to each milestone is included in Schedule 1 of the first Inter-Authority Agreement. The second Inter Authority Agreement will similarly lay out the remit for each of the decision making bodies.

### **Project Board**

The Project Board consists of the Chief Executive of the lead council, one director or senior office representative from each of the other four Councils, the Project Director, the Project Section 151 Officer (of the lead council), the Project Monitoring Officer (of the lead council) and other external parties as appropriate. The quorum necessary for Project Board Meeting is a Senior Officer Representative from each Council. The Chair of the Project Board is appointed by the Project Board from time to time. The Project Board strives to reach a consensus but decisions at meetings are taken by a simple majority vote with each Council having one vote only.

The purpose of the Project Board is to implement the Procurement Milestones and the day-to-day management and monitoring of the procurement process. The Project Board has the powers to make decisions and make recommendations as set out in Schedule 3 of the first Inter-Authority Agreement.

The Project Board has responsibility for managing the progress and implementation of the Project including identifying all project activities necessary to be carried out and instructing the internal and external financial, legal, procurement and technical advisors. It monitors the Project to ensure that it remains within budget and deploys those resources in line with those functions. The Project Board also has responsibility for risk management for the project, which it carries out through a best practice Risk Register that is reported to the Project Board at each meeting.

### **External Advisors**

External legal, technical and financial advisors are required for large and complex project's such as the NWRWTP, and have played a crucial role in advising the partnership through the procurement process, including areas such as scrutiny and evaluation of bids received, advice on markets norms, risk positions and negotiations with the bidders.

# ANNUAL GOVERNANCE STATEMENT

## **Joint Committee**

Each Council appoints two elected members of their executive or cabinet, one of whom is a voting member, as their representatives to the Joint Committee. The Chair and Vice Chair of the Joint Committee are elected executive members of a Council who are elected by the Joint Committee at the annual general meeting. Appointments take effect until the next annual general meeting. The quorum necessary for a Joint Committee Meeting is five members of the Joint Committee comprising at least one member from each of the Councils. Decisions at meeting of the Joint Committee are taken by simple majority vote with each elected voting member or appropriate deputy from each Council having one vote.

The Joint Committee has the powers to make decisions and recommendations within its terms of reference as set out in Schedule 2 of the first Inter-Authority Agreement.

## **Matters Reserved to the Councils**

Each Authority has its own Constitution which sets out responsibility for making decisions which can be found on each Council's website.

## **Members**

On taking office all elected Members are required to sign a Declaration of Acceptance of Office whereby they undertake to be guided by the National Code of Local Government Conduct in the performance of their functions as a Councillor. Each Authority has an individual Members' Code that complies with the National Code and all Members are given a copy of it when taking up office. Any complaints that a Member has not complied with the Code are considered by the Public Services Ombudsman for Wales who may refer any apparent breaches to either the relevant Council's Standards Committee or to the Adjudication Panel for Wales which may apply sanctions if a breach of the Code is found.

## **Officers**

Officers are subject to a separate Code of Conduct, each Authority has an individual Officers' Code of Conduct. Breach of the Officers' Code can lead to disciplinary action.

Copies of both the Members and Officers Codes of Conduct are available from each Authority.

## **Lead Council**

The Councils have agreed that Flintshire County Council shall be the lead council. Responsibilities include:

- Acting on behalf of the Project in the management and supervision of the procurement exercise
- Act as the employing authority for any staff engaged in the discharge of the Project's functions
- Being the legal point of contact for the purposes of managing the procurement
- Providing such additional administrative resources and office facilities that may be necessary for the purpose of discharging the Project and hold all central funds
- Provide senior officers who will act as Secretary, Monitoring Officer, and Treasurer (who will also be the Section 151 Officer) for the Project and who will therefore act as the primary legal and financial advisers to the Project
- Responsibility for liaison and communication with Welsh Government and co-ordination of communication and public relations
- Power to enter into contracts for Consultants as required for the purposes of the Project

# ANNUAL GOVERNANCE STATEMENT

## **Monitoring Officer**

Article 15 of Flintshire County Council's Constitution designates the Head of Legal and Democratic Services as the Council's Monitoring Officer under Section 5 of the Local Government & Housing Act 1989 and therefore is the Project's Monitoring Officer.

## **Finance**

Flintshire County Council's Head of Finance as lead council is the Project's Responsible Finance Officer and takes responsibility for the proper administration of the North Wales Residual Waste Treatment Project's financial affairs under Section 151 of the Local Government Act 1972 and in accordance with the CIPFA Statement on the role of the Chief Financial Officer. Following an internal restructure within FCC from 1<sup>st</sup> June 2014 this role will be undertaken by the Corporate Finance Manager.

Flintshire County Council as lead council holds all central funds, and the Project applies the lead council's Contract Procedure Rules and Financial Procedure Rules. Flintshire County Council treats the Project's funds with the same stewardship to that of its own funds and there are robust arrangements for effective financial management and control through the Council's accounting procedures, key financial systems, Financial Procedure Rules and Contract Procedure Rules as set out in Flintshire County Council's Constitution. Both the Financial Procedure Rules and Contract Procedure Rules are regularly reviewed and are available on Flintshire County Council's intranet called the infonet.

Section 9 of the first Inter-Authority Agreement sets out the financial commitments each Council has agreed to make to the Project, together with arrangements for agreeing and reimbursing Project costs incurred by each Council. There is a section within the first Inter-Authority Agreement that sets out procedures for any expenditure not within the agreed expenditure profile; the Project Board must agree any such expenditure in advance.

The second Inter-Authority Agreement sets out the financial responsibilities and liabilities of the authorities, reflecting where appropriate those contained in the project agreement.

## **Budget Monitoring**

In both Inter Authority Agreements the Joint Committee has overall responsibility for monitoring the budget, which it does by receiving regular budget status reports as part of the overall project update as a regular agenda item. The Project Board also receives a budget status report as part of the overall project update as a regular agenda item.

## **Business Planning**

The Project has established a robust approach to business planning. The project is not a continuous project, but rather a specific one off process with a set outcome – the procurement of a residual waste treatment contract. The justification for the project, its outline description and indicative costs, project timetable, project governance and management arrangements and the project budget was set out in a Project Initiation Document (PID – final version dated 1 October 2008) and was agreed by all authorities. This allowed a dedicated project team to be employed, which allowed an Outline Business Case and Inter-Authority Agreement to be developed, and ultimately agreed by all authorities.

The Outline Business Case (OBC) set out the strategic, economic, commercial, financial and management case for the Project, all prepared in accordance with good industry practice. It also served as a bid document to the Welsh Government (WG) for financial support for the project. The OBC was approved by WG, which led to WG committing to supporting the cost of the contract up to a value of £142.7m. It is anticipated that the Final Business Case will be submitted in early June 2014.

## **ANNUAL GOVERNANCE STATEMENT**

There are also various stages where WG have carried out and will carry out “gateway reviews” to ensure that the project is progressing satisfactorily and that the project agreement (contract) represents value for money and does not pose unacceptable risk to the authorities.

All the authorities report the project’s progress to their Members that are not on the Joint Committee.

### **Welsh Government**

As well as the gateway reviews noted above, the partnership has maintained a close relationship with the WG throughout the project’s life, both through the project’s transactor who acts as a communication bridge between WG and the partnership, and also directly at a senior level as and when required.

### **Communications**

Communicating, consulting and engaging with the public and stakeholders are key aspects of the NWRWTP. Since its inception, the partnership has created and regularly updated a communications plan. Communication and Engagement is a regular item on the agenda of every Project Board and Joint Committee meeting and there is a communication officer group that meet on an as and when basis with each partner authority’s press office / communications officers present.

The above governance arrangements have ensured that there has been consultation, communication and engagement with stakeholders at all levels from partner authority Members to interest groups to residents throughout the process.

The communications strategy (both within and outside the partnership structure) has been led by the Lead Chief Executive with the Project Board and Joint Committee support and approval where necessary. This reflects the location of the site within the lead authority’s boundaries.

### **Risk Management**

The Project has a detailed risk register that is a regular item on the Project Board and Joint Committee agendas. Any new risks, any changes to existing risks and the highest level risks are highlighted to both groups at all of their meetings.

### **Regulation and Assurance**

Regulation and accountability provides assurance for the effectiveness of the Project’s arrangements for the services it is responsible for and the achievement of its objectives. It is undertaken both internally through governance arrangements, practices and procedures and externally by various organisations such as the Wales Audit Office (WAO) which has an independent statutory role. Responsibility for procuring necessary audit and assurance checks resides with the Joint Committee. The Joint Committee oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information, and, monitors the performance and effectiveness of the external audit functions within the wider regulatory context.

### **Audit Committee**

Internally, Flintshire County Council’s Audit Committee’s role and function, as lead council, provides assurance of the systems of internal control through reviewing the effectiveness of Flintshire’s systems through which the Project’s funds are controlled. It also monitors the performance and effectiveness of Flintshire’s internal audit function.

# ANNUAL GOVERNANCE STATEMENT

## **Internal Audit**

Flintshire County Council's Internal Audit service is provided in accordance with the Public Sector Internal Audit Standards (PSIAS) and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. The Standards state that Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

In accordance with the requirements of the PSIAS the Internal Audit Manager reports to Flintshire County Council's Audit Committee, as the lead Council, a summary of audit findings and prepares an annual report that summarises the results of internal audit work during the year on the overall system of internal control at Flintshire County Council, through which the Partnership's funds are controlled.

## **External Regulation**

External arrangements for regulation and assurance are provided principally by the Wales Audit Office (WAO).

Their role is independent of government and they examine and challenge the performance and effectiveness of Welsh public bodies work and produce either periodic or annual local and national reports on their findings. All formal reports are presented to the Joint Committee.

The whole project is closely supported, monitored and reviewed by WG to ensure the project is delivering part of their waste strategy as it set out to do.

## **Whistle blowing**

Each Council is committed to the highest possible standards of openness, probity and accountability. To support that commitment employees and others with serious concerns about any aspect of the Project's work are encouraged to come forward and voice those concerns. It is recognised that sensitive cases have to proceed on a confidential basis. Each individual Council's policy makes it clear that employees can do so without fear of reprisal. Policies are available from each Partner Council.

## **Complaints**

Each Council has adopted a formal complaints procedure and these are periodically updated.

## **4. REVIEW OF EFFECTIVENESS**

The North Wales Residual Waste Treatment Project has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Senior Managers within the Councils who have responsibility for the development and maintenance of the governance environment, and by comments made by the external auditors and other review agencies and inspectorates.

# ANNUAL GOVERNANCE STATEMENT

## **Member Review and Approval**

During the year the project moved to the appointment of the Preferred Bidder. This appointment, the contents and the core set of principles to be included in the IAA2 have all been agreed through a programme of approvals at Project Board (16th January 2014), the Joint Committee (29th January 2014) and each Individual Council in February/March 2014. There is some fine tuning now being conducted by all of the legal, technical and financial officer groups to finalise the IAA2, which will then be disseminated to all Authorities for a final check prior to financial close of the procurement process, followed by approval by the Chief Executive under delegated authority.

## **Welsh Government Review**

During the year the main governance issue was the need to complete the procurement phase with a single bidder. This was managed by the Joint Committee, the Project Board and officers of the lead council.

WG gave approval to proceed with one bidder with acceptances received from the Joint Committee that the contract represented value for money.

The latest WG Gateway review was conducted in November 2013 with an approval being given to close dialogue at that stage.

## **Internal Audit Review**

During the year Internal Audit tracked the implementation of recommendations from the overall governance review completed in the previous year, which had concluded that an effective governance framework was in place.

As the project moved towards the completion of the procurement phase governance was monitored by attendance at Project Board and Joint Committee meetings. This showed that the high standards of governance were maintained throughout the year.

## **Member Training**

The project has carried out a number of briefing sessions and consultation sessions with Members of all five authorities at key stages in the procurement process. The intention is to continue this direct engagement with Members across the Councils leading up to the implementation of the second IAA.

## **Flintshire County Council's Internal Audit**

The department undertook an internal self-assessment against the PSIAS guidelines for Internal Audit in Local Government and found that it generally conforms with the standards.

In his annual report, based on the results of internal audits undertaken during the year, the Internal Audit Manager has concluded that Flintshire's arrangements for governance, risk management and internal control are adequate and effective.

## **Flintshire County Council's Audit Committee**

Members completed a self-assessment against CIPFA Audit Committees – Practical Guidance for Local Authorities and Police in early 2014. The results showed that the Committee is effective in complying with the guidance.

# ANNUAL GOVERNANCE STATEMENT

## 5. SIGNIFICANT GOVERNANCE ISSUES

The governance of the project is very clearly set out in the Inter Authority Agreement which defines key decisions throughout the project and at which level those decisions are required. This has given clarity and certainty to the governance arrangements which protect all the authorities.

No significant issues have been identified when completing the above statement

Signed.....Chair of the North Wales Residual Waste Partnership  
Joint Committee

Signed.....Chief Executive of the Lead Authority



# NWRWTP

North Wales Residual Waste Treatment Project

## AGENDA ITEM NO: 8.1

**REPORT TO:** NWRWTP JOINT COMMITTEE

**DATE:** 31<sup>st</sup> JULY 2014

**REPORT BY:** PROJECT MANAGER

**SUBJECT:** 2<sup>nd</sup> INTER-AUTHORITY AGREEMENT

### **1. PURPOSE OF REPORT**

- 1.1 To update the Joint Committee on progress on discussions on finalising the second Inter-Authority Agreement (IAA2).

### **2. BACKGROUND**

- 2.1 The draft IAA2 and a set of core principles to be included within it were agreed at the Project Board on 16 January 2014, and subsequently recommended for approval by the Joint Committee on 29 January 2014. All partner authorities then approved the draft IAA2 and the core principles during February / March 2014.
- 2.2 Since the approvals process, the legal, technical, financial officers have met on a number of occasions to work through the detail of the IAA2, and advanced drafts have been shared with the Project Board in June and July 2014.
- 2.3 The IAA2 must be signed prior to reaching financial close with Wheelabrator (WTI), therefore the agreement must be approved and signed by all partner authorities as soon as possible.

### **3. CONSIDERATIONS**

- 3.1 As noted in 2.2 above, the IAA2 has been the subject of detailed feedback from the legal, technical and financial officers, as well as the Project Board and is now at a stage that it requires finalising and signing by the partner authorities.
- 3.2 Since the draft shared with the Joint Committee and partner authorities in January to March 2014 there have been no material changes to the agreement. The work and discussions have been related to the following areas:-



# NWRWTP

North Wales Residual Waste Treatment Project

3.2.1 Developing and agreeing the detail of the mechanism for payments to be made to and from the authorities, ensuring the Lead Authority is kept whole financially (as it is responsible for making payments to the contractor). This payment mechanism has been discussed at length and agreed by the Finance Officers.

3.2.2 Ensuring consistency of definitions and drafting throughout the document.

3.2.3 Ensuring the document adheres fully to the principles agreed and approved by the partner authorities.

3.2.4 Agreeing a mid term review (no later than 15 years into the operational life of the contract) to consider:-

- The operational life of the contract (whether to exercise the option to extend the contract with WTI by up to 5 years as stipulated in the Project Agreement);
- Options beyond the WTI contract (e.g. do the authorities want to remain in partnership and re-procure a new contract for the operation of the facility after WTI's contract);
- Agree how to manage and distribute any residual value of the buildings and equipment related to the operation of the facility upon closure of the contract. For the avoidance of doubt, the residual value refers to the physical building(s) and other assets only, not the site itself (which is dealt with elsewhere within the IAA2).

## **4. RECOMMENDATIONS**

4.1 To note the report and its content.

4.2. That, following finalisation by the Lead Chief Executive, partner authorities sign IAA2.

## **5. FINANCIAL IMPLICATIONS**

5.1 There are financial implications and risk for all five constituent authorities as a consequence of entering into an Agreement. These have previously been reported to the Joint Committee.

## **6. ANTI-POVERTY IMPACT**

6.1 None



**NWRWTP**

North Wales Residual Waste Treatment Project

## **7. ENVIRONMENTAL IMPACT**

7.1 None

## **8. EQUALITIES IMPACT**

8.1 None

## **9. PERSONNEL IMPLICATIONS**

9.1 None

## **10. CONSULTATION REQUIRED**

10.1 None

## **11. CONSULTATION UNDERTAKEN**

11.1 A number of meetings have taken place of the Technical Officers' Group, Finance Officers' Group, Legal Officers' Group and the Project Board to finalise the draft IAA2.

## **LOCAL GOVERNMENT ACCESS TO INFORMATION ACT 1985**

### **Background Documents:**

None

**Contact Officer:** Louise Pedreschi (FCC)  
Gareth Owens (FCC)  
Steffan Owen (NWRWTP)



## Appendix 1 – core principles as approved

	Issue	Agreement at Project Board
1.	1. A general overarching agreement on cost sharing.	<p>a) Where any costs apply to a period when the facility is operational that they are split pro rata based on the tonnage delivered (i.e. actual not forecast) and</p> <p>b) In any other situation the costs are to be divided equally between the councils</p> <p>See 3 below for after the site has been operational and is being wound down.</p>
2.	What happens to the site on early termination?	<p>The cost sharing principle above is to be applied to any early termination payments and liabilities.</p> <p>In relation to the facility site:</p> <p>a) If the facility had been built and still had the potential to be used, then it should be made available to the Partnership for the duration of the term of the proposed Project Agreement. The rationale for this is that on early termination, the Partnership as a whole will have invested in the capital and operating expenditure incurred up to the termination date. If Flintshire alone were to have the benefit of a “working facility”, then this would be inequitable and there would have to be some payment by them to offset any valuation of the facility which would probably be punitive to meet.</p> <p>b) If the facility had not been built i.e. because of planning failure, then there would be no obligation to tie the site to the project.</p> <p>c) If the facility was built but not operational or had a negative value (i.e. on a re-tender for a Contractor default situation) then all Councils should contribute / share any liability such as decommissioning costs or alternatively share any additional costs of making the facility operational for the term of the Project Agreement.</p>



# NWRWTP

North Wales Residual Waste Treatment Project

3.	Decommissioning costs.	<p>These are to be divided equally at expiry. However, if Flintshire were to opt to continue using the facility solely it would take on the decommissioning liability in full. A share of these costs is to be included in the liability report for any Council withdrawing or being terminated early.</p> <p>For reference current estimates provided by AMEC are that decommissioning could cost in the region of £1.1 million (with a 10% contingency to be built in) and could take up to 6 to 12 months to deal with the Planning and EIA requirements and a potential further 12 to 18 months for the actual decommissioning itself (subject to any complications that could arise).</p>
4.	Contract Management Costs	These are to be divided equally up to operation of the Facility and thereafter pro rata based on the tonnage delivered as per the general cost sharing principle.
5.	The Community Benefit Fund	This is to be paid into by all 5 Councils pro rata based on the tonnage delivered
6.	Loss of WG funding	Any loss of funding for which the Contractor is not responsible will be shared and paid by the Councils pro rata based on the tonnage delivered
7.	New build Waste Transfer station (if required)	This is to be divided equally as a capital expenditure. The parcel of land provided is to revert to the donating authority if owned by them, or if funded by the partnership then the councils would jointly decide what happens to that facility at the end of the contract term and how its proceeds/assets are to be distributed.
8.	Decision making	All decisions to be made by the Project Board and Joint Committee are to be by majority vote with any matters that are reserved to Individual Councils to be made unanimously by all Councils (save for when one Council has defaulted in which case the four non-defaulting Councils only, would have to make any decision unanimously ie to terminate the defaulting Council).



# NWRWTP

North Wales Residual Waste Treatment Project

9.	Extension of the Project Agreement	This is to be a matter that all five councils are required to agree on (without allowing for any Council to withdraw at this stage) and if the decision cannot be unanimous then any Council(s) who do wish to continue to use the facility can agree to do so outside of the Project Agreement. Those councils could decide to agree a new procurement amongst themselves.
10.	Cost Sharing during operation (waste treatment, haulage / transport and “excess payments”)	<p>a) Each authority is bound by its own Guaranteed Minimum Tonnage and the price bands as charged by the contractor.</p> <p>b) Payments to the contractor for the treatment and transport of waste will be based on the actual tonnages delivered subject to not exceeding the forecast tonnages.</p> <p>c) Where tonnage delivered by an authority exceeds the forecast tonnages, the authority delivering such excess tonnage shall be solely responsible for the costs associated with the treatment and transport of such tonnage.</p> <p>d) Where the tonnages are below the guaranteed minimum tonnage the guaranteed minimum tonnage as applicable to each authority will be deemed to be the tonnage delivered by the relevant authority.</p> <p>e) In the event where the tonnages delivered are below the guaranteed minimum tonnage, the authority not meeting its requirements will pay on the basis of the guaranteed minimum tonnage and this will result in an 'excess payment' to be managed as per paragraph 12.a) below.</p>



11.	Cost of managing waste prior to haulage and treatment (e.g. waste transfer stations)	<p>a) Where WG provide a grant for that element, each authority would be responsible for their own transfer station operating costs, with no recourse to other authorities;</p> <p>b) Where WG do provide a grant for that element, all partner authorities will pay in to the Partnership an agreed amount per tonne for the waste being managed within each authority area, and all partner authorities receive an equitable share of the payment back, with the addition of the Welsh Government Grant. The amount paid “in” to the partnership per tonne will be an amount agreed between the partner authorities (the starting point for the discussion would be the rate identified by the market testing / procurement exercise for the intended Conwy transfer station; this will ensure that the amount is based on a market rate).</p>
12.	Benefit Sharing	<p>a) The application of the overall contract level tonnage limits on an authority level could result in an overall overpayment by the authorities in total compared to the payment to the contractor and such excess will be termed as 'excess payments' but is in actuality arises as a result of the benefits of being in a partnership. Such “Excess” payments should be placed in a reserve to be used to fund project expenses, or be shared on a periodic basis or at the end of the project utilising the percentages used to allocate the tonnage bandings. This will be administered by the Joint Committee at its discretion.</p> <p>b) The Excess Payments will be reviewed after the first year of the contract to take into account the likelihood of amounts that may regularly be accrued on an annual basis.</p> <p>c) Dealing with additional income and windfall gains: - the project has the potential to deliver increased 3rd party income over and above that guaranteed by the contractor. Examples include electricity and 3rd party waste income. There could also be circumstances where windfall payments also arise (for instance if there are electricity or heat generation subsidies not envisaged at this time that subsequently come to pass). Such income is to be split pro rata per tonne delivered.</p>



# NWRWTP

North Wales Residual Waste Treatment Project

13.	Ability to “trade” tonnage allocations.	The project will be operational for 25 years, and during this time it is likely that proportions of wastes arising will change between authorities during the project period. The IAA2 is to have a method included within it to ensure some flexibility to allow readjustment on the tonnage bands to more closely reflect any changes in the proportions of waste arisings between authorities.
-----	---	---