

## **NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:** 2019/20 STATEMENT OF ACCOUNTS

**REPORT OF:** THE FINANCIAL ADVISER

**FOR SUBMISSION TO:** AUDIT COMMITTEE

**DATE:** 2 SEPTEMBER 2021

### **SUMMARY OF REPORT:**

This report summarises the draft Audit Completion Report from Mazars LLP, the Authority's external auditor, in relation to the audit of the Authority's 2019/20 Final Accounts. The report summarises the auditor's findings and invites Members to authorise the Financial Adviser to sign the Authority's letter of management representation. The report presents the audited 2019/20 Statement of Accounts including the Authority's Annual Governance Statement for approval.

### **RECOMMENDATIONS:**

The Audit Committee is recommended to:

- A. Note the draft Audit Completion Report
- B. Authorise the Financial Adviser to sign the 2019/20 letter of management representation as drafted at the end of Appendix A
- C. Approve the Authority's 2019/20 Statement of Accounts and Annual Governance Statement in Appendix B and authorise the Audit Committee Chair and Clerk to sign these documents.

**SIGNED:** Jon Rowney, Financial Adviser

**DATE:** 20 August 2021

## **1. INTRODUCTION**

- 1.1. The outturn for the financial year 2019/20 was reported to the June 2020 Authority meeting. The report concluded that the Authority ended the year with revenue balances of £8.443m at 31 March 2020. The Authority's final outturn and revenue balance position remains unchanged at the conclusion of the audit.
- 1.2. These statements are prepared in accordance with International Financial Reporting Standards and provide an important means by which the Authority accounts for its stewardship of public funds. They were also prepared in line with The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020. The amendment regulations adjusted the deadline for the submission of draft accounts to 31 August 2020 and the subsequent audit deadline to 30 November 2020. The draft statement was duly signed on 30 August 2020 and passed to the external auditor, in line with the regulations.
- 1.3. As a result of COVID-19, the audit was completed remotely, rather than in-person. This meant that progress was slower than would normally be the case. A notice advising of the delay to the audit was published on the Authority's website in late November and further updates were provided in papers to the Authority meetings in both February and April 2021.
- 1.4. The audit has been undertaken by Mazars. Mazars are also the external auditors for London Borough of Camden, who provide the Authority with internal audit, financial systems, treasury management as well as accounts payable and receivable support.
- 1.5. The Statement of Accounts includes Group accounts for the Authority and LondonEnergy Ltd (LEL). It should be noted that the financial year for LEL ends on 31 December, whereas the Authority's year-end is 31 March.
- 1.6. As the responsible financial officer, the Financial Adviser is required to report to the Authority on any material amendments made as a result of the audit. Similarly, auditing standards placed on the auditor requires that an Audit Completion Report is presented, setting out the key issues that Members should consider before the audit is completed and before the auditor issues a formal opinion on the Authority's accounts. The draft Audit Completion Report is attached at Appendix A.

## **2. KEY MESSAGES**

### **Key issues and Recommendations**

- 2.1. At the time of writing this report, the audit of the group accounts is not yet complete. The Auditor is completing an assessment of the figure included on the

group balance sheet for goodwill. The auditor will provide an oral update on this item at the meeting.

The Audit Completion report identifies one internal control recommendation, relating to the Fixed Asset Register. It is classified as a priority 2 (medium priority); a need to strengthen internal control or enhance business efficiency that should be actioned in the near future. The report also contains a follow-up to a recommendation in the report relating to the 2018/19 audit, relating to the Authority's banking requirements. Both recommendations are described in the following paragraphs.

### **Fixed Asset Register**

- 2.2. The auditor has identified that in prior years the Authority had not kept a formal fixed asset register and that without a formal reconciliation of the register to the financial statements, there is a risk that assets could be misstated or misappropriated.
- 2.3. At the end of March 2020, the Authority had 6 items of land and buildings that made up the Authority's fixed assets. An impairment review was held each year to review the values in the accounts, but there was no formal register of assets. A formal register has been created as part of the audit and will be reconciled to the statements going forwards. The number of assets that the Authority holds will increase in future years as the infrastructure created by the North London Heat and Power Project is completed. In addition, during the 2021/22 financial year, the Authority will also implement the requirements of International Financial Reporting Standard 16 (leases), which will bring these onto the balance sheet.

### **Recommendation arising from the 2018/19 Audit**

- 2.4. The Authority does not have a bank account in its own name and manages all of its financial transactions through the London Borough of Camden. The audit recommendation for the Authority to hold a bank account in its own name was discussed at the Member Finance Working group in January 2020. In that discussion, it was considered that the advantages of separating finances of the Authority from the London Borough of Camden would be outweighed by the additional costs and time that would be required to achieve and maintain this.
- 2.5. Instead, following discussions with the auditors, a number of controls have been put in place to ensure that there is clear control of the Authority's financial position. These include the following:
  - 2.5.1. Ensuring that all future borrowings are made in NLWA's own name.
  - 2.5.2. Ensuring that lenders allow the funds to be paid directly into the London Borough of Camden's bank account

- 2.5.3. Ensuring that the Authority have appropriate controls in place to understand how London Borough of Camden invest the Authority's money.
  - 2.5.4. Ensuring that the Authority is satisfied that the Treasury Management Agreement between NLWA and London Borough of Camden are appropriate and satisfy the Authority's risk management arrangements and that appropriate arrangements are in place to allow funds to be used in line with NLWA's cash flow projections.
  - 2.5.5. Ensuring that the Authority has appropriate arrangements in place with the London Borough of Camden to ensure that financial reporting requirements at year end are appropriate and are disclosed correctly.
- 2.6. To achieve this, officers meet regularly with counterparts in the London Borough of Camden to discuss treasury and financial management issues. The Treasury Management Agreement between the two parties has been updated to reflect the fact that cash balances over the coming years will be significantly higher at times than they have been in the past and appropriate steps have been taken within the London Borough of Camden to reflect the treasury issues that will arise as a result. As part of the audit of the 2019/20 accounts, an additional note has been added to provide further detail on the cash and equivalents balance held at the year end (£99.452m at 31 Mar 2020, compared to £10.301m at 31 Mar 2019).

### **Amendment to the Auditor's Report**

- 2.7. The report contains an additional paragraph relating to the 'Emphasis of Matter – the valuation of land and buildings'. The Authority obtains a revaluation of the EcoPark for the group accounts, each year. This valuation was carried out at the end of March 2020, right at the start of the first lockdown. Because of the uncertainty on values that this created, the Authority's valuer included a 'material valuation uncertainty' declaration in their report. This does not affect the auditor's opinion on the statements overall.

## **3. CONCLUSION**

- 3.1. Subject to the auditor providing an oral update on the valuation of goodwill in the group accounts, members are asked to:
- 3.1.1. Note the Audit completion report,
  - 3.1.2. Authorise the Financial Adviser to sign the 2019/20 letter of management representation, and

- 3.1.3. Approve the Authority's 2019/20 Statement of Accounts and Annual Governance Statement and authorise the Audit Committee Chair and Clerk to sign these documents.

#### **4. EQUALITIES IMPLICATIONS**

- 4.1. There are no equalities implications arising from this report

#### **5. COMMENTS OF THE LEGAL ADVISER**

- 5.1. The Legal Adviser has been consulted in the preparation of this report and comments have been incorporated.

#### **List of documents used:**

Mazars' Audit Completion report 2019/20

North London Waste Authority statement of accounts 2019/20

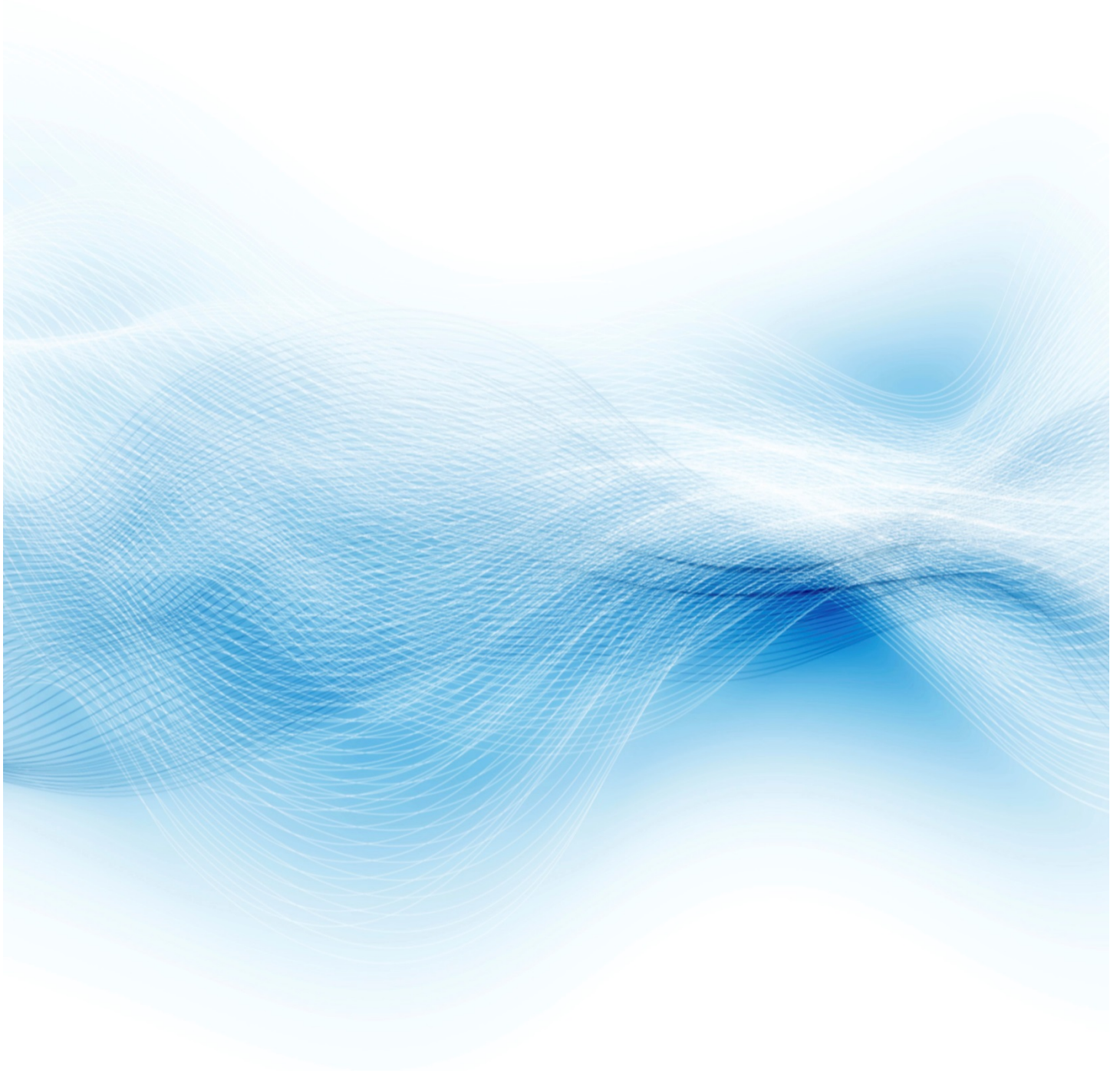
#### **Contact officer:**

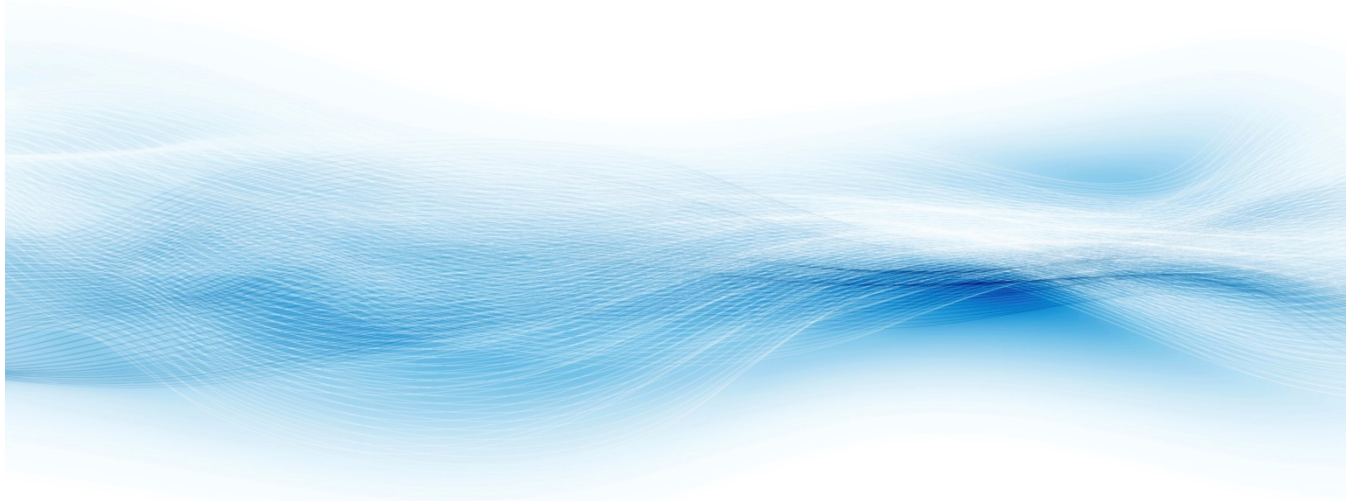
Paul Gulliford  
Unit 1b Berol House  
25 Ashley Road  
London N17 9LJ  
020 8489 5833  
Paul.gulliford@nlwa.gov.uk

# Audit Completion Report

# North London Waste Authority

Year ending 31 March 2020





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Our reports are prepared in the context of the ‘Statement of Responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1D

North London Waste Authority Audit Committee  
Unit 1B, Berol House  
25 Ashley Road  
London  
N17 9LJ

02 September 2021

Dear Members

### **Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 13 February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate .

One implication of COVID-19 for the Authority was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, as well as resourcing difficulties in the audit team which has led to the significant delay in the completion of the 2019/20 audit. We would like to express our thanks for the assistance of the Head of Finance and the finance team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07387 242052.

Yours faithfully



Lucy Nutley  
Mazars LLP

**Mazars LLP – Tower Bridge House, St Katharine's Way, London, E1W 1DD**  
Tel: 020 7063 4000 – [www.mazars.co.uk](http://www.mazars.co.uk)

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73



# 1. Executive Summary

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of North London waste Authority, ('the Authority') for the year ended 31 March 2020 and forms the basis for discussion at the Audit Committee meeting on 02 September 2021.

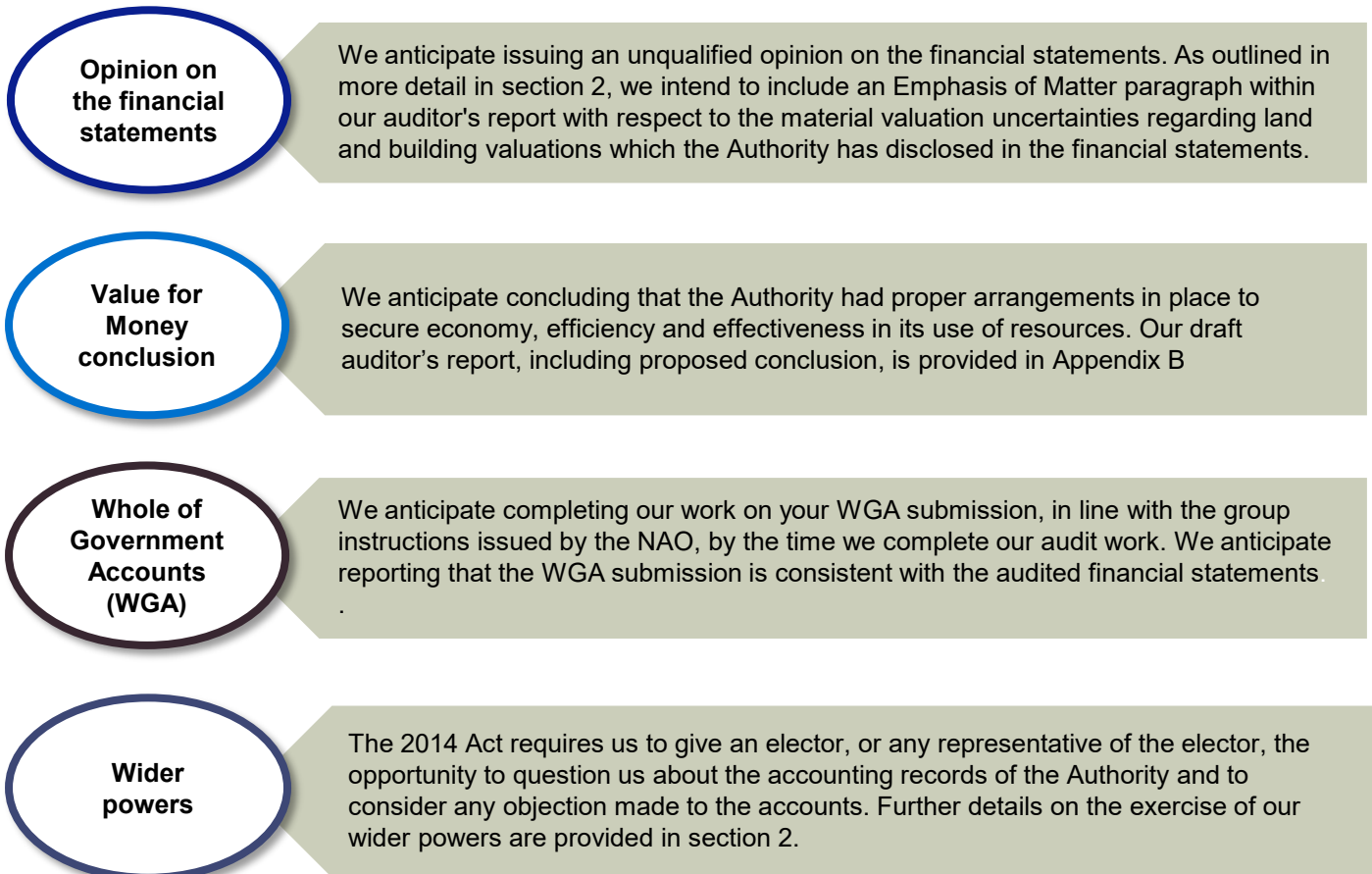
The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Revenue recognition
- Property, plant and equipment valuation

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:



# 1. Executive summary

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Goodwill (group accounts)	●	We are completing our assessment of management's review of the valuation of goodwill in the group accounts.
Closure Procedures	●	Our final reviews and completion work need to be performed, including consideration of post balance sheet events until the date of sign-off

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Materiality

We set materiality at the planning stage of the audit at £860k (£1,220k group) using a benchmark of 1.5% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £880k (£1,240k group), using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £26k (£37k group) based on 3% of overall materiality

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we have made during our audit, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.



## 2. Executive summary (continued)

### Overview of our group audit approach

Our Audit Strategy memorandum provided details of our intended group audit approach, including our initial assessment of group materiality. The table below confirms the approach we have taken to auditing the Authority's consolidated financial statements.

Entity	Nature of entity audit	Auditor	Description of audit procedures undertaken on the component	Changes to audit approach
North London Waste Authority (parent)	Statutory audit	Mazars LLP	Full scope audit as described in this report	None
London Energy Limited (subsidiary)	Statutory audit	BDO LLP	<p>Identified as a significant component, the overall approach is:</p> <ul style="list-style-type: none"> <li>• send group instructions to the component auditor setting out our audit requirements;</li> <li>• review the information provided by the component auditor;</li> <li>• obtain confirmation of completion by the component auditor;</li> <li>• review the consolidation process; and</li> <li>• review the consolidation adjustments and disclosures.</li> </ul>	None



## 2. Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.



## 2. Significant findings (continued)

### Significant risk

Management Override of Controls

### Description of the risk

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

Our audit methodology incorporates this risk as a standard significant risk at all audits. We do not consider this risk at the Authority to be unusually high or requiring enhanced audit procedures

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### How we addressed this risk

We addressed the risk through performing audit procedures, covering a range of areas including (but not limited to):

- accounting estimates included in the financial statements for evidence of management bias;
- journals and other adjustments recorded in the general ledger in preparing the financial statements; and
- any significant transactions outside the normal course of business.

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### Audit conclusion

There were no significant findings arising from our review of areas of potential management override of controls.

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## 2. Significant findings (continued)

### Significant risk

Revenue recognition

### Description of the risk

Our audit methodology incorporates revenue recognition as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.

Based on our initial knowledge and planning discussions we have concluded that we can rebut the presumption of a revenue recognition risk for the majority of the Authority's revenue income. In particular we can rebut the revenue recognition risk for income derived from the annual levy for each London Borough.

The area where we are not rebutting the income risk relating to all other material classifications of income, such as fees, charges and sales derived from the Authority's operations, as this carries a higher level of inherent risk.

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### How we addressed this risk

We addressed this risk by obtaining a detailed understanding of the Authority's processes which assure it that revenue is materially recognised in the correct accounting year. We carried out:

- detailed testing of non-levy income transactions within the 2019/20 financial statements to confirm they are accounted for in the correct year; and
- testing receipts of non-levy income around the year-end to provide assurance that there are no material unrecorded items of income in the 2019/20 accounts.

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### Audit conclusion

There were no significant findings arising from our review of revenue recognition.

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## 2. Significant findings (continued)

### Significant risk

Property, plant and equipment valuation

### Description of the risk

The Authority's accounts as at 31 March 2019 contained material balances relating to land and buildings totalling £30.8m. The equivalent value in the Group accounts, which includes the EcoPark was £124m. At 31 March 2020 the values were £30m and £117m respectively.

Due to the material significance of the values and the high degree of estimation uncertainty associated with the revaluations of land and buildings held by the Authority and London Energy Limited (LEL), we have determined there is a significant risk in this area.

The Authority's policy is to revalue assets every five years. For the remaining land and building asset which have not been valued in 19/20 as they are not at the end of the five year cycle, management have carried out an impairment review to determine whether the useful lives have changed and that the values have been impaired as a result.

A formal valuation was performed by a professional valuer on the Ecopark site as at 31 March 2020 for incorporation into the NLWA group accounts. This is a materially significant asset to the group, accounting for 80% of group assets.

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### How we addressed this risk

We addressed this risk by reviewing the approach adopted by the Authority for the assets which have been revalued during the year, as follows:

- assessing the Authority valuer's qualifications, objectivity and independence, and reviewed the valuation methodology used, including reviewing the underlying data and assumptions;
- reviewing the approach that the Authority has adopted to address the risk that assets not subject to valuation in 2019/20 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Authority's valuers;
- considering movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time;
- comparing the valuation output with market intelligence to obtain assurance that the valuations are in line with market expectations; and
- reviewing the consolidation valuation adjustment for the EcoPark, required by accounting standards, as disclosed in the Group financial statements.

Where assets had not been revalued in year, we considered the appropriateness of the valuation alongside management's consideration of potential for impairment.

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### Audit conclusion

The Authority's valuer has included a material valuation uncertainty paragraph within their valuation report. This applies to the full land and building balance as Ecopark is materially significant. The Authority has included a disclosure of material valuation uncertainty of land and buildings in the notes to the financial statements. In our view, this matter is fundamental to the users' understanding of the financial statements and as such we intend to include an 'Emphasis of Matter' paragraph in respect of this disclosure within our auditors report set out in Appendix B. This is not a modification of opinion.

There is no indication from the work performed that assets not revalued during 2019/20 are materially misstated.

There are no further significant findings from our work on property, plant and equipment valuations.



## 2. Significant findings (continued)

### Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 30 August 2020 and were of a adequate quality. Additional disclosures were required to be included with regard to the material valuation uncertainty referred to by the valuer and to meet Code requirements with regard to financial instruments. Audit working papers followed the draft accounts and were of a good quality.

### Significant matters discussed with management

- The impact of COVID-19 on the Authority's business, including potential impact on risks of material misstatement.
- Going Concern – we have reviewed managements' assessment of the Authority as a going concern and have reviewed Medium Term Financial Forecast (MTFF) to support the going concern assessment.
- Discussions in connection with costs associated with the North London Heat and Power Project and the accounting treatments of funds borrowed from PWLB which are held by the London Borough of Camden.
- The requirement to perform an impairment review of the value of goodwill which the Authority has held in the group accounts since they acquired the remaining 50% of London Energy Limited in 2009.
- The London Borough of Camden confirmed that as at 31 March 2020, they held a total of £99.452m, belonging to the Authority. This is made up of short term investments of £60.087m, cash of £28.690m and money market funds of £10.676m.

### Significant difficulties during the audit

We acknowledge that the audit has taken longer than expected which is due to the difficulties in working in remote circumstances for both the authority and the client staff. Apart from this, we did not encounter any significant difficulties. We have had the full corporation of management. We would like to express our thanks to management and officers for their co-operation throughout the audit.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.





## 2. Significant findings (continued)

### Modifications required to our audit report

We have identified the following issue which has resulted in us proposing to issue a change to our audit opinion. Our draft auditor's report, in full, is set out in Appendix B.

- As described further within our response to the significant risk over the valuation of the Authority' Property, Plant and Equipment, our draft auditor's report set out in Appendix B, includes an Emphasis of Matter paragraph with respect to the Authority's disclosure of material valuation uncertainties in the valuation of land and buildings and investment property as a result of the Covid-19 pandemic. Our opinion on the Authority's and Group's financial statements is not qualified in respect of these matters.



### 3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	0



### 3. Internal control recommendations (continued)

#### Fixed Asset Register – Level 2

##### Description of deficiency

Due to the level of assets held by the Authority, they have not in prior years utilised a formal Fixed Asset Register (FAR). The FAR plays an important role in the governance and stewardship of assets, but also as a key financial control as the FAR should be formally reconciled to the financial statements on an annual basis.

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##### Potential effects

Without a formal reconciliation between the FAR and financial statements there is a risk that assets could be misstated or misappropriated

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##### Recommendation

A FAR was created as part of the audit response, but in the coming months its use should be furthered by the Authority, including formal reconciliations to the financial statements. This will be of increasing importance as the NHLPP progresses and the value of assets are recorded in the NLWA financial statements

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##### Management response

A Fixed Asset Register has been created which at 31 March 2020 contained the 6 land or building assets owned by the Authority. This has been enhanced for the 2020/21 financial year to include a formal reconciliation to the financial statements. It will be further amended to recognise the changes required for the implementation of International Financial Reporting Standard 16 (leases) in 2021/22.

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### 3. Internal control recommendations (continued)

#### Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

#### NLWA Bank account – Level 2

##### Description of deficiency

The Authority does not have its own bank account. Cash is held by London Borough of Camden acting as agent for the Authority. As a consequence, the Authority does not have formal processes in place to undertake reconciliations to ensure that their cash holdings are complete and accurate. The Authority instead monitors cash through its budget monitoring activities.

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##### Potential effects

The lack of a separate bank account increases the risk of cash being misstated or incorrectly allocated between London Borough of Camden and the Authority. This matter will become more significant as the Authority borrows funds for expenditure to be incurred on the North London Heat and Power Project.

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##### Recommendation

The Authority should set up its own bank account and establish its own processes to undertake regular bank reconciliations.

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##### 2019/20 update

It has proved to be impractical in terms of system changes that would have to be made, to split the bank accounts. Instead, measures have been put in place to ensure that governance and risk management arrangements are enhanced. These include:

- Ensuring that all future borrowings are made in NLWA's own name (as has been the case in the past)
- Ensuring that lenders allow the funds to be paid directly into the London Borough of Camden's bank account
- Ensuring that NLWA have appropriate controls in place to understand how London Borough of Camden invest the Authority's money
- Ensuring that the Authority has appropriate arrangements in place to ensure that financial reporting requirements at year end are appropriate, and disclosed correctly.

A Treasury Management agreement was signed by the Authority and London Borough of Camden to formalise the arrangement in May 2021.

##### Action closed

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## 4. Summary of misstatements

### Misstatements

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £26k (£37k for group).

There were no unadjusted or adjusted misstatements.

### Disclosure amendments

The following amendments were made:

**Material valuation uncertainty:** Disclosures are to be added to the final group financial statements regarding disclosure of material valuation uncertainty with regard to the group's land and building valuations due to the impact of the Covid-19 pandemic have had a 'material valuation uncertainty' attached to their 31 March 2020 valuation

**Payables:** Balances within payables had been incorrectly disclosed as being due to 'other entities' when they should have been disclosed as due to LondonEnergy Ltd. The reclassification did not affect the total of current liabilities.

**Financial Instruments Disclosure :** The financial instrument disclosure has been updated to include short-term investments, reflecting balances held with London Borough of Camden as at 31 March 2020.



## 5. Value for money conclusion

### Our approach to Value for Money

We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Sustainable Resource Deployment	<p>The revenue balances as at 31 March 2020 was £8.443m. Compared to 2018/19, the net cost of services increased by £0.679m (1.4%). This can largely be attributed to the increased cost of waste disposal and the net cost of recycling.</p> <p>The Authority has set a levy of £66.2m for 2020/21 (£64.1m in 2019/20) to be funded by constituent councils. The MTFF covering 2020/21 to 2022/23 was approved at the Authority's meeting held in February 2020. The MTFF assumes that the net expenditure requirement will increase to £74.715m (4.11%) in 2021/22, £77.285m (3.44%) in 2022/23 and £95.688m (23.81%) in 2023/24</p> <p>The Authority secured a loan of £100m in February 2020 from the Public Loan Workboard towards financing the costs of NLHPP.</p>	Yes
Working with partners and other third parties	<p>The Authority works with a range of third parties. The principal responsibility of the Authority is to receive, treat and/or dispose of waste collected from its seven constituent North London Boroughs.</p> <p>The Authority also has a good working relationship with its wholly owned subsidiary LondonEnergy Limited. The Authority continues to engage with the general public, including north London residents to inform them about the case for the NLHPP, its costs, benefits and value.</p>	Yes



## 5. Value for money conclusion (continued)

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Authority has standing orders that set out in detail how the Authority operates, how decisions are made and the procedures to be followed to ensure efficiency, transparency, and accountability.</p> <p>The Authority Committee is made up of fourteen governors, two from each of the seven constituents of the North London Boroughs. The members hold the Authority accountable to meeting its responsibilities. The Authority meets 5 times in a year.</p> <p>The Programme Committee replaced the Member Project Steering Group and started its operation in 2019/20. It is responsible for receiving and discussing detailed reports on the progress of North London Heat and Power Project (NLHPP). It considers and agrees strategies relating to the programme and take decisions on matters such as procurement strategy and contract letting. This committee meets in between the Authority meetings.</p> <p>The Authority has a high level risk register for strategic risks that might affect the current and short-term delivery of the Authority's services. The risk register was regularly updated during the 2019-20 year to reflect the impact of Covid-19 on the Authority. Given the significance of the project, a separate NLHPP risk register is maintained, focussing on the successful construction and commissioning of major new infrastructure. The operational risk registers are specific, more detailed and used for ensuring that risks associated with specific areas of work are monitored and managed. They are reviewed by the Finance Working Group.</p> <p>The Head of Internal Audit opinion is that there is adequate level of assurance from the Authority's governance framework in 2019/20.</p> <p>The Authority produces an annual budget which is used to determine the levy for the next financial year. The Authority also produces a Medium-Term Financial Forecast (MTFF). Decisions on treasury management are linked to the MTFF and capital programme of the Authority. The MTFF covering 2022/23-2024/25 was approved by the Authority in February 2021.</p> <p>There has been regular reporting to the Authority of performance and financial performance throughout the year. The MTFF covering 2020/21 to 2022/23 was approved at the Authority's meeting held in February 2020.</p>	Yes



# Appendix A

## Draft Management Representation letter

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

[Date]

Dear Lucy

### North London Waste Authority - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of North London Waste Authority ('the Authority') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Financial Advisor that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority committee meetings, have been made available to you.

#### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's financial position, financial performance and cash flows.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Authority in making accounting estimates, including those measured at current or fair value, are reasonable.





# Appendix A

## Draft Management Representation letter (Continued)

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

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

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities apart from the North London Heat and Power project



# Appendix A

## Draft Management Representation letter (Continued)

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Going concern

To the best of my knowledge there is nothing to indicate that the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

There are no unadjusted misstatements.

Yours sincerely,

**Jon Rowney, Financial Advisor**



# Appendix B

## Draft Auditor’s Report

### Independent auditor’s report to the members of North London Waste Authority

#### Report on the financial statements

##### Opinion

We have audited the financial statements of North London Waste (‘the Authority’) for the year ended 31 March 2020, which comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2020 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Accounting in the United Kingdom 2019/20.

##### Basis for opinion

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

##### Emphasis of Matter – Group valuation of land and buildings

We draw attention to Note 5.7 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority’s land, and buildings. As disclosed in Note 5.7 to the financial statements, the Authority’s valuers included a ‘material valuation uncertainty’ declaration in their reports as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

##### Conclusions relating to going concern

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

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

##### Other information

The Financial Advisor is responsible for the other information. The other information comprises the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



# Appendix B

## Draft Auditor's Report (continued)

### Responsibilities of the Financial Advisor for the financial statements

As explained more fully in the Statement of the Financial Advisor's Responsibilities, the Financial Advisor is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Financial Advisor is also responsible for such internal control as the Financial Advisor determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Financial Advisor is required to comply with the CIPFA/LASAAC Code of Practice on Local Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Financial Advisor is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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

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

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Conclusion on North London Waste Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, North London Waste Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

#### Responsibilities of the Authority

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



# Appendix B

## Draft Auditor's report (continued)

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Use of the audit report**

This report is made solely to the members of North London Waste Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack.

We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Lucy Nutley  
For and on behalf of Mazars LLP

Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

[Insert date]



# Appendix C

## Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



## CONTACT

### Engagement lead

Lucy Nutley

Director

Phone: 020 7063 4634

Email: [lucy.nutley@mazars.co.uk](mailto:lucy.nutley@mazars.co.uk)

### Engagement manager

Sheena Phillips

Senior Manager

Phone: 020 7063 4790

Email: [sheena.phillips@mazars.co.uk](mailto:sheena.phillips@mazars.co.uk)

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws

The contents of this document are confidential and not for distribution to anyone other than the recipients. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP

**APPENDIX B     2019/20 STATEMENT OF ACCOUNTS**

**North London Waste Authority**

**Statement of Accounts for the year ended**

**31 March 2020**



# **North London Waste Authority**

## **Statement of Accounts for the year ended 31 March 2020**

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# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

#### THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs as the Chief Finance Officer. For the North London Waste Authority that officer is the Financial Adviser.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

#### THE FINANCIAL ADVISER'S RESPONSIBILITIES

The Financial Adviser is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice). In preparing this Statement of Accounts, the Financial Adviser has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

#### CERTIFICATION BY THE FINANCIAL ADVISER

The accounts which follow have been prepared in accordance with the requirements of Regulation 9 of the Accounts and Audit Regulations 2015 issued under the Local Audit and Accountability Act 2014 and, except where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities.

I certify that the statement of accounts gives a true and fair view of the financial position of the Authority and of the Group as at 31 March 2020 and the income and expenditure of the Authority and of the Group for the year then ended.

**Jon Rowney**

Financial Adviser 2 September 2021

**North London Waste Authority**

**Statement of Accounts for the year ended 31 March 2020**

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**North London Waste Authority**

**Statement of Accounts for the year ended 31 March 2020**

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**North London Waste Authority**

**Statement of Accounts for the year ended 31 March 2020**

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# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### NARRATIVE REPORT

#### INTRODUCTION

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the Authority's accounts which have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code) and the Guidance Notes for Practitioners (both published by the Chartered Institute of Public Finance and Accountancy). The Code requires that five key statements are provided; they comprise:

**Movement in Reserves Statement:** This shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

**Comprehensive Income and Expenditure Statement:** This summarises the Authority's income and expenditure for the year in accordance with generally accepted accounting practices. Adjustments required to show the extent to which revenue balances have increased or decreased are shown in the Movement in Reserves Statement.

**Balance Sheet:** This shows the value at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**Cash Flow Statement:** This summarises the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by the levy on the NLWA constituent boroughs, charges for non-household waste and other miscellaneous income receipts. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

**Expenditure and Funding Analysis:** This statement shows how annual expenditure is used and funded from resources (principally the levy) in comparison with those resources consumed in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement and supporting notes.

#### GROUP ACCOUNTS

The summarised group accounts show in aggregate the income and expenditure and assets, liabilities and reserves of the group comprising the Authority and the Authority's interest in LondonEnergy Ltd.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### OPERATING PERFORMANCE

The principal statutory responsibility for the Authority is to receive, treat and/or dispose of waste collected by the seven constituent boroughs, namely the London Boroughs of Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest. The amount of residual (non-recyclable) waste entering the waste stream in 2019/20 increased by 3,795 tonnes (0.65%) compared with 2018/19 i.e. from 582,779 tonnes to 586,574 tonnes.

<b>Residual Waste by Borough</b>	<b>2018/19 Tonnes</b>	<b>2019/20 Tonnes</b>	<b>Variance Tonnes</b>	<b>Variance %</b>
Barnet	102,616	106,584	3,968	3.87
Camden	76,617	75,293	(1,324)	(1.73)
Enfield	90,239	91,057	818	0.91
Hackney	89,608	88,655	(953)	(1.06)
Haringey	73,266	73,940	674	0.92
Islington	79,020	79,336	316	0.40
Waltham Forest	71,413	71,709	296	0.41
	<u>582,779</u>	<u>586,574</u>	<u>3,795</u>	0.65

The Authority continued to provide key recyclable waste treatment services to six of its constituent boroughs. 44,702 tonnes of compostable waste were sent to the Authority for treatment in 2019/20 (46,067 tonnes in 2018/19), a year on year decrease of 1,365 tonnes (2.96%).

<b>Compostable Waste by Borough</b>	<b>2018/19 Tonnes</b>	<b>2019/20 Tonnes</b>	<b>Variance Tonnes</b>	<b>Variance %</b>
Barnet	16,279	13,870	(2,409)	(14.80)
Camden	4,118	4,364	246	5.97
Enfield	-	-	-	-
Hackney	6,848	7,428	580	8.47
Haringey	5,274	5,810	536	10.16
Islington	4,567	4,388	(179)	(3.92)
Waltham Forest	8,981	8,842	(139)	(1.55)
	<u>46,067</u>	<u>44,702</u>	<u>(1,365)</u>	(2.96)

Mixed dry recyclable waste processed by the Authority amounted to 110,585 tonnes in 2019/20 compared with 110,096 in 2018/19, an increase of 489 tonnes (0.44%). Income from the sale of mixed dry recyclables reduces the levy payable by each borough by offsetting the cost of processing. Sale prices of dry recyclable materials increased slightly in 2019/20. The average price received for the year was £14.96 per tonne compared with £13.14 in 2018/19. Income in 2019/20 was £1.802m. In 2018/19, income was £1.390m.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

Mixed Dry Recyclable Waste by Borough	2018/19 Tonnes	2019/20 Tonnes	Variance Tonnes	Variance %
Barnet	26,940	26,535	(405)	(1.50)
Camden	18,707	16,669	(2,038)	(10.89)
Enfield	-	-	-	-
Hackney	17,481	18,470	989	5.66
Haringey	15,964	16,982	1,018	6.38
Islington	15,171	15,973	802	5.29
Waltham Forest	15,833	15,956	123	0.78
	<u>110,096</u>	<u>110,585</u>	<u>489</u>	<u>0.44</u>

Landfill tax continued to rise in line with the Government's stated intention to raise the standard rate of tax in line with inflation. It was £91.35 per tonne in 2019/20, will rise by £2.80 to £94.15 per tonne in 2020/21. The Government has said that it remains committed to ensuring rates are not eroded in real terms. The Authority's Landfill Tax liability was £1.563m in 2019/20 compared to £1.496m in 2018/19.

Work continued to support the development of North London Heat & Power Project (NLHPP), which includes replacing the existing energy from waste (EfW) facility at the Edmonton EcoPark, which is reaching the end of its operational life. The Project includes design, construction and commissioning of an energy recovery facility (ERF), a resource recovery facility (RRF) to maximise the recycling of materials from bulky waste and other materials (including a new public reuse and recycling centre), and EcoPark House, which will be used to provide a space for community use and teach the local community more about the circular economy. EcoPark House will also be the home to Edmonton Sea Cadets.

During 2019/20 the Authority has awarded, on programme, the majority of the site preparation contracts for the Western part of laydown area and Eastern Access with Buckingham Group, and contracts for the Northern Access, Transport Yard, and sewer diversion enabling works with Galldris, an Enfield-based contractor. The contract for the design and construction of the sewer diversion was awarded to Barhale, a specialist tunnelling company. Work on the Procurement for the EcoPark south contract (including the RRF, the Reuse & Recycling Centre and EcoPark House) was underway and the contract will be awarded in the 2020/21 financial year. The contract for Eastern part of laydown area was completed in 2019/20.

The Authority continued to invest in waste prevention to reduce waste in north London. Work in 2019/20 focussed on food waste reduction, furniture re-use and exchanging and mending clothes. Additional programmes of activity were delivered to reduce the amount of single-use plastic that is disposed of and encourage a reduction in unwanted mail as well as to encourage a reduction in the number of disposable nappies that are thrown away.

Food waste reduction work was delivered through face to face engagement with residents, through roadshows, public events and stalls in supermarkets. The aim of this activity is to explain the financial benefits of reducing food waste and therefore encourage people to act. The results exceeded the waste prevention programme objective of 10,000 conversations and 100 events by 9% and 13% respectively.

Furniture reuse was promoted with an Upcycling Show and Upcycling competition. This was the fourth year that the Authority had arranged the competition and show. 21 entrants were given a piece of unwanted furniture which they had to upcycle in time for the show. The one-day exhibition featured the judging of the competition, announcement of winners and award of prizes, demonstrations and workshops, as well as exhibits from a range of reuse, repair and upcycling organisations of furniture, textiles, electrical items and home wares

To facilitate the exchange and repair of clothing, the Authority delivered a series of 21 repair cafes (3 in each of the 7 constituent boroughs) where residents could bring clothing, bicycles and at four of the events, small electrical equipment that could potentially be repaired, for free. The specialists would explain the repair process, one-on-one, to the owners so that they can repair it themselves in future. The repair cafes were attended by 297 residents and 422 items were fully or partly repaired, diverting 1.3 tonnes from disposal.



## North London Waste Authority

### Statement of Accounts for the year ended 31 March 2020

12 clothes swap or 'swish and style' events were held across North London. The events were attended by 1,059 residents and diverted more than 2.5 tonnes of textiles from disposal.

North London's reuse shop, 'Second Time Around' is located within the Kings Road RRC in Chingford and sells items that have been donated by local residents or rescued from RRCs across North London. The shop diverted over 97 tonnes from disposal.

To support efforts to divert waste from disposal, the Authority operates a third-party reuse and recycling credit scheme. This rewards registered charities that repair or recycle donated goods within the constituent boroughs. In 2019/20, fifteen organisations were registered under the scheme and it was estimated to have diverted 3,117 tonnes from disposal.

The Waste Prevention Community Fund provided support for five projects delivered by community groups and charities across the constituent boroughs. This helped to develop new approaches and extend the reach and impact of our waste prevention work.

The Authority worked with the constituent boroughs to implement Low Plastic Zones on high streets in their area. Business were encouraged to sign up to a North London Charter of Commitment to reduce single use plastic. Crowcross Street in Islington became the first area to be accredited as a low plastic zone and the launch took place in February 2020.

Communications activity included an increased use of social media in the year, primarily through the Authority's 'Wise Up To Waste' brand. The Twitter, Facebook and Instagram accounts gained a combined 1,766 new followers (6,244 in total). This is particularly significant because at the end of the year the COVID-19 outbreak meant the Authority had to increase the amount of activity delivered online in lieu of face to face activity.

The Authority developed a campaign to tackle the problem of recycling contamination by used nappies. The Bin Your Nappy Campaign focussed on national polling that indicated widespread confusion amongst parents about how to dispose of nappies correctly. The campaign generated national newspaper and television interest as well as articles in local media and trade publications. Interest and galvanised action from manufacturers.

#### FINANCIAL PERFORMANCE

The Authority agreed its 2019/20 budget at a level that needed to be sufficiently robust to meet the costs of its day-to-day statutory waste obligations but also sufficient to fund the costs of the NLHPP. In doing so, the Authority was aware, as in past years, that if favourable circumstances arose during the year some revenue balances might become available to help fund future budgets.

The Authority plans to finance the cost of the NLHPP through borrowing. To facilitate this, the Authority submitted a bid for Local Infrastructure Rate borrowing from HM Treasury, via the Public Works Loan Board. The bid was successful and £100m loan was secured in February 2020.

In February 2020, the Authority was advised that revenue balances at 31 March 2020 were forecast to be £5.540m. Since then, lower volumes of residual waste were received and income from the sale of recyclates improved. In addition, there was no call on the contingency. This has resulted in revenue balances at 31 March 2020 of £8.443m.

Compared to 2018/19, the net cost of services increased by £0.679m (1.4%). This can largely be attributed to the increased cost of waste disposal and the net cost of recycling.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### ANNUAL GOVERNANCE STATEMENT FOR NORTH LONDON WASTE AUTHORITY

#### 1. Scope of Responsibility

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

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

#### 2. The Purpose of the System of Internal Control

The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place within the North London Waste Authority for the year ended 31 March 2020 and up to the date of approval of the annual report and statement of accounts.

#### 3. The Governance Framework

The key elements of the governance framework in which the Authority functions can be summarised as follows:

- The Authority has a clearly defined set of objectives in terms of service delivery and these are reflected in its contract with LondonEnergy Ltd. and other contracts.
- Policy and decision-making are managed and controlled within a strong well-established framework. The Authority's standing orders set out in detail how the Authority operates, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability. Political and management control is exercised through Authority Members and Advisers and Officers, whose roles are defined in Standing Orders and who work to defined and established processes.
- Compliance with policies, laws and regulations is dealt with through a range of written rules and procedures which are regularly reviewed and updated. These include Standing Orders relating to the Authority, Standing Orders relating to Committees, delegations to Officers, and Contract Standing Orders. The Authority also follows the London Borough of Camden Financial Standing Orders.
- Central to the Authority's achievement of its objectives is an effective risk management regime. In addition to regular reviews of detailed risk registers by the Authority's management team, the registers are considered annually by the Members' Finance Working Group. Informed by the annual review, a report is presented to the Authority outlining developments in the Authority's key corporate risks. The report also includes an up to date high level risk register.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

- The Authority is also able to benefit from the rules and procedures set in place by its Lead Borough. Officer responsibilities and actions are controlled through Schemes of Officer Delegation.
- The effective and efficient use of resources and the securing of continuous improvement are achieved through a range of review processes and are integral to both the short-term implementation of the Joint Waste Strategy and the development of the next generation of waste infrastructure and services for north London.
- The financial management of the Authority is organised through a wide range of well-established processes and procedures which deliver strong financial control arrangements. The Authority has in place a detailed strategic budget planning process which is supported by the London Borough of Camden's comprehensive Financial Standing Orders. Members receive and consider detailed financial information on a regular basis and this facilitates the political decision making process. The process is further supported by the work of the Members' Finance Working Group.
- Other features of the financial control environment include the production and review of a medium-term financial forecast. The Authority also benefits from the Internal Audit Shared Service of the London Boroughs of Camden and Islington which provides assurances to management that the London Borough of Camden's – and therefore the NLWA's – control systems are adequate, effective and operating as intended and investigates identified or suspected cases of fraud/irregularity.
- Performance management within the Authority is considered through a range of review arrangements including external/internal audit reviews and annual reports.

### 4. Review of Effectiveness

North London Waste Authority 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 the effectiveness of the system of internal control is a significant part of the framework and is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development, maintenance and ongoing assurance in respect of the internal control environment covering their individual areas of responsibility. This is also supported by reviews conducted by the external auditors and other review agencies. In addition, Authority meetings receive reports on key aspects of the day-to-day work of the Authority and the Authority's financial health.

The Public Sector Internal Audit Standards require that the Head of Internal Audit provide an annual audit opinion that can be used by the organisation to inform its governance statement. The wider content of this annual governance statement indicates an adequate level of assurance from the Authority's governance framework. With regard to the annual opinion of the Head of Internal Audit (HIA), the HIA is satisfied that the work undertaken by the audit function during 2019/20 has enabled the HIA to form a reasonable conclusion that Camden's – and therefore NLWA's control framework, specifically with regard to key financial systems, is adequate.

The Audit Committee, the Programme Committee with regard to the North London Heat and Power Project and the Members' Finance Working Group, provide an effective means of enabling detailed review and examination by Members of the Authority's financial and risk management issues.

The Authority was further supported by the work of the Members' Recycling Working Group and a Member Project Steering Group. Governance arrangements, including decision making, have been strengthened by the decision to replace the Member Project Steering Group with a dedicated Programme Committee, which commenced its operation the municipal year 2019/20. The Authority continues to have in place strong and effective working arrangements with its constituent boroughs.

As services are provided through both the Lead Borough Camden and also Haringey, the Authority has also benefited from reviews undertaken by those authorities in providing corporate and service-based assurance on the overall system of internal control in operation.

## Statement of Accounts for the year ended 31 March 2020

### 5. Significant Governance Issues

No significant governance issues have been identified during the year. Work has been undertaken however to ensure that the Authority's governance arrangements continue to follow best practice:

- At its meeting on 4 April 2019, the Authority agreed to amendments to Standing Orders. The amendments were as follows:
  - The creation of a Programme Committee, to replace the Member Project Steering Group. A dedicated programme committee will strengthen decision making by allowing it to receive reports on progress of the NLHPP, consider and agree strategies relating to the programme and take decisions on matters such as procurement strategy and contract letting.
  - Allow the Programme Director to agree variations to existing contracts related to the NLHPP,
  - Create the role of Employment and Skills Adviser. The role would advise Authority officers on diversity and inclusion issues as well as how to develop schemes that promote apprenticeships, skills training and local employment opportunities,
  - Allow that the seal can be held in the safe custody of the Managing Director; this will allow the seal to be held at the offices of the Authority rather than in offices of Camden Council.
- The Authority began a review of the 2015 treasury management agreement with the London Borough of Camden to ensure that it still reflects the requirements of both parties. This work is ongoing and is anticipated to be completed by December 2020.
- All staff received refresher training in the year on all mandatory learning packages including the information handling, fraud awareness and inclusion modules.
- On 25 June 2020 deputations were made at the North London Waste Authority Meeting concerning the NLHPP. Responses were provided and the Authority continues to engage with the general public, including north London residents to inform them about the case for the project, its costs, benefits and value.

### 6. Covid-19 Response

The Covid-19 pandemic impacted the Authority and the services that we provide to North London's residents. By the end of March, all seven of the Reuse and Recycling Centres had been closed to the public, Construction on NLHPP sites were temporarily halted and waste prevention events had been put on hold. The Authority instigated a set of emergency governance measures to monitor and respond to the pandemic, including:

- Daily meetings with directors of the seven constituent boroughs to discuss operational issues.
- Regular meetings of NLHPP functional leads and advisers to ensure that the temporary closure of sites due to social distancing issues was undertaken quickly, as well as planning for the subsequent recommencement of works a month later.
- Regular meetings of Senior Authority managers to ensure that any impacts to operational services were identified responded to quickly and where necessary communicated to stakeholders including the general public.
- Implementing video conference call platforms to allow staff and Members to communicate more effectively during lockdown.
- Ensuring that transparency in decision making was provided by broadcasting all public meetings on the internet.
- Delivering waste prevention work to the public through virtual means.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

Six of the Reuse and Recycling Centres were re-opened to the public in May 2020, with a booking system to ensure access to the sites for the safety benefit of members of the public and staff. using a booking system, and the remaining Reuse and Recycling Centre was re-opened in June 2020. Construction works on NLHPP sites resumed in June 2020 following reviews of the remobilisation plan.

The Authority recognises that the pandemic has had a financial impact. As part of the Authority's Medium-Term Financial Strategy, assumptions regarding costs, income, financing and investments will be updated based on the latest information.

### 7. Matters for Future Action

There is a continuing need to keep the Authority's governance and control arrangements under review and to take action where appropriate. This will include:

- Training, where appropriate, to members and officers, and an ongoing review of the over-arching and supporting risk registers so that the Authority will be able to track and accurately manage the identified risks associated with all aspects of its work.
- Implementation of any recommendations proposed by internal audit reviews and the development and completion of a further internal work programme in 2020/21.
- Keeping under review the governance arrangements for LondonEnergy Ltd.

### 8. Signed Agreement

We have been advised of the arrangements that are in place to ensure that an effective system of governance exists in the Authority and of the plan to further review and enhance our governance arrangements in the coming year. We are satisfied with these steps and will monitor their implementation and operation as part of our next review.

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Councillor Richard Olszewski  
Chair of the Audit Committee

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Jenny Rowlands  
Clerk to the NLWA

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### MOVEMENT IN RESERVES STATEMENT

	General Balance	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2019/20	£000	£000	£000	£000	£000
<b>Balance at 31 March 2019 brought forward</b>	<b>8,221</b>	<b>1,439</b>	<b>9,660</b>	<b>86,927</b>	<b>96,587</b>
<b>Movement in reserves during 2019/20</b>					
Total Comprehensive Income and Expenditure	4,384	-	4,384	-	4,384
Adjustments between accounting basis & funding basis under regulations	(4,162)	-	(4,162)	4,162	-
<b>Increase/(Decrease) in 2019/20</b>	<b>222</b>	<b>-</b>	<b>222</b>	<b>4,162</b>	<b>4,384</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>8,443</b>	<b>1,439</b>	<b>9,882</b>	<b>91,089</b>	<b>100,971</b>
<b>2018/19</b>					
	General Balance	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018 brought forward</b>	<b>11,962</b>	<b>1,439</b>	<b>13,401</b>	<b>82,793</b>	<b>96,194</b>
<b>Movement in reserves during 2018/19</b>					
Total Comprehensive Income and Expenditure	393	-	393	-	393
Adjustments between accounting basis & funding basis under regulations	(4,134)	-	(4,134)	4,134	-
<b>Increase/(Decrease) in 2018/19</b>	<b>(3,741)</b>	<b>-</b>	<b>(3,741)</b>	<b>4,134</b>	<b>393</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>8,221</b>	<b>1,439</b>	<b>9,660</b>	<b>86,927</b>	<b>96,587</b>

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2018/19			2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
34,818	-	34,818	Main Waste Disposal Contract	36,146	-	36,146
1,362	-	1,362	Landfill Tax (non RRC)	1,444	-	1,444
1,682	-	1,682	Composting Services	1,872	-	1,872
6,754	-	6,754	Materials Recovery Facility Services	7,724	-	7,724
2,241	-	2,241	Transfer Stations and Other Sites	2,332	-	2,332
4,661	-	4,661	Reuse and Recycling Centres (incl. Landfill Tax)	4,719	-	4,719
2,101	-	2,101	Corporate and Other Support Service Costs	2,249	-	2,249
526	-	526	Operations Team	667	-	667
458	-	458	Waste Prevention Programme – New Initiatives	512	-	512
306	-	306	Communications Campaign – Household Recyclin	82	-	82
174	-	174	Other Recycling Initiatives	189	-	189
2,675	-	2,675	North London Heat & Power Project	712	-	712
-	(8,217)	(8,217)	Non-Household Waste	-	(8,007)	(8,007)
-	(1,707)	(1,707)	Household Waste	-	(1,718)	(1,718)
-	(1,351)	(1,351)	Sale of Recyclable Material	-	(1,803)	(1,803)
-	(115)	(115)	Rent Receivable	-	(118)	(118)
-	-	-	Other Income	-	-	-
<b>57,758</b>	<b>(11,390)</b>	<b>46,368</b>		<b>58,648</b>	<b>(11,646)</b>	<b>47,002</b>

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

Gross Expenditure	Gross Income Net Expenditure			Gross Expenditure	Gross Income Net Expenditure		
£000	£000	£000		£000	£000	£000	
-	(48,511)	(48,511)	Levy	-	(53,181)	(53,181)	
-	<b>(48,511)</b>	<b>(48,511)</b>	<b>Other Operating Income</b>	-	<b>(53,181)</b>	<b>(53,181)</b>	
-	(136)	(136)	Interest Receivable	-	(85)	(85)	
7	-	7	Pension Interest Cost	6	-	6	
1,876	-	1,876	Revenue Funding of Capital – Interest	1,911	-	1,911	
<b>1,883</b>	<b>(136)</b>	<b>1,747</b>	<b>Financing and Investment (Income) and Expenditure</b>	<b>1,917</b>	<b>(85)</b>	<b>1,832</b>	
			<b>(396) (Surplus)/Deficit on Provision of Services</b>				<b>(4,347)</b>
			3 Actuarial Loss/(Gain) on Pension Assets				(37)
			<b>3 Other Comprehensive Income and Expenditure</b>				<b>(37)</b>
			<b>(393) Total Comprehensive Income and Expenditure</b>				<b>(4,384)</b>



# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### BALANCE SHEET

	Note	31 Mar 2019 £'000	31 Mar 2020 £'000
Property, Plant and Equipment	5	36,814	62,433
Long Term Investments	7	119,392	119,392
<b>LONG TERM ASSETS</b>		<b>156,206</b>	<b>181,825</b>
<u>Short Term Debtors</u>			
Cash and Cash Equivalents	15	10,301	99,452
LondonEnergy Ltd		968	330
HM Revenue and Customs		1,857	2,980
Other debtors		910	514
<b>CURRENT ASSETS</b>		<b>14,036</b>	<b>103,276</b>
<u>Short Term Creditors</u>			
Short Term Borrowings	8	(731)	(20,995)
LondonEnergy Ltd		(7,373)	(9,871)
Other Local Authorities		(607)	(2,806)
Other Entities and Individuals		(4,642)	(10,209)
<b>CURRENT LIABILITIES</b>		<b>(13,353)</b>	<b>(43,881)</b>
Long Term Borrowings	8	(60,000)	(140,000)
Other Long Term Liabilities	17	(302)	(249)
<b>LONG TERM LIABILITIES</b>		<b>(60,302)</b>	<b>(140,249)</b>
<b>NET ASSETS</b>		<b>96,587</b>	<b>100,971</b>
<u>Usable Reserves</u>			
General Fund Balance		8,221	8,443
Capital Receipts Reserve	12	1,439	1,439
<u>Unusable Reserves</u>			
Capital Adjustment Account	9	55,885	59,994
Revaluation Account	10	9,638	9,638
Capital Revaluation Account	11	21,706	21,706
Pension Reserve	17	(302)	(249)
<b>TOTAL RESERVES</b>		<b>96,587</b>	<b>100,971</b>

Jon Rowney

Financial Adviser 2 September 2021

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### CASH FLOW STATEMENT

	Note	31 Mar 2019 £'000	31 Mar 2020 £'000
Net surplus on the provision of services		(396)	(4,347)
Adjustments to net surplus on the provision of services for non-cash movements	14	(4,370)	(11,226)
Net cash (inflow) / outflow from operating activities		<u>(4,766)</u>	<u>(15,573)</u>
Investing activities		5,761	26,422
Financing activities		<input type="text" value=""/>	- (100,000)
Net decrease / (increase) in cash and cash equivalents	15	<u>995</u>	<u>(89,151)</u>
Cash and cash equivalents at the beginning of the reporting period		<u>(11,296)</u>	<u>(10,301)</u>
<b>Cash and cash equivalents at the end of the reporting period</b>		<u><u>(10,301)</u></u>	<u><u>(99,452)</u></u>

The Authority's cash balances are held and managed on its behalf by the London Borough of Camden.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### EXPENDITURE AND FUNDING ANALYSIS

2018/19			2019/20		
Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
34,818	-	34,818	36,146	-	36,146
1,362	-	1,362	1,444	-	1,444
1,682	-	1,682	1,872	-	1,872
6,754	-	6,754	7,724	-	7,724
1,438	803	2,241	1,528	804	2,332
4,661	-	4,661	4,719	-	4,719
2,135	(34)	2,101	2,271	(22)	2,249
526	-	526	667	-	667
458	-	458	512	-	512
306	-	306	82	-	82
174	-	174	189	-	189
2,675	-	2,675	712	-	712
6,789	(4,913)	1,876	6,824	(4,913)	1,911
		Main Waste Disposal Contract			
		Landfill Tax			
		Composting Services			
		Materials Recovery Facility Services			
		Transfer Stations and Other Sites			
		Re-use and Recycling Centres			
		Corporate & Other Support Services Costs			
		Operations Team			
		Waste Prevention Programme – New Initiatives			
		Communications Campaign – Household Recycling			
		Other Recycling Initiatives			
		North London Heat & Power Project			
		Revenue Funding of Capital Programme			

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
(8,217)	-	(8,217)	Non-Household Waste	(8,007)	-	(8,007)
(1,707)	-	(1,707)	Household Waste	(1,718)	-	(1,718)
(1,351)	-	(1,351)	Sale of Recyclable Material	(1,803)	-	(1,803)
(115)	-	(115)	Rent Receivable	(118)	-	(118)
(136)	-	(136)	Interest Received	(85)	-	(85)
-	-	-	Other Income	-	-	-
-	7	7	Pension Interest	-	6	6
-	3	3	Pension Asset – Actuarial (Gain)/Loss	-	(37)	(37)
<b>52,252</b>	<b>(4,134)</b>	<b>48,118</b>	<b>Net Cost of Services</b>	<b>52,959</b>	<b>(4,162)</b>	<b>48,797</b>
(48,511)	-	(48,511)	Levy	(53,181)	-	(53,181)
<b>(48,511)</b>	<b>-</b>	<b>(48,511)</b>	<b>Other Income and Expenditure</b>	<b>(53,181)</b>	<b>-</b>	<b>(53,181)</b>
<b>3,741</b>	<b>(4,134)</b>	<b>(393)</b>	<b>(Surplus) or Deficit</b>	<b>(222)</b>	<b>(4,162)</b>	<b>(4,384)</b>
<b>11,962</b>			<b>Opening Balance</b>	<b>8,221</b>		
(3,741)			Add Surplus/(Deficit) in Year	222		
<b>8,221</b>			<b>Closing Balance at 31 March</b>	<b>8,443</b>		

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### ACCOUNTING POLICIES

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which has been developed under the oversight of the Financial Reporting Advisory Board.

#### Accruals

In general, the accounts have been prepared on a basis that accrues and accounts for income and expenditure in the period to which they relate. At year-end, allowance is made in the accounts for expenditure and income not paid or received by 31 March, either, on the basis of invoices received, or, a best estimate of the income or expenditure which should be accrued in that year's accounts.

#### Cash and cash equivalents

The Authority's cash and treasury management requirements are undertaken on its behalf by the London Borough of Camden; it therefore has no cash or cash equivalents on its own account. Instead, the Authority maintains an inter-authority account with Camden on which Camden pays interest equivalent to the average return achieved on its own investment activity for the year.

#### Capital receipts

Capital receipts are credited to the Usable Capital Receipts Reserve when received. They are only available to fund future capital expenditure or to repay debt.

#### Leases

Expenditure on operating leases is charged to the income and expenditure account in the period to which it relates.

#### Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. IFRS requires the Authority to consider accruing for the cost of the leave entitlement earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The Authority has assessed the value of carried forward leave and has concluded that it is not significant and therefore no accrual has been made. However, non-consolidated performance related pay paid to staff in 2020/21 in respect of their work in 2019/20 had not been agreed and therefore no accrual has been made.

#### Post-employment benefits

In December 1994 all operational staff of the Authority transferred to LondonEnergy Ltd. However, the Authority continues to be responsible for the payment of employer borne pension costs (annual compensation) of former retired employees. The Authority has previously decided that this should continue to be paid on a pay-as-you-go basis. However, in accordance with International Accounting Standard 19 – Employee Benefits (IAS 19), the liability has been reflected in the Authority's Balance Sheet.

Employer-borne pension costs attributable to staff employed by the London Borough of Camden for work performed on behalf of the Authority are included in the support service recharges to the Authority.

#### Non Current Assets

Land and buildings shown in the balance sheet represent the residual non-operational assets held by the Authority. Depreciation is not charged on non-operational assets. Fixed assets are valued at five-yearly intervals in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors, although material changes to asset valuations are adjusted in the interim period, as and when they occur.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### Investments and Property

The Authority's investment in LondonEnergy Ltd is held at cost. The land at Pinkham Way was valued at 31 March 2018. The Hornsey Street property was valued at 31 March 2018.

### Charges to Revenue in respect of Capital Assets

The comprehensive Income and Expenditure Statement is charged with a capital charge for capital assets used in the provision of services. The charge consists of the annual provision for:

- Depreciation attributable to the assets used
- Impairment

The Authority is not required to include depreciation or impairment when setting its levy for the year but is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined in accordance with statutory guidance known as the Minimum Revenue Provision. The Minimum Revenue Provision is a proper charge to the Authority but does not appear in the Comprehensive Income and Expenditure Statement. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement. The amounts of Minimum Revenue Provision to be charged for the year are set out in regulations and guidance.

Depreciation and impairment are therefore replaced by revenue provision in the Movement in Reserves Statement by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Capital charges have a neutral impact on the amount to be raised by the levy as they are reversed out in the Movement in Reserves Statement and replaced by the Statutory Provision for Debt repayment.

### Prior Year Adjustments

There are no prior year adjustments in the Authority's own 2019/20 financial statements or in the Group accounts.

### Reserves

The Authority may set aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net cost to the Authority for that year.

Certain reserves are kept to manage the accounting processes for non-current assets, and do not represent usable resources for the Authority.

### Group accounts

The Authority has prepared group accounts to provide greater transparency and understanding of the Authority's shareholding in LondonEnergy Ltd. These are presented as supplementary information to the primary financial statements in accordance with the Code. More details are given in the introduction to the group accounts.

### Members' allowances

Members of the Authority receive allowances from the borough that they represent. No allowances are paid by the Authority.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### Value Added Tax

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

### Financial Instruments

#### Financial Liabilities

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

All of the Authority's borrowing is with the Public Works Loan Board. The amount presented in the balance sheet is the outstanding principal payable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### Financial Assets

The Authority's financial assets comprises of cash balances held with the London Borough of Camden and interest receivable. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the cash balance (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year.

### Financial Instrument Risk

The Authority has reviewed the nature and extent of the risks associated with its financial instruments and has concluded that:

In respect of its long term borrowings from the Public Works Loans Board it is not exposed to market risk since the interest rates are fixed for the duration of the loans. Liquidity risk in that the Authority may not have the funds to meet its commitments to make future payments is considered to be very low since the Authority has access to borrow from the PWLB. Additionally, the Authority is required to achieve a balanced budget which ensures that sufficient monies are raised to cover annual expenditure. There is no significant risk that the Authority will be unable to raise finance to meet its commitments.

The Authority's cash balances are managed through the treasury management arrangements operated by the London Borough of Camden. Camden's Treasury Management policy requires it to place deposits only with a limited number of high quality institutions whose credit ratings are independently assessed.

Its main sources of income are its constituent boroughs which are required to pay a levy and charges for the management of non-household and some types of household waste. Accordingly, the risk of non-payment is considered to be extremely low and no provision for bad or doubtful debts is required.

Small amounts of income come from other, commercial sources. The risk to the Authority of non-payment of this income is considered to be low. Accordingly, the Authority does not make a provision for bad or doubtful debts in respect of this income stream.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### Contingent Liabilities

Contingent liabilities are possible obligations that may require a payment or a transfer of economic benefit but for which there is no certainty regarding amount or date of settlement. They are disclosed in the notes to the accounts and accruals are not made for contingent liabilities and no adjustments are included within the accounting statements.

### CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out above, the Authority has to make certain judgements about complex transactions or those involving uncertainty about future events.

Although none of the Authority's expenditure is funded directly by central government, almost all of its income is derived from its constituent boroughs for whom central government funding is a significant element of their income. Although mindful of the uncertainty about future levels of funding to the boroughs from central government, the Authority has determined that this uncertainty is not sufficient to indicate that the Authority's assets might be impaired or facilities closed to reduce levels of service provision. The nature of the Authority's statutory responsibilities for waste disposal and its demand led nature of its services provide very limited scope to reduce service levels.

### ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. The Authority has assessed the risk that items in its Balance Sheet being materially different from the assumptions and estimates as being low but recognises that uncertainty cannot be entirely eliminated. Areas of risk are as follows:

The Authority's makes monthly on account payments to LondonEnergy Limited for Landfill Tax and Electricity Income Claim liabilities based on best available estimates. The Authority makes an assessment at 31 March of the extent to which it has under or overpaid during the year and the balance owed to or by the Authority is reflected in the Balance Sheet. Settlement of these sums is subject to formal agreement with LondonEnergy Ltd. The agreed sum may differ from that included in the Balance Sheet but this difference is likely not to be significant.

All staff currently undertaking work for the Authority are employed by the London Borough of Camden and all related pension assets and liabilities are reflected LB Camden's Balance Sheet. The Authority does however have a liability in respect of pensions for 5 formerly directly employed but now retired staff. Payment of pensions to these individuals is made on the Authority's behalf by the London Pension Fund Authority. An assessment of the assets and liabilities is undertaken annually by Barnett Waddingham who in their calculations must make assumptions about inflation, mortality and returns on pension fund assets.



# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### NOTES TO THE ACCOUNTS

#### 1. EVENTS AFTER THE BALANCE SHEET DATE

This Statement of Accounts was authorised by the Financial Adviser on 2 September 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2020, as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

1. On 4 December 2020, the Authority entered into a 999-year lease of 73% of the area of the EcoPark from LondonEnergy Ltd to facilitate construction of the NLHPP. The lease premium paid was £17.3m, made up of a cash payment of £8.7m and an interest-bearing loan of £8.6m.
2. On 27 November 2020, the authority entered into a 5-year lease for facilities to be used as a transfer station at 2 Hannah Close in the London Borough of Brent. The purpose of this lease was to reduce the number of vehicle movements at the Edmonton EcoPark during the period of construction but it also to allowed for the closure of the waste transfer station at Brent Terrace in the London Borough of Barnet. The latter facility was the subject of a Compulsory Purchase Order (CPO) by the London Borough of Barnet. The CPO requires that a replacement transfer station is provided, and the London Borough of Barnet will contribute toward the cost of the Hannah Close Facility for the period of the lease. The Waste transfer station at Brent Terrace closed on 31 March 2021.
3. The Authority borrowed £140 million from the Public Works Loan board on 18 March 2021 to support the NLHPP. This borrowing was at an interest rate of 2.11% and is for a period of thirty-one and a half years.

#### 2. ADDITIONAL INFORMATION SUPPORTING THE EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how the income and expenditure reported to the Authority at meetings for decision making purposes translates to the Comprehensive Income and Expenditure Statement in the final accounts for generally accepted accounting practices. To achieve this, a number of adjustments are made and these are identified below:

<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>2019</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Statutory provision for the financing of capital investment – Minimum Revenue Provision	(4,913)	(4,913)
Property, plant and equipment - Depreciation	803	804
Pension asset – Actuarial (gain)/loss	3	(37)
Net interest on defined benefit liability	7	6
Employer's pension contributions paid in year	(34)	(22)
Balance at 31 March	<u>(4,134)</u>	<u>(4,162)</u>

#### 3. NON-HOUSEHOLD AND CHARGEABLE HOUSEHOLD WASTE

The Authority operates separate charging arrangements for non-household waste and certain categories of household waste in accordance with s52 (9) of the Environmental Protection Act 1990.

As a consequence, only the cost of treating non chargeable household waste is funded from the levy.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

Constituent councils make monthly payments on account to the Authority based on estimated levels of non-household and chargeable household waste. Following completion of the audit of accounts an additional amount is charged or overpayment repaid based on actual tonnage levels and the actual cost of treatment.

Non household waste	31 Mar 2019		31 Mar 2020	
	Tonnes	£'000	Tonnes	£'000
<b>Borough</b>				
Barnet	11,142	895	10,918	880
Camden	27,392	2,099	21,943	2,023
Enfield	9,609	774	9,394	744
Hackney	22,664	1,720	18,648	1,683
Haringey	3,337	258	2,343	214
Islington	30,217	2,370	27,142	2,364
Waltham Forest	1,250	101	1,247	99
	<u>105,611</u>	<u>8,217</u>	<u>91,635</u>	<u>8,007</u>

Chargeable household waste	31 Mar 2019		31 Mar 2020	
	Tonnes	£'000	Tonnes	£'000
<b>Borough</b>				
Barnet	2,279	184	2,280	181
Camden	5,731	445	5,048	445
Enfield	1,431	115	1,431	113
Hackney	6,662	492	5,501	497
Haringey	2,881	219	2,256	218
Islington	3,466	252	2,145	264
Waltham Forest	-	-	5	-
	<u>22,450</u>	<u>1,707</u>	<u>18,666</u>	<u>1,718</u>

#### 4. LEVY

The levy on constituent boroughs of £53.182m was agreed at the Authority Meeting on 7 February 2019 and represents, after allowance for the use of revenue balances, the net cost of meeting the Authority's statutory responsibility for the disposal of household waste and operating Re-use and Recycling Centres that have been transferred to the Authority. The levy was apportioned in accordance with the menu price based arrangements agreed by constituent councils in January 2016.

Borough	31 Mar 2019		31 Mar 2020	
	%	£'000	%	£'000
Barnet	22.76	11,039	19.50	10,372
Camden	10.64	5,162	10.44	5,554
Enfield	13.43	6,517	13.42	7,135
Hackney	13.95	6,765	13.16	6,998
Haringey	11.86	5,755	15.08	8,021
Islington	11.94	5,794	11.26	5,986
Waltham Forest	15.42	7,479	17.14	9,116
	<u>100.00</u>	<u>48,511</u>	<u>100.00</u>	<u>53,182</u>

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### 5. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings £'000	Assets Under Construction £'000	Total £'000
<b>Movement on balances in 2019/20</b>			
<b>Cost or Valuation</b>			
At 1 April 2019	31,648	5,978	37,626
Additions,	-	26,423	26,423
Disposals	-	-	-
Impairment	-	-	-
Revaluation	-	-	-
At 31 March 2020	31,648	32,401	64,049
<b>Depreciation and Impairment</b>			
At 1 April 2019	812	-	812
Depreciation charge	804	-	804
Revaluation	-	-	-
At 31 March 2020	1,616	-	1,616
Net Book Value at 31 March 2020	30,032	32,401	62,433
Net Book Value at 31 March 2019	30,836	5,978	36,814
<b>Comparative movement on balances in 2018/19</b>			
<b>Cost or Valuation</b>			
At 1 April 2018	31,648	217	31,865
Additions,	-	5,761	5,761
Disposals	-	-	-
Impairment	-	-	-
Revaluation	-	-	-
At 31 March 2019	31,648	5,978	37,626
<b>Depreciation and Impairment</b>			
At 1 April 2018	9	-	9
Depreciation charge	803	-	803
Revaluation	-	-	-
At 31 March 2019	812	-	812
Net Book Value at 31 March 2019	30,836	5,978	36,814
Net Book Value at 31 March 2018	31,639	217	31,856

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

Depreciation is provided for on property plant and equipment by the allocation of depreciable amounts over their useful lives. Exceptions to this are land which does not have a determinable useful life and assets under construction which are not yet available for use.

It is the Authority's policy to revalue assets every five years on the basis of open market value in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

For the years that formal valuations are not undertaken, the Authority conducts a review to determine whether its assets useful lives have changed and that values have been impaired as a result. The review also considers market values where appropriate. The review was undertaken in April 2020; no factors to indicate that asset values have been impaired were identified.

The Authority revalued Hornsey Street Waste Transfer station and land at Pinkham Way on 31 March 2018. Hornsey Street was valued at £15.9m, an increase of £0.7m and Pinkham Way was valued at £14.1m, an increase of £3.0m. As a result of the re-valuation, the plant and Buildings at Hornsey Street is being depreciated over 20 years (from 1 April 2018) and all historic depreciation at 31 March 2018 has been removed, matched by a corresponding charge to the Capital Adjustment Account (note 9).

### 6. CAPITAL COMMITMENTS

At 31 March 2020, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years. The major commitments are:

<b>Contract description</b>	<b>£'000</b>
Laydown Area (West) & Eastern Access	7,270
Northern Access	1,385
Transport Yard Relocation	2,217
Sewer Diversion Enabling Works	1,537
Sewer Diversion Main Works	4,420
	<u>16,829</u>

### 7. INVESTMENTS – LONDONENERGY LTD

	<b>31 Mar 2019 £'000</b>	<b>31 Mar 2020 £'000</b>
Balance at 31 March	<u>119,392</u>	<u>119,392</u>

Until 22 December 2009 LondonEnergy Ltd (formerly LondonWaste Ltd) operated as a joint venture company with Sita UK Ltd and the Authority each holding 50% of the share capital. On 22 December 2009 the Authority purchased the shares held by Sita UK Ltd at a gross cost of £97.686m (including stamp duty) under a deferred payment arrangement. Payment took place on 12 April 2010.

Details of the net assets and results of the company are given in Note 3 to the group accounts.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### 8. BORROWING

Details of borrowings at 31 March 2020, all of which is borrowed from the Public Works Loan Board, are set out below:

#### Long Term Creditor

Repayment Date	Sum Borrowed
12-Apr-20	£20,000,000
16-Jul-22	£10,000,000
16-Jul-24	£10,000,000
12-Apr-26	£10,000,000
12-Apr-28	£10,000,000
26-Feb-60	£100,000,000

The fair value of each loan is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used was the new borrowing rate at 31 March 2020. Since the carrying value included in the balance sheet includes accrued interest, this is also included in the fair value calculations, which are as follows:

	31-Mar-19		31-Mar-20	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Sum Borrowed - £160,000,000 (2018/19: £60,000,000)	60,731	63,230	160,995	166,959

The fair value is higher than the carrying amount as all six loans are at a fixed rate and the interest rate payable is higher than rates available for similar loans at the balance sheet date.

### 9. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account shows the resources used to finance capital expenditure and the historic cost of acquiring and enhancing non-current assets.

	2019	2020
	£'000	£'000
Balance brought forward	51,775	55,885
Minimum Revenue Provision (MRP)	4,913	4,913
Depreciation	(803)	(804)
Revaluation	-	-
Balance at 31 March	<u>55,885</u>	<u>59,994</u>

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### 10. REVALUATION ACCOUNT

The Revaluation Account records gains and losses arising from the revaluation of non-current assets.

	2019	2020
	£'000	£'000
Balance brought forward	9,638	9,638
Revaluation	-	-
Balance at 31 March	<u>9,638</u>	<u>9,638</u>

### 11. CAPITAL REVALUATION ACCOUNT

This balance represents the original cost on vesting date (15 December 1994) of the Authority's investment in LondonEnergy Ltd.

	2019	2020
	£'000	£'000
Balance at 31 March	<u>21,706</u>	<u>21,706</u>

### 12. USABLE CAPITAL RECEIPTS RESERVE

This reserve represents unspent receipts from disposals of capital assets and can be used only to fund capital expenditure or repay debt.

	2019	2020
	£'000	£'000
Balance at 31 March	<u>1,439</u>	<u>1,439</u>

### 13. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely.

#### Central Government

Central government has effective control over the general operations of the Authority in that it is responsible for providing the statutory framework within which the Authority operates.

#### Members

Each of the seven constituent boroughs of the Authority appoints two of their Members to the Authority. Transactions between the Authority and its constituent boroughs, principally the Levy and charges for the treatment of non-household waste, are detailed elsewhere in the accounts. Apart from this dual role, no Member of the Authority has reported that he/she or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2019/20.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### Officers

No officer or member of their family or household, whether working wholly for the Authority or in an advisory role has indicated that they or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2019/20.

### Other Public Bodies

A number of transactions with related parties are disclosed elsewhere in the accounts. Details of each constituent borough's levy and charges for the treatment of non-household and chargeable household waste are shown in notes 3 and 4.

The Authority operates through a lead borough arrangement with its constituent boroughs. Charges are made by the constituent boroughs in providing the following services.

#### Camden

Managing Director  
Clerk and committee services  
External relations  
Financial Adviser and financial services  
Internal Audit  
Legal Adviser and legal and governance services  
Operations (waste strategy, contracts management)  
Personnel services  
Planning and technical solutions

#### Haringey

Operational support services

In 2019/20 the Authority paid Camden £2.463m (2018/19: £2.082m) for the provision of lead borough services. On 31 March 2020 Camden held cash and cash equivalents of £99.452m (31 March 2019: £10.301m) on behalf of the Authority.

The London Borough of Haringey provides Operational support services to the Authority. In 2019/20 The Authority paid Haringey £0.123m for these services (2018/19: £0.111m).

To the extent that monies paid to boroughs for services are paid on by those boroughs to their senior officers, these sums are reflected in Note 19.

### Entities Controlled by the Authority

At 31 March 2020, the Authority owned 100% (31 March 2019: 100%) of the shares in LondonEnergy Ltd. In 2019/20 the Authority paid LondonEnergy Ltd £45.730m (2018/19: £39.330m for waste disposal and transport services. The Company paid no dividend to the Authority in 2019/20 (2018/19: £nil). The Authority's accounts include a creditor of £9.871m (2018/19 £7.373m) in respect of the services provided to the Authority by the Company and a debtor of £0.330m (2018/19 £0.968m) in respect of income due to the Authority from the Company.

### Amounts Written Off

No related party debts were written off in 2019/20 (2018/19: £nil) and no provisions for doubtful debts were raised (2018/19: £nil).

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### 14. ADJUSTMENT TO NET SURPLUS FOR NON-CASH MOVEMENTS

The surplus or deficit on the provision of services in the cash flow statement has been adjusted for the following non-cash movements

	2019	2020
	£'000	£'000
<b>Cash flows from operating activities include:</b>		
Depreciation	(803)	(804)
Movement in pension liability	27	16
(Increase)/decrease in creditors	(3,097)	(10,527)
Increase/(decrease) in debtors	(497)	89
Balance at 31 March	<u>(4,370)</u>	<u>(11,226)</u>

### 15 ANALYSIS OF CHANGE IN CASH AND CASH EQUIVALENTS

	At 31 March 2019 £'000	Cash flows £'000	At 31 March 2020 £'000
Cash and cash equivalents held at 31 March	10,301	89,151	<u>99,452</u>

In February 2020, the Authority secured a £100m loan for Local Infrastructure Rate borrowing from HM Treasury, via the Public Works Loan Board to fund the enabling works of the NLHPP.

### 16. FINANCIAL INSTRUMENTS

#### Cash on Deposit with London Borough of Camden

The cash and cash equivalents carried on the balance sheet are held by London Borough of Camden on behalf of the Authority. This can be further subdivided into the following categories of financial instruments. These values are solely calculated based on a direct proportional split of the total cash and equivalent held of London Borough of Camden balance sheet.

	2019 £'000	2020 £'000
Cash and Cash Equivalents	10,301	28,690
Short Term Investments	-	60,087
Money Market Fund	-	10,676
Balance at 31 March	<u>10,301</u>	<u>99,452</u>

### 17. DEFINED BENEFIT PENSION SCHEME

The Authority does not have any directly employed staff. The payroll and pension arrangements for staff wholly employed on authority business are administered by the London Borough of Camden and all transactions, assets and liabilities relating to these staff are included in the accounts of Camden's pension scheme. Similarly, the pension arrangements of the advisers to the Authority are managed by the respective adviser's own authority.



# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

The Authority does however have obligations and liabilities in respect of the added years' element of pensions paid to retired former employees who were directly employed by the Authority prior to the transfer of staff to LondonEnergy Ltd (formerly LondonWaste Ltd) in December 1994. In 2019/20 the Authority paid £34,245 to the London Pension Fund Authority (£33,735 in 2018/19) in respect of these employees. The Authority's future liability as at 31 March 2020 has been calculated by Barnett Waddingham, the actuaries for the LPFA as being £0.249m (£0.302m at 31 March 2019).

The figure is based on the following assumptions:

	2018/19	2019/20
Return on assets discount rate	2.20%	2.30%
Pension increases	2.50%	1.95%
Inflation (RPI)	3.50%	2.95%
Inflation (CPI)	2.50%	1.95%

For 2019/20 the actuary adopted a set of demographic assumptions consistent with those used for the formal funding valuation of the LPFA as at 31 March 2019 (2018/19: valuation as at 31 March 2016). The Authority has recognised this liability in the balance sheet and established a pension reserve of an equal amount which is defrayed by the value of the payments made to the LPFA during the year, i.e. by means of a transfer to the pension reserve.

### 18. NON-MONETARY CAPITAL RECEIPTS

In October 2003, the Authority signed a relocation agreement with Ashburton Properties Ltd (the company set up by the Arsenal Football Club for the purpose of this relocation) and also the corresponding relocation agreement with LondonEnergy Ltd for relocation of the Authority's waste transfer station from Ashburton Grove to Hornsey Street. Subsequently, in July 2004, following the issue of an independent Engineer's Certificate of Practical Completion, the Authority entered into two 999-year leases for the new facility at Hornsey Street.

Ashburton Properties Ltd therefore provided the new waste facility at Hornsey Street in exchange for the Authority's land at Ashburton Grove. There has been no capital outlay for the Authority in this respect, however, for the purpose of recognising the new asset in the Authority's accounts, the asset, which was originally valued at £12.440m at completion, is deemed to have been funded by a non-monetary capital receipt. As at 31 March 2020 the property is carried on the balance sheet at £14.310m (£15.105m at 31 March 2019).

### 19. OFFICERS' REMUNERATION

The Authority does not have any directly employed staff. Instead, its staff are employed by the London Borough of Camden. The Statement of Arrangements between the Authority and the London Borough of Camden sets out the services that will be provided to the Authority including the provision of the Clerk and other key Adviser roles. The cost of these services is recovered from the Authority by Camden. Details of staff employed wholly on NLWA business receiving annual remuneration in excess of £50,000 are shown below.

#### Senior Officers with Remuneration over £150,000

		Salary	Variable Pay (Note 1)	Employers Pension Contribution	Total
		£	£	£	£
Managing Director	2018/19	144,011	8,568	54,012	206,591
(Martin Capstick)	2019/20	145,656	7,283	48,312	201,251

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### Senior Officers with remuneration between £50,000 and £150,000 per year

		Salary	Variable Pay (Note 1)	Employers Pension Contribution	Total
		£	£	£	£
Programme Director (Note 2)	2018/19	48,667	-	17,285	65,952
	2019/20	122,174	6,120	40,525	168,819
Head of Operations (Note 3)	2018/19	8,682	-	3,056	11,738
	2019/20	-	-	-	-
Head of Strategy & Services (Note 4)	2018/19	38,500	-	13,678	52,178
	2019/20	78,540	3,201	25,915	107,656
Head of Legal & Governance	2018/19	80,554	1,611	24,421	106,586
	2019/20	82,019	1,643	26,750	110,412
Commercial Lead (Note 5)	2018/19	-	-	-	-
	2019/20	31,632	1,688	7,367	40,687
Head of Finance	2018/19	80,553	-	28,800	109,353
	2019/20	82,164	-	26,484	108,648

Note 1 – Variable pay is a non-consolidated payment based on performance.

Note 2 – The Programme Director was a new post in 2018/19. The post holder took up his duties on 5 November 2018.

Note 3 – The Head of Operations resigned on 4 May 2018. The post has been deleted.

Note 4 – The Head of Strategy and Services is a new post in 2018/19. The post holder took up his duties on 1 October 2018.

Note 5 – The Commercial Lead is a new post in 2019/20. The post holder took up his duties on 25 November 2019.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employers pension contribution) were paid in the following bands:

Salary range	2018/19	2019/20
£50,000 to £54,999	1	1
£55,000 to £59,999	-	-
£60,000 to £64,999	3	1
£65,000 to £69,999	-	-
£70,000 to £74,999	-	-
£75,000 to £79,999	-	-
£80,000 to £84,999	1	1
<b>Total</b>	<b>5</b>	<b>3</b>

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### Advisers

The Statement of Arrangements also provides for various Adviser roles. These roles are undertaken by specific posts within each Lead Borough. Advisers receive an honorarium the cost of which is recharged to the Authority as follows:

		Variable Pay (Note 1) £	Employers Pension Contribution £	Total £
Clerk – Chief Executive (Camden) (Note 1)	2018/19	8,922	2,774	11,696
	2019/20	-	-	-
Clerk – Chief Executive (Camden) (Note 1)	2018/19	-	-	-
	2019/20	8,922	2,445	11,367
Financial Adviser – Executive Director of Corporate Services (Camden) (Note 2)	2018/19	6,308	1,957	8,265
	2019/20	-	-	-
Financial Adviser – Executive Director of Corporate Services (Camden) (Note 2)	2018/19	2,103	658	2,761
	2019/20	8,580	2,351	10,931
Legal Adviser – Borough Solicitor (Camden)	2018/19	7,224	946	8,170
	2019/20	7,369	2,019	9,388

Note 1 - The Chief Executive of Camden retired on 31 March 2019. The new Chief Executive undertook the role of Clerk to the Authority from 1 April 2019

Note 2 - Two Camden Executive Directors of Corporate Services undertook this role in 2018/19. The first for the period to 31 December 2018 and the second from 1 January 2019.

### 20. EXTERNAL AUDIT COSTS

Mazars LLP were appointed auditors to the Authority from 2018/19. The Authority has incurred the following costs in relation to the audit of the statutory accounts. Mazars LLP have not provided any additional services to the authority in either 2018/19 or 2019/20. No other audit fees were incurred in 2018/19 or 2019/20.

	2018/19 £	2019/20 £
Audit of the Statutory Accounts	14,068	14,068

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### INTRODUCTION TO THE GROUP ACCOUNTS

Until 22 December 2009 the Authority held a 50% interest in the shares of LondonEnergy Ltd (formerly LondonWaste Ltd). The interest arose as a result of the Acquisition and Collaboration Agreement between the Authority and Sita UK Ltd. The company was established as a means of complying with the requirements of the Environmental Protection Act 1990. However, on 22 December 2009 the Authority purchased the shares held by its joint venture partner and LondonEnergy Ltd became wholly owned by the Authority but continues to operate at arm-length with its own board of directors and management team.

#### ABOUT LONDONENERGY LTD

LondonEnergy Ltd is a company limited by shares incorporated in England and Wales. The company's origins date back to the late 1960's when the Greater London Council (GLC) built the Edmonton Energy from Waste plant. The plant was operated by the GLC until 1986, when the body was abolished. Between 1986 and 1994 the Edmonton plant was owned and operated by the Authority. In 1994 the plant was transferred to a unique public/private partnership between the Authority and SITA, resulting in the formation of the company. Today LondonEnergy Ltd has returned to NLWA ownership and handled approximately 770,000 tonnes of waste in 2019. The company employs approximately 340 staff offering a wide range of services. The company is committed to providing economic, efficient, and environmentally responsible solutions for disposal and treatment of waste, and ultimately, to help preserve and protect the environment. On 5 September 2017, the company changed its registered name from LondonWaste Ltd to LondonEnergy Ltd.

#### ABOUT THE GROUP ACCOUNTS

The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom requires the primary statements of the Authority to be prepared on a stand-alone basis to enable the reader to understand how the Authority has accounted for its stewardship of the funds supplied by local taxpayers through the charges made to and levies raised from the constituent boroughs.

Where an Authority has a significant interest in the operation of a company the Code of Practice recognises that a full understanding of the overall picture of the Authority's operations and resources can only be gained from summarised group accounts. Accordingly, the accounts of the Authority contain summarised group accounts which present the consolidated financial position of the Authority and its interest in LondonEnergy Ltd.

The Authority's accounting year ends on 31 March and LondonEnergy Ltd has an accounting year end of 31 December. The Code permits the consolidation of accounting statements of different dates so long as the two dates are not more than three months apart and that accounting statements of a date that isn't 31 March are adjusted for the effects of significant transactions and events that occurred between the two dates. No adjustments were found to be necessary to the financial statements of LondonEnergy Ltd at 31 December 2019.

In accordance with IFRS 3 *Business Combinations* and the Code of Practice, LondonEnergy has been included on a line by line basis. Accordingly, these group accounts consist of:

- this introduction, explaining the basis on which the group accounts have been prepared;
- a group expenditure and funding analysis;
- a group movement in reserves statement;
- a group comprehensive income and expenditure statement;
- a group balance sheet;
- a group cash flow statement.

**GROUP MOVEMENT IN RESERVES STATEMENT**

	General Balance £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>2019/20</b>					
<b>Balance at 31 March 2019 brought forward</b>	<b>23,655</b>	<b>1,439</b>	<b>25,094</b>	<b>118,785</b>	<b>143,879</b>
<b>Movement in reserves during 2019/20</b>					
Total Comprehensive Income and Expenditure	(2,355)	-	(2,355)	-	(2,355)
Adjustments between accounting basis & funding basis under regulations	797	-	797	(797)	-
<b>Increase/(Decrease) in 2019/20</b>	<b>(1,558)</b>	<b>-</b>	<b>(1,558)</b>	<b>(797)</b>	<b>(2,355)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>22,097</b>	<b>1,439</b>	<b>23,536</b>	<b>117,988</b>	<b>141,524</b>

	General Balance £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>2018/19</b>					
<b>Balance at 31 March 2018 brought forward</b>	<b>26,375</b>	<b>1,439</b>	<b>27,814</b>	<b>113,546</b>	<b>141,360</b>
<b>Movement in reserves during 2018/19</b>					
Total Comprehensive Income and Expenditure	2,519	-	2,519	-	2,519
Adjustments between accounting basis & funding basis under regulations	(5,239)	-	(5,239)	5,239	-
<b>Increase/(Decrease) in 2018/19</b>	<b>(2,720)</b>	<b>-</b>	<b>(2,720)</b>	<b>5,239</b>	<b>2,519</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>23,655</b>	<b>1,439</b>	<b>25,094</b>	<b>118,785</b>	<b>143,879</b>

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2018/19				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
81,558	(36,303)	45,255	Environmental and regulatory services	83,212	(34,546)	48,666	
<b>81,558</b>	<b>(36,303)</b>	<b>45,255</b>	<b>Cost of Services</b>	<b>83,212</b>	<b>(34,546)</b>	<b>48,666</b>	
		(48,511)	Other Operating (Income) and Expenditure			(53,181)	
		1,610	Financing and Investment (Income) and Expenditure			1,723	
		386	Taxation and Non-Specific Grant Income			(360)	
		<b>(1,260)</b>	<b>Surplus on Provision of Services</b>			<b>(3,152)</b>	
		(1,218)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets			4,846	
		(41)	Actuarial (Gain)/Loss on Pension Assets			661	
		<b>(1,259)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>5,507</b>	
		<b>(2,519)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>2,355</b>	

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### GROUP BALANCE SHEET

	Note	31 Mar 2019 £'000	31 Mar 2020 £'000
Property, Plant and Equipment	5.6, 5.8	134,399	156,690
Long Term Investments	5.6, 5.8	50,213	50,213
<b>LONG TERM ASSETS</b>		<b>184,612</b>	<b>206,903</b>
<b>CURRENT ASSETS</b>	5.9	<b>41,497</b>	<b>122,279</b>
<b>CURRENT LIABILITIES</b>	5.7, 5.10	<b>(20,152)</b>	<b>(45,531)</b>
Long Term Borrowings		(60,000)	(140,000)
Long Term Liabilities - Pension		(302)	(249)
Deferred Taxation		(1,776)	(1,878)
Other Long Term Liabilities		-	-
<b>LONG TERM LIABILITIES</b>		<b>(62,078)</b>	<b>(142,127)</b>
<b>NET ASSETS</b>		<b>143,879</b>	<b>141,524</b>
<u>Usable Reserves</u>			
General Fund Balance		23,655	22,097
Capital Receipts Reserve		1,439	1,439
<u>Unusable Reserves</u>			
Capital Adjustment Account	5.7	56,085	60,082
Revaluation Account		9,639	9,638
Capital Revaluation Account		21,706	21,706
Acquisition Revaluation Reserve		31,657	26,811
Pension Reserve		(302)	(249)
<b>TOTAL RESERVES</b>		<b>143,879</b>	<b>141,524</b>

Jon Rowney

Financial Adviser 2 September 2021

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### GROUP CASH FLOW STATEMENT

	2018/19 £'000	2019/20 £'000
Net surplus on the provision of services	(1,260)	(3,152)
Adjustments to net surplus on the provision of services for non-cash movements	<u>(4,677)</u>	<u>(12,929)</u>
Net cash inflow from operating activities	(5,937)	(16,081)
Investing activities	10,622	33,292
Financing activities	<u>-</u>	<u>(100,000)</u>
Net (increase)/decrease in cash and cash equivalents	4,685	(82,789)
Cash and cash equivalents at the beginning of the reporting period	<u>(33,930)</u>	<u>(29,245)</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	<u><b>(29,245)</b></u>	<u><b>(112,034)</b></u>



# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### GROUP EXPENDITURE AND FUNDING ANALYSIS

2018/19			2019/20		
Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
50,494	(5,239)	45,255	47,869	797	48,666
<b>50,494</b>	<b>(5,239)</b>	<b>45,255</b>	<b>47,869</b>	<b>797</b>	<b>48,666</b>
(47,774)	-	(47,774)	(46,311)	-	(46,311)
<b>2,720</b>	<b>(5,239)</b>	<b>(2,519)</b>	<b>1,558</b>	<b>797</b>	<b>2,355</b>
<b>26,375</b>			<b>23,655</b>		
(2,720)			(1,558)		
<b>23,655</b>			<b>22,097</b>		

**NOTES TO THE GROUP ACCOUNTS**

**1. ACCOUNTS OF LONDONENERGY LTD**

The 2019 accounts were approved by the Board of LondonEnergy Ltd on 24 March 2020 and received an unqualified audit opinion by BDO LLP (the Company's statutory auditor) on 19 May 2020. LondonEnergy Ltd is not required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 but with effect from 2015 it is required to prepare financial statements in accordance with Financial Reporting Standard 102.

The accounts of LondonEnergy Ltd can be obtained from the Company Secretary, LondonEnergy Ltd, Energy from Waste Plant EcoPark, Advent Way, Edmonton, London N18 3AG.

**2. CONSOLIDATION ADJUSTMENT**

The consolidated balance sheet for 2018/19 was adjusted for items of income and expenditure that were, at the time, in dispute between the North London Waste Authority and LondonEnergy Ltd. These items have been resolved and no adjustments have been made to the 2019/20 statements.

These balances related to both income and expenditure from prior years. The Amount for Debtors in the Authority's balance sheet included £875,416 and Creditors falling due within 1 year included £663,007. These amounts were not included in the LondonEnergy Ltd. financial statements for the year ended 31 December 2018.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### 3. INVESTMENT IN LONDONENERGY LTD

#### Summarised balance sheet of LondonEnergy Ltd

		31-Dec-18 £'000	31-Dec-19 £'000
	<b>Note</b>		
<b>LONG TERM ASSETS</b>			
Tangible assets	5.6	41,803	43,321
		<u>41,803</u>	<u>43,321</u>
<b>CURRENT ASSETS</b>			
Stocks		2,390	2,953
Debtors		12,930	13,009
Cash at bank and in hand		18,944	12,582
		<u>34,264</u>	<u>28,544</u>
<b>CREDITORS: amounts falling due within one year</b>		<u>(13,803)</u>	<u>(11,279)</u>
<b>NET CURRENT ASSETS</b>		<u>20,461</u>	<u>17,265</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		62,264	60,586
<b>PROVISIONS FOR LIABILITIES -</b>			
Deferred tax		(1,776)	(1,878)
<b>TOTAL PROVISIONS</b>		<u>(1,776)</u>	<u>(1,878)</u>
<b>NET ASSETS</b>		<u><u>60,488</u></u>	<u><u>58,708</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital		31,196	31,196
Share premium		1,648	1,648
Profit and loss account		27,644	25,864
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		<u><u>60,488</u></u>	<u><u>58,708</u></u>

### 4. SHARE PREMIUM RESERVE

The share premium reserve represented the Authority's 50% share of LondonEnergy Limited's share premium account.

### 5. NOTES TO THE GROUP ACCOUNTS

In addition to the notes and accounting policies to the Authority single-entity accounts, the following disclosures are made in respect of LondonEnergy Ltd.

#### Accounting Policies

#### 5.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2020. The acquisition method of accounting has been

## Statement of Accounts for the year ended 31 March 2020

adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the comprehensive income and expenditure statement from the date of acquisition or up to the date of disposal.

### 5.2 Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions has been capitalised.

### 5.3 Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

### 5.4 Deferred Taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as likely that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

### 5.5 Pensions

LondonEnergy Ltd operates a defined benefits pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The pension charge is based on the latest actuarial valuation.

For the defined benefit scheme, the company recognises the net assets or liabilities of the scheme in the balance sheet, net of any related deferred tax liability or asset. The changes in scheme assets and liabilities, based on actuarial advice are as follows:

- a. The current service cost based on the most recent actuarial valuation is deducted in arriving at operating profit.
- b. The interest cost, based on the present value of the scheme liabilities and the discount rate at the beginning of the year and amended for changes in scheme liabilities during the year, is included as interest.
- c. The expected return on scheme assets, based on the fair value of scheme assets and expected rates of return at the beginning of the year and amended for changes in the scheme assets during the year, is included as interest.
- d. Actuarial gains and losses, representing differences between the expected return and actual return on scheme assets, differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the movement in reserves statement.
- e. Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately.
- f. Gains and losses arising from settlements or curtailments not covered by actuarial assumptions, are included in operating profit.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

### 5.6 Non Current Assets and Depreciation

The non-current assets of LondonEnergy Ltd are included in its financial statements at depreciated historical cost. This is not in accordance with The Code which permits this method of depreciation only for small value assets with short lives and where no other approach is practicable. Moreover, the Company values its freehold land at historic cost. Accordingly, the Authority commissioned Savills chartered surveyors to value the Company's land, buildings, plant and machinery at 31 March on an existing use value basis. The conclusions from Savills' investigations are reflected in the Group financial statements and in the table below. Vehicles and office equipment were outside the scope of Savills' work and are included at depreciated historical cost. The depreciation rates used for these assets are within the range 12.5% and 25%.

The non-current assets of the North London Waste Authority are as set out in Authority's statements and notes. The Authority has two depreciable assets – a waste transfer station and yard at Hornsey Street in the London Borough of Islington and a water pumping station in Edmonton in the London Borough of Enfield. For these assets, depreciation is calculated on a straight-line basis over 20 years and 9 years, respectively. This is in accordance with advice sought from the valuer. The Authority also has a land holding at Pinkham Way in the London Borough of Haringey. Land is not depreciated. All assets are valued on a five-year cycle and impairment reviews are undertaken in the interim years.

### PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Vehicles & Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
<b>Movement on balances in 2019/20</b>				
<b>Cost or Valuation</b>				
At 1 April 2019	135,847	4,697	9,079	149,623
Additions,	-	75	33,217	33,292
Disposals	(246)	(234)	(34)	(514)
Transfer between classes	2,941	3,559	(6,500)	-
Revaluation	(4,846)	-	-	(4,846)
At 31 March 2020	133,696	8,097	35,762	177,555
<b>Depreciation and Impairment</b>				
At 1 April 2019	12,011	3,213	-	15,224
Depreciation Charge	5,399	722	-	6,121
Disposals	(246)	(234)	-	(480)
At 31 March 2020	17,164	3,701	-	20,865
Net Book Value at 31 March 2020	116,532	4,396	35,762	156,690
Net Book Value at 31 March 2019	123,836	1,484	9,079	134,399

## North London Waste Authority

### Statement of Accounts for the year ended 31 March 2020

#### Comparative movement on balances in 2018/19

##### Cost or Valuation

At 1 April 2018	137,798	9,719	1,145	148,662
Additions,	-	414	10,208	10,622
Disposals	(4,931)	(5,948)	-	(10,879)
Transfer between classes	1,762	512	(2,274)	-
Revaluation	1,218	-	-	1,218
At 31 March 2019	135,847	4,697	9,079	149,623

##### Depreciation and Impairment

At 1 April 2018	11,759	8,746	-	20,505
Depreciation Charge	5,174	415	-	5,589
Disposals	(4,922)	(5,948)	-	(10,870)
Write back to CIES	-	-	-	-
At 31 March 2019	12,011	3,213	-	15,224
Net Book Value at 31 March 2019	123,836	1,484	9,079	134,399
Net Book Value at 31 March 2018	126,039	973	1,145	128,157

#### 5.7 Material Uncertainty (Property Valuation):

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and property market activity is also being impacted in many sectors.

As at the valuation date, the valuer concluded that less weight can be attached to previous market evidence for comparison purposes to fully inform opinions of value.

The valuer indicated that the valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market the valuer recommended that the valuation of this property is kept under frequent review.

Whilst the material valuation uncertainty clause is in place, this does not mean that the valuations cannot be relied upon, but only indicates that a higher degree of uncertainty than in normal times.

#### 5.8 Accounting for Capital Grants

In 2005 the Authority was successful in securing a capital grant from the London Recycling Fund to assist with the funding of a new In-vessel Composting Facility (IVC) at LondonEnergy Ltd.'s Eco-Park. £1.7m was paid over to LondonEnergy Ltd in March 2005 which was offset by the receipt of a grant from the London Recycling Fund. LondonEnergy Ltd constructed the IVC facility at the Eco-Park and has been using it to process compostable waste delivered by the Authority since 2005.

Under The Code of Practice, where there were no conditions attached or where the recipient has complied with any conditions, the grant must be recognised immediately in the Comprehensive Income and Expenditure Statement. If the expenditure that the grant was intended to fund has been incurred the income must be reversed out of General Fund balances via the Movement in reserves Statement.

# North London Waste Authority

## Statement of Accounts for the year ended 31 March 2020

The policy of LondonEnergy Ltd with regard to this grant has been to amortise the grant over the 15 year expected life of the IVC facility. Accordingly, each year, the Company credits its Profit and Loss Account with £0.113m; with the un-amortised balance being retained as a creditor. This accounting treatment is not compliant with the Code.

The Authority therefore, as part of the group accounts consolidation process, has changed the accounting treatment of the grant to reflect the provisions of the Code.

### 5.9 Acquisition Note

On 22 December 2009, the Authority acquired the remaining 50% of its joint venture, LondonEnergy Limited. LondonEnergy Limited is fully consolidated in these financial statements. The acquisition has been accounted for using acquisition accounting. The goodwill arising at acquisition of £50.213m was capitalised.

The 2009 accounts for LondonEnergy Ltd showed that the Company's net assets were valued at £46.327m at 31 December 2009. The Code of Practice requires the Authority to take into account the estimated fair value of LondonEnergy Ltd at the balance sheet date and therefore in preparing its 2009/10 accounts the Authority determined this to be £94.577m after a positive adjustment of £48.250m to the Company's non-current assets.

For the purposes of ensuring that the 2019/20 group accounts were prepared in accordance with International Financial Reporting Standards (IFRS), the Authority commissioned chartered surveyors Savills to value the company's land, buildings and plant and machinery at 31 March 2020. Savills concluded that the fair value of these assets at that date was £86.500m, i.e. an increase of £50.936m over the figure of £35.564m included in the company's balance sheet as at 31 December 2019. These adjustments have been reflected in the group balance sheet.

The increase in the net assets on acquisition of LondonEnergy Ltd gave rise to an increase in value which is recorded in an Acquisition Revaluation Reserve in the sum of £24.125m and included in the 2009/10 group accounts. Annual valuations undertaken since then to March 2019 increased this reserve by £7.532m to £31.657m. A further valuation at March 2020 has decreased this reserve by £4.846m bringing the balance to £26.811m.

### 5.10 Analysis of Current Assets

	31 March 2019 £'000	31 March 2020 £'000
HM Revenue and Customs	1,857	2,980
Other debtors	8,005	4,312
Inventories	2,390	2,953
Cash and cash equivalents	29,245	112,034
	<u>41,497</u>	<u>122,279</u>

### 5.11 Analysis of Current Liabilities

	31 March 2019 £'000	31 March 2020 £'000
Short Term Borrowings	(731)	(20,995)
Other creditors	(18,395)	(23,949)
Central Government	(1,026)	(587)
	<u>(20,152)</u>	<u>(45,531)</u>