

**North London Waste Authority**

**Statement of Accounts for the year ended**

**31 March 2012**

**DRAFT**

# North London Waste Authority

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# North London Waste Authority

## 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;
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in business; and
- complied with the Code of Practice.

The Financial Adviser has also:

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

### CERTIFICATION BY THE FINANCIAL ADVISER

The accounts which follow have been prepared in accordance with the requirements of Regulation 8 of the Accounts and Audit Regulations 2011 issued under the Audit Commission Act 1998 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 2012 and the income and expenditure of the Authority and of the Group for the year then ended.

**Mike O'Donnell, CPFA**

Financial Adviser 25 September 2012

### CHAIR'S APPROVAL OF STATEMENT OF ACCOUNTS

This Statement of Accounts was presented to the North London Waste Authority at its meeting on 25 September 2012, and was approved by resolution of the Authority.

**Councillor Clyde Loakes**

Chair of the North London Waste Authority 25 September 2012

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH LONDON WASTE AUTHORITY**

**Opinion on the financial statements**

I have audited the financial statements of North London Waste Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow and the related notes. The financial reporting framework applied to their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

**Respective responsibilities of the Financial Adviser and auditor**

As explained more fully in the Statement of the Financial Adviser's Responsibilities, the Financial Adviser is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of North London Waste Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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## Opinion on other matters

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

## Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
  - I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
  - I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response;
- or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

### Respective responsibilities of the Authority and the auditor

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.

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

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

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission. For 2011/12 the Commission has determined that the scope of my work on value for money at the Authority is limited to:

- reviewing the Annual Governance Statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- other risk-based work as suitable.

The Audit Commission has determined these criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself 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 2012.

## **North London Waste Authority**

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

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission, I am satisfied that, in all significant respects, North London Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

### **Certificate**

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

Philip Johnstone  
District Auditor  
Audit Commission  
1st Floor, Millbank Tower  
London  
SW1P 4HQ  
25 September 2012

## EXPLANATORY FOREWORD BY THE FINANCIAL ADVISER

### 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 2011/12* (The Code) and the *Guidance Notes for Practitioners* (both published by the Chartered Institute of Public Finance and Accountancy). The Code requires local government financial statements to be presented in a format that meets International Financial Reporting Standards (IFRS). The Code requires that four 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 are 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.

### 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 LondonWaste Ltd.

### REVIEW OF THE YEAR AND CURRENT DEVELOPMENTS

The Authority agreed its 2011/12 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 procurement process and the acquisition of sites for the development of its future waste treatment facilities. Changing circumstances during the course of the year including the settlement of some long outstanding contract claims and reductions in the Authority's contractual liabilities have had a beneficial impact on the Authority's finances. Most notably, in the closing months of the year the Authority was able to finalise

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claims in respect of the additional cost of operating the Hornsey Street Waste Transfer Station, Landfill Tax and Non Fossil Fuel Obligation (NFFO) covering a period of some years and this has enabled excess budget provisions made in previous years to be written back to revenue in 2011/12. Further reductions in the waste stream, lower capital financing costs – due partly to slippage in the acquisition programme but also the temporary use of internal funds in place of borrowing, all have contributed to the improvement in the Authority's financial health. Of particular note is the good performance by LondonWaste Ltd in 2012 which has enabled the Company to pay the Authority an improved dividend for the year.

At the time of the 2012/13 budget and levy meeting in February I was able to advise the Authority that it should have revenue balances of at least £16.823m available at year-end to assist with the funding of the Authority's 2012/13 budget. This enabled the 2012/13 levy to be reduced by £2.898m even after allowing for the proposed transfer of some borough household waste recycling centres to the Authority in 2012/13 (there had been no increase in the 2011/12 levy). In the final outturn, and for the reasons previously stated, actual balances at 31 March 2012 are £20.160m, i.e. an improvement of £3.337m. Subject to the 2012/13 budget remaining sufficiently robust to fund its in-year activities the additional balances should provide the Authority with some flexibility when considering its funding options for the 2013/14 budget.

As indicated above, the amount of residual waste entering the waste stream in 2011/12 has reduced by a further 41,608 tonnes (6.25%) compared with 2010/11 tonnage levels, i.e. a reduction from 666,101 tonnes to 624,493 tonnes. Although this would indicate a quickening of the rate of waste reduction, the total amount of waste entering the waste stream in the second half of the year has been largely stable albeit in January to March a number of boroughs experienced some increases in the amount of waste that they collected and passed to the Authority for treatment. The 2012/13 budget allows for a net increase in residual tonnages (after increased borough recycling activity) but recent developments will need to be closely monitored.

Recyclable wastes delivered to the Authority for treatment in 2011/12 although lower than originally forecast by the boroughs were nevertheless higher in aggregate than 2010/11. In relation to separated compostable waste tonnages the boroughs delivered 59,166 tonnes in 2011/12 (59,437 tonnes in 2010/11). In the case of the Authority's dry-recyclable waste services 56,471 tonnes was delivered to the Authority by the boroughs in 2011/12 (46,244 tonnes in 2010/11). The Commingled Income Payment Scheme (CIPS) continued to be a success. The scheme was originally introduced in October 2009 provides for payments on an income sharing basis to those boroughs sending their dry-recyclable wastes to the Authority for treatment. As the level of payments (and therefore the cost of scheme) is set to match the income that the Authority receives from the sale of recyclates there is no net cost to the Authority but is beneficial to those boroughs in receipt of the CIPS payments. In view of the high sale value recyclates the Authority expects to pay a total of £2.362m to participating boroughs in 2011/12.

Landfill tax continues to rise in line with the Government's stated intention to raise the standard rate of tax (£56 in 2011/12) by £8 per tonne until a figure of £80 is reached in 2014/15. This is a major driver for diverting waste from landfill and reinforces the need for the Authority to secure new and additional waste treatment facilities for when its current waste contract ends in December 2014.

The procurement process for the development of new waste facilities and services is now well advanced and is progressing in line with timetabled ambitions. This envisages that following the invitation to submit final tenders the call for final tenders will be made at the end of October following the close of dialogue stage of the procurement process. This will lead to the submission of final tenders and is expected to result in the selection of the preferred bidders for the Waste Services and Fuel Use contracts in January 2013 with financial close taking place in July 2013.

In parallel with the procurement process a key area of work over the coming months will be the finalisation of an Inter Authority Agreement between the constituent boroughs and the Authority. This will provide the framework for managing future waste services contracts and the agreed basis for charging for services.



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## 2011/12 OUTTURN

Final outturn compared with budget:

	<b>Original budget 2011/12 £'000</b>	<b>Revised estimate 2011/12 £'000</b>	<b>Final outturn 2011/12 £'000</b>
<b>Gross expenditure</b>	61,568	53,930	48,592
Non-household waste	(10,061)	(9,358)	(9,346)
Rents	(93)	(94)	(94)
Sale of recyclates	(1,466)	(2,323)	(2,518)
LATS grant	(3,349)	(1,926)	0
LWL Dividend	(2,500)	(5,500)	(5,500)
<b>Gross income</b>	(17,469)	(19,201)	(17,458)
<b>Net cost of services</b>	44,099	34,729	31,134
Interest receivable	(150)	(758)	(373)
<b>Net operating expenditure</b>	43,949	33,971	30,761
Transfer to pension reserve	31	31	31
Revenue funding of capital expenditure	9,046	8,049	7,922
Levy on constituent authorities	(43,512)	(43,512)	(43,512)
<b>Deficit/(surplus) for the year</b>	9,514	(1,461)	(4,798)
<b>General fund balance</b>			
Opening balance	(9,514)	(15,362)	(15,362)
Deficit/(surplus) for the year	9,514	(1,461)	(4,798)
Closing balance	-	(16,823)	(20,160)

A fuller explanation of the more significant variances can be found in the notes to the accounts.

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## ANNUAL GOVERNANCE STATEMENT FOR THE NORTH LONDON WASTE AUTHORITY

### 1. Scope of Responsibility

The 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 North London Waste 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 North London Waste Authority is also responsible for putting in place proper arrangements for governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.

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

The governance framework comprises the systems and processes, and 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 North London Waste 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 2012 and up to the date of approval of the annual report and statement of accounts. The Authority formally agreed its approach to strategic risk management in April 2005 and has subsequently undertaken regular reviews. This included agreement of the Authority's Risk Register and an action plan to achieve delivery of a risk aware culture within the Authority and to embed the new approach within the Authority's planning processes and its control systems. As part of its ongoing review of risk the Authority decided to strengthen its risk management regime with the addition of a new high level risk register for dealing with key matters of risk management. We reviewed this and noted the revisions to the high level risk register and its supporting detailed risk registers at our meeting in September 2012.

### 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 this is reflected in its contract with LondonWaste Ltd.
- The Authority and its constituent councils have been working in partnership to develop and implement the North London Joint Waste Strategy. The procurement process for the provision of new facilities and waste services is now well underway. Under the lead of a

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Project Sponsor and Procurement Director the Authority has established an in-house team of experienced people to work with external advisers with a view to securing appropriate cost effective waste management services over the next 25 to 35 years. The in-house team has been strengthened over the past year. Working in partnership with its constituent councils the partners have established key working groups of senior officers and Members to ensure that well informed decisions are made at key stages of the procurement process.

- 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 the Authority and the Advisers 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, Financial Standing Orders, and Contract Standing Orders.
- The Authority is also able to benefit from the rules and procedures set in place by its Lead Boroughs. Officer responsibilities and actions are controlled through Schemes of Officer Delegation.
- The effective and efficient use of resources and the securing of continuous improvement is achieved through a range of review processes and is integral to both the short-term implementation of the Joint Waste Strategy and the procurement 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 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 activities of the London Borough of Camden's Internal Audit Division which provides assurances to management that the Council's – and therefore the NLWA's – control systems are adequate, effective and operating as intended and investigates all identified or suspected cases of fraud/irregularity throughout the Council. The Authority has agreed a plan of action to review the past audit review recommendations and further audit work which will be completed in the year ahead. The work of internal audit is to co-ordinate with that of the Council's – and the Authority's – external auditor.
- Performance management within the Authority is considered through a range of review arrangements including external/internal audit reviews, annual reports and the detailed reporting of national and local performance indicators. This has been strengthened with the appointment of the NLWA Managing Director with responsibility for overseeing the work and direction of the Authority including a review of its support arrangements to ensure that these are fit for purpose. This has included the transfer of Haringey employed staff to the London Borough of Camden on 1<sup>st</sup> April 2010 thereby strengthening reporting lines. Additionally, The

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Head of Finance is now based at the NLWA offices in Haringey and the in-house finance team has been strengthened by the appointment of a Deputy Head of Finance. The Authority has also agreed to further strengthen the in-house finance team to ensure that it is able to effectively deal with financial aspects of the procurement process.

### 4. Review of Effectiveness

The 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, the procurement process and the Authority's financial health.

The Members' Finance Working Group has provided an effective means of enabling detailed review and examination by Members of the Authority's financial and risk management issues.

As services are provided through the Lead Boroughs of Camden and 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.

The Authority has in place an action plan to deliver the strategic approach to managing strategic risk particularly in relation to implementation of the procurement project.

The Authority is a signatory to the Nottingham declaration on climate change and has committed itself to review and manage its services in such a way as to minimise its climate change impacts.

The review process has been successful in maintaining awareness of governance and control issues.

### 5. Matters for Future Action

Following the review work undertaken in relation to its system of internal control for 2011/12 the Authority accepts that there is a continuing need to keep its 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 the internal audit reviews and the development and completion of a further internal work programme in 2012/13.
- Keeping under review the governance arrangements for LondonWaste Ltd.

### 6. 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 Clyde Loakes  
Chair of the NLWA

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Mike Cooke  
Clerk to the NLWA

## STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, 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<sup>st</sup> 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 7 day London Interbank Bid (LIBID) rate.

### Capital receipts

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

### 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 sufficient to be material and therefore no accrual has been made. However, bonuses payable to senior employees in 2012/13 in respect of their work in 2011/12 have been accrued for.

#### Post employment benefits

In December 1994 all of the staff of the Authority transferred to LondonWaste 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.

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## Investments and Property

The Authority's investment in LondonWaste Ltd is held at cost. The land at Pinkham way was revalued at 31 March 2012.

### Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

### Reserves

The Authority sets 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.

An earmarked reserve has been established to fund future recycling initiatives.

### Group accounts

The Authority has prepared group accounts to provide greater transparency and understanding of the Authority's shareholding in LondonWaste 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 payable by the Authority.

### Landfill Allowance Trading Scheme (LATS)

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. The scheme came into effect on 1 April 2005 and therefore the 2011/12 Accounts record LATS transactions in accordance with The Code and Local Authority Accounting Panel Bulletin No. 64.

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is

## **North London Waste Authority**

measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

### **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 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 rating is 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 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

## MOVEMENT IN RESERVES STATEMENT Year ended 31 March 2012

	General Fund Balance (Restated) £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves (Restated) £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010</b>	<b>13,353</b>	<b>1,000</b>	<b>621</b>	<b>14,974</b>	<b>36,137</b>	<b>51,111</b>
<b>Movement in reserves during 2010/11</b>						
Surplus or (deficit) on provision of services	13,818	-	-	13,818	-	13,818
Other Comprehensive Expenditure and Income	(28)	-	-	(28)	-	(28)
<b>Total Comprehensive Income and Expenditure</b>	<b>13,790</b>	<b>-</b>	<b>-</b>	<b>13,790</b>	<b>-</b>	<b>13,790</b>
Adjustments between accounting basis & funding basis under regulations	(11,781)	-	-	(11,781)	11,781	-
<b>Net Increase/(Decrease) in 2010/11</b>	<b>2,009</b>	<b>-</b>	<b>-</b>	<b>2,009</b>	<b>11,781</b>	<b>13,790</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>15,362</b>	<b>1,000</b>	<b>621</b>	<b>16,983</b>	<b>47,918</b>	<b>64,901</b>

The background to and impact of changes that the Authority has made to the reporting of certain items of income and expenditure are set out in full as a footnote to the Comprehensive Income and Expenditure Statement. As a consequence, elements of the 2010/11 Movement in Reserves Statement are also restated:

	As reported £'000	As restated £'000
Surplus on provision of services	11,928	13,818
Other Comprehensive Income and Expenditure	1,862	(28)
<b>Total Comprehensive Income and Expenditure</b>	<b>13,790</b>	<b>13,790</b>



# North London Waste Authority

## MOVEMENT IN RESERVES STATEMENT Year ended 31 March 2012

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2011 brought forward</b>	<b>15,362</b>	<b>1,000</b>	<b>621</b>	<b>16,983</b>	<b>47,918</b>	<b>64,901</b>
<b>Movement in reserves during 2011/12</b>						
Surplus or (deficit) on provision of services	9,548	-	-	<b>9,548</b>	-	<b>9,548</b>
Other Comprehensive Expenditure and Income	(851)	-	-	<b>(851)</b>	-	<b>(851)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>8,697</b>	<b>-</b>	<b>-</b>	<b>8,697</b>	<b>-</b>	<b>8,697</b>
Adjustments between accounting basis & funding basis under regulations	(3,899)	-	-	<b>(3,899)</b>	3,899	-
<b>Net Increase/(Decrease) in 2011/12</b>	<b>4,798</b>	<b>-</b>	<b>-</b>	<b>4,798</b>	<b>3,899</b>	<b>8,697</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>20,160</b>	<b>1,000</b>	<b>621</b>	<b>21,781</b>	<b>51,817</b>	<b>73,598</b>

# North London Waste Authority

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Year ended 31 March 2012

2010/11 (Restated)				2011/12		
Gross Expenditure	Gross Income	Net Expenditure	Further details of the Authority's Income and Expenditure can be found at Note 1.	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
45,869	(11,498)	34,371	Environmental and regulatory services	48,592	(11,864)	36,728
(18)	-	(18)	Non Distributed Costs	-	-	-
<b>45,851</b>	<b>(11,498)</b>	<b>34,353</b>	<b>Cost Of Services</b>	<b>48,592</b>	<b>(11,864)</b>	<b>36,728</b>
		(43,483)	Other Operating (Income) and Expenditure			(43,478)
		(4,688)	Financing and Investment (Income) and Expenditure			(2,798)
		<b>(13,818)</b>	<b>Surplus on Provision of Services</b>			<b>(9,548)</b>
		-	Deficit on revaluation of Property, Plant and Equipment Assets			820
		28	Actuarial Loss on Pension Assets			31
		<b>28</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>851</b>
	<b>(13,790)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(8,697)</b>

## North London Waste Authority

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Year ended 31 March 2012

#### RESTATEMENT NOTE

Following publication of its 2010/11 Statement of Accounts the Authority undertook a review of the presentation of the key statements. In conducting the review it drew on the Code of Practice on Local Authority Reporting in the United Kingdom but also looked at how similar organisations presented their results. The review concluded that the clarity of the Comprehensive Income and Expenditure Statement would be improved by changing the lines in which some items of income and expenditure were shown. Changing the presentation would also ensure that the Authority followed more closely the requirements of the Code.

In order to maintain meaningful year on year comparisons the 2010/11 figures have been restated to reflect the changes. The changes affect only lines within the Comprehensive Income and Expenditure Statement – total 2010/11 Comprehensive Income and Expenditure and the resulting addition to general balances remains as originally stated.

The changes made to the published 2010/11 Comprehensive Income and Expenditure Statement are as follows:

	<b>As reported</b>	<b>As restated</b>
	<b>£'000</b>	<b>£'000</b>
Gross Income	(55,010)	(11,498)
Other Operating Income and Expenditure	29	(43,483)

The Code requires that levy expenditure is included in Other Operating Income and Expenditure; the Authority has decided to adopt the same treatment for its levy income.

	<b>As reported</b>	<b>As restated</b>
	<b>£'000</b>	<b>£'000</b>
Cost of Services	45,869	45,851
Surplus on revaluation of non current assets	(1,892)	-
Financing and investment income and expenditure	(2,816)	(4,688)
Actuarial loss on pension assets	30	28

The asset is classified as an investment property; such surpluses and deficits are more properly recorded as an item of financing and investment income or expenditure.

# North London Waste Authority

## BALANCE SHEET 31 March 2012

	Note	2012 £'000	2011 £'000
Property, Plant and Equipment	8	11,750	12,570
Investment Property	8	16,566	16,665
Long Term Investments	9	119,392	119,392
<b>LONG TERM ASSETS</b>		<b>147,708</b>	<b>148,627</b>
<u>Short Term Debtors</u>			
Balance held with LB Camden	20	28,444	21,741
LondonWaste Ltd		64	1,740
HM Revenue and Customs		1,004	970
Other debtors –revenue		1,302	726
LATS –recognition of allowances	23	-	76
<b>CURRENT ASSETS</b>		<b>30,814</b>	<b>25,253</b>
<u>Short Term Creditors</u>			
LondonWaste Ltd		(3,698)	(6,294)
Other creditors – revenue	16	(4,402)	(5,839)
LATS liability for BMW landfill usage	23	-	(42)
<b>CURRENT LIABILITIES</b>		<b>(8,100)</b>	<b>(12,175)</b>
Long Term Borrowings	10	(96,433)	(96,433)
Other Long Term Liabilities	21	(391)	(371)
<b>LONG TERM LIABILITIES</b>		<b>(96,824)</b>	<b>(96,804)</b>
<b>NET ASSETS</b>		<b>73,598</b>	<b>64,901</b>
<u>Usable Reserves</u>			
General Fund Balance		20,160	15,362
Earmarked Reserve	15	1,000	1,000
Usable Capital Receipts Reserve	14	621	621
<u>Unusable Reserves</u>			
Capital Adjustment Account	11	27,196	22,324
Revaluation Account	12	3,306	4,225
Capital Revaluation Account	13	21,706	21,706
Pension Reserve	21	(391)	(371)
LATS Reserve	23	-	34
<b>TOTAL RESERVES</b>		<b>73,598</b>	<b>64,901</b>

Mike O'Donnell CPFA

Financial Adviser 25 September 2012

These financial statements replace the unaudited statements certified by Mike O'Donnell on 28 June 2012.

## North London Waste Authority

### CASH FLOW STATEMENT Year ended 31 March 2012

	Note	2012 £'000	2011 £'000 (Restated)
Net surplus on the provision of services		(9,548)	(13,818)
Adjustments to net surplus on the provision of services for non-cash movements		2,845	658
Net cash inflow from operating activities	19	(6,703)	(13,160)
Investing activities	19	-	109,770
Financing activities	19	-	(95,000)
Net increase in cash and cash equivalents		(6,703)	1,610
Cash and cash equivalents at the beginning of the reporting period		(21,741)	(23,351)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(28,444)</b>	<b>(21,741)</b>

The Authority's own cash balances are held and managed on its behalf by the London Borough of Camden and are reflected in Camden's accounting statements. The Authority therefore has no cash or cash equivalents on its own account – instead, an inter company account is maintained, the balance of which is a proxy for the Authority's cash position. In order to provide a more meaningful picture of the Authority's liquidity, for the purposes of the Cash Flow Statement the inter-company account balance is treated as cash and cash equivalents.

#### RESTATEMENT NOTE

The background to and impact of changes that the Authority has made to the reporting of certain items of income and expenditure are set out in full as a footnote to the Comprehensive Income and Expenditure Statement. As a consequence, the presentation of the Cash Flow Statement is also changed. The Net Increase in Cash and Cash Equivalents for 2010/11 is unchanged but the Authority has revised the presentation of the statement to provide a clearer link with the other statements.

NOTES TO THE ACCOUNTS

1. ADDITIONAL INFORMATION SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The analysis below presents the Authority's Income and Expenditure in a format that is intended to aid the understanding of its activities and financial performance.

EXPENDITURE	Note	2011/12 £'000	2010/11 £'000 (Restated)
Main Waste Disposal Contract	3 (a)	21,229	23,480
Civic Amenity Waste	3 (a)	1,421	1,463
Landfill Tax		10,801	9,780
Composting Services	3 (b)	3,061	3,250
Dry Recyclable Bulking Service	3 (c)	2,855	2,198
Hendon Transfer Station		524	527
Hornsey Street Transfer Station		90	(2,914)
Other Sites		25	-
Waste Strategy and Contracts Team		734	783
Corporate and Other Support Service Costs	2, 20	1,004	795
Recycling and Reuse Credit Scheme	4	139	145
Other Recycling Initiatives		45	74
BMW Diversion Incentive Scheme	24	(28)	357
Commingled Income Payment Scheme	25	2,362	1,540
Waste Contract – Procurement Costs		3,915	4,358
Waste Contract – Sites and Planning Costs		415	-
LATS – Use of Allowances	23	-	42
LATS – Adjustment re 2009/10	23	-	(9)
<b>Gross expenditure</b>		<b>48,592</b>	<b>45,869</b>
Non-household waste	5	(9,346)	(9,882)
Sale of recyclates	25	(2,362)	(1,540)
Sale of Waste Electrical and Electronic Equipment	26	(156)	0
LATS grant	23	-	(76)
<b>Gross income</b>		<b>(11,864)</b>	<b>(11,498)</b>
Pension Fund – Past Service Cost		-	(18)
<b>Cost of Services</b>		<b>36,728</b>	<b>34,353</b>
Levy	7	(43,512)	(43,512)
LATS allowances written down		34	29
<b>Other Operating Expenditure</b>		<b>(43,478)</b>	<b>(43,483)</b>
Investment Property – Rent Receivable	6	(94)	(90)
Investment Property – Change in Fair Value		99	(1,892)
Interest receivable		(373)	(184)
Pension Interest Cost		20	20
LondonWaste Ltd Dividend		(5,500)	(5,500)
Revenue Funding of capital - interest		3,050	2,958
<b>Financing and Investment Income</b>		<b>(2,798)</b>	<b>(4,688)</b>

NOTES TO THE ACCOUNTS

<b>Surplus on Provision of Services</b>	<b>(9,548)</b>	<b>(13,818)</b>
Deficit on Revaluation of Non Current Assets	820	-
Pension Asset – Actuarial Loss	31	28
<b>Other Comprehensive Income and Expenditure</b>	<b>851</b>	<b>28</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,697)</b>	<b>(13,790)</b>
<b>ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS</b>		
Statutory provision for the financing of capital investment – Minimum Revenue Provision	4,872	4,884
Additional Revenue Provision (to repay debt)	-	5,000
Revaluation gains/(losses) on Property, Plant and Equipment	(820)	-
Movement in fair value of investment properties	(99)	1,892
Reversal of items relating to retirement benefits	(51)	(30)
Employer’s pension contributions paid in year	31	30
LATS transactions	(34)	5
<b>Total Adjustments</b>	<b>3,899</b>	<b>11,781</b>
<b>Addition to General Balances</b>	<b>(4,798)</b>	<b>(2,009)</b>

**NOTES TO THE ACCOUNTS**

**2. CORPORATE AND OTHER SUPPORT SERVICES**

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

<p><b>Camden</b></p> <p>Managing Director (a)                  Waste Strategy and Contracts Team (b)                  Procurement Team (c)                  Financial Adviser and financial services                  Clerk and committee services                  Legal Adviser and legal services                  Communications and media support                  Personnel services</p>	<p><b>Haringey</b></p> <p>Valuation Adviser                  Operational support services</p> <p><b>Enfield</b></p> <p>Technical Adviser</p> <p><b>Waltham Forest</b></p> <p>Planning Adviser</p>
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(a) The Managing Director (MD) has overarching responsibility for overseeing the work, direction and governance of the Authority. The MD is based at the Lee Valley Technopark (Haringey).

(b) The Waste Strategy and Contracts Team is responsible for monitoring the Authority’s contract arrangements, providing policy and strategic advice, as well as liaising with the constituent boroughs on day to day waste disposal issues. The Team is based at the Lee Valley Technopark (Haringey).

(c) The Procurement Team is responsible for the procuring the Authority’s long-term service needs in accordance with the North London Joint Waste Strategy. The Team is based at the Lee Valley Technopark (Haringey).

This cost centre also includes the cost of external audit provided by the Audit Commission and the cost of obtaining ad hoc advice from external advisers. The agreed statutory audit fee for 2011/12 is £28,014 i.e.£30,450 less rebate of £2,436 (2010/11: £30,450) and an amount of £21,015 (2010/11: £26,253) was paid on account during the year; there was no non-statutory audit work. In addition, the Authority has incurred costs of £188,314 in respect of the use of external advisers and support.

**3. WASTE STREAM TONNAGE STATISTICS**

**Details of the actual residual and separated recyclable wastes entering the waste stream from constituent councils:**

**(a) Residual Waste**

<b>Borough</b>	<b>2011/12 Tonnes</b>	<b>2010/11 Tonnes</b>	<b>Variance Tonnes</b>	<b>%</b>
Barnet	114,569	118,352	(3,783)	(3.20)
Camden	89,573	93,916	(4,343)	(4.62)
Enfield	90,611	96,492	(5,881)	(6.10)
Hackney	89,227	90,476	(1,249)	(1.38)
Haringey	80,929	93,199	(12,270)	(13.17)
Islington	71,185	74,332	(3,147)	(4.23)
Waltham Forest	88,399	99,334	(10,935)	(11.01)
	624,493	666,101	(41,608)	(6.25)



NOTES TO THE ACCOUNTS

**(b) Composting Services**

<b>Borough</b>	<b>2011/12 Tonnes</b>	<b>2010/11 Tonnes</b>	<b>Variance Tonnes</b>	<b>%</b>
Barnet	19,886	18,843	1,043	5.54
Camden	8,331	7,571	760	10.04
Enfield*	8,684	11,731	(3,047)	(25.97)
Hackney	4,034	4,105	(71)	(1.73)
Haringey	5,666	4,996	670	13.41
Islington	3,682	3,404	278	8.17
Waltham Forest	8,883	8,787	96	1.09
	<u>59,166</u>	<u>59,437</u>	<u>(271)</u>	<u>(0.46)</u>

\* With effect from October 2011 Enfield began making separate arrangements for the treatment of its biodegradable waste.

**(c) Dry Recyclable Bulking Service**

<b>Borough</b>	<b>2011/12 Tonnes</b>	<b>2010/11 Tonnes</b>	<b>Variance Tonnes</b>	<b>%</b>
Barnet *	-	-	-	-
Camden	9,054	9,042	12	0.13
Enfield *	-	-	-	-
Hackney	5,078	3,874	1,204	31.08
Haringey	14,074	14,397	(323)	(2.24)
Islington	13,182	14,150	(968)	(6.84)
Waltham Forest	15,083	4,781	10,302	215.48
	<u>56,471</u>	<u>46,244</u>	<u>10,227</u>	<u>22.12</u>

\* Barnet and Enfield make separate arrangements for the treatment of dry-recyclable wastes.

**4. RECYCLING CREDITS**

The Authority pays recycling and re-use credits to third parties and this amounted to £0.139m in 2011/12 (2010/11: £0.145m).

**5. NON-HOUSEHOLD WASTE**

The Authority operates a separate charging arrangement for non-household waste in accordance with s52 (9) of the Environmental Protection Act 1990. The scheme came into effect on 1 April 1996, and as a consequence, only household waste and fixed costs of meeting the Authority's waste disposal obligations are funded from the levy. The methodology for determining the non-household element of the waste stream was reviewed in 2007/08, in consultation with the NLWA constituent boroughs, and changes implemented with effect 1 April 2008.

In addition to residual non-household waste, two boroughs (Haringey and Islington) delivered recyclable commingled and food waste to the Authority. The charges for these waste types are lower than for the residual waste stream tonnages. The tonnages and charges are included in the table below.

NOTES TO THE ACCOUNTS

Constituent councils make payments on account to the Authority on a monthly basis based on estimated levels of non-household waste. At the end of the year an additional amount is charged or overpayment repaid based on actual tonnage levels and the actual marginal cost of disposal.

Borough	2011/12 Original estimate		2011/12 Actual charges	
	Tonnes	£	Tonnes	£
Barnet	17,574	1,576,036	15,956	1,414,659
Camden	34,782	3,119,250	33,877	3,003,535
Enfield	11,438	1,025,760	10,686	947,421
Hackney	20,376	1,827,320	18,353	1,627,177
Haringey	4,136	370,916	3,797	322,369
Islington	18,875	1,652,191	18,943	1,636,568
Waltham Forest	5,458	489,473	4,442	393,827
	<u>112,639</u>	<u>10,060,946</u>	<u>106,054</u>	<u>9,345,556</u>

6. RENTS

During the year the Authority received rental income from LondonWaste Ltd in respect of the Hornsey Street Waste Transfer Station. Hornsey Street became the replacement facility for Ashburton Grove in July 2004. The rent is set at the market rate, however, the increase in rent at Hornsey Street (determined by reference to the rent of the Ashburton facility as adjusted for revisions under the terms of the Ashburton lease) is recoverable from the Authority by LondonWaste Ltd as an additional cost post-vesting, i.e. the net effect is to restrict the rental income from LondonWaste Ltd to the rental income due under the original Ashburton lease. The lease runs until December 2014; all costs of operating the facility are met by LondonWaste Ltd.

7. LEVY

The levy on constituent boroughs of £43.512m was agreed at the Budget Meeting on 9 February 2011 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 the core costs of operating the Authority. The levy has been apportioned in accordance with the default arrangements contained in the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006.

Borough	2011/12 %	2010/11 %	2011/12 £'000	2010/11 £'000
Barnet	19.04	19.14	8,286	8,329
Camden	11.76	11.16	5,116	4,855
Enfield	14.54	17.11	6,329	7,447
Hackney	12.44	12.14	5,412	5,284
Haringey	15.63	15.12	6,801	6,578
Islington	11.62	11.73	5,056	5,102
Waltham Forest	14.97	13.60	6,512	5,917
	<u>100.00</u>	<u>100.00</u>	<u>43,512</u>	<u>43,512</u>

**NOTES TO THE ACCOUNTS**

**8. NON CURRENT ASSETS**

<b>Property Plant and Equipment</b>	<b>£'000</b>
Property at 1 April 2011	12,570
Disposals	-
Revaluation	(820)
	<hr/>
Balance at 31 March 2012	11,750
	<hr/> <hr/>

<b>Asset</b>	<b>Location</b>
Land – Part of the site of the former Friern Barnet Sewage Treatment Works	Pinkham Way, Haringey

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. The land at Pinkham Way was acquired in the closing months of 2010/11 and would not in normal circumstances be revalued until 2014/15; the Authority's Valuation Adviser has advised that given the purchase price was agreed in 2009 it would be appropriate to revalue the asset for the 2011/12 financial statements. The valuation was undertaken by Wilks, Head and Eve, Chartered Surveyors.

<b>Investment Property</b>	<b>£'000</b>
Property at 1 April 2011	16,665
Revaluation of Asset	(99)
	<hr/>
Balance at 31 March 2012	16,566
	<hr/> <hr/>

<b>Asset</b>	<b>Location</b>
Waste transfer station and yard (999 year lease) – See also note 19	Hornsey Street, Islington

The Waste Transfer Station and yard at Hornsey Street is classified as an investment property. The Code of Practice on Local Authority Accounting requires that all such properties are revalued annually. Accordingly the Authority engaged Wilks, Head and Eve to value the Hornsey Street property at 31 March 2012. The reduction in value is reflected in the Authority's Total Comprehensive Income and Expenditure Statement but is reversed out through the Movement in Reserves Statement and there is no impact on the sum that the Authority raises through the Levy on its constituent boroughs. The facility is leased to LondonWaste Ltd for the duration of the Authority's contract with the Company which is due to terminate on 15 December 2014.

**9. INVESTMENTS – LONDONWASTE LTD**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Balances at 1 April 2011 and at 31 March 2012	<hr/> 119,392	<hr/> 119,392
	<hr/> <hr/>	<hr/> <hr/>

Until 22 December 2009 the company 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 2 to the group accounts.

**NOTES TO THE ACCOUNTS**

**10. LONG TERM BORROWING**

To fund the acquisition of the remaining 50% interest in LondonWaste Ltd, in April 2010 the Authority borrowed £95m from the Public Works Loans Board. The principal sums will be repaid on maturity. Half yearly interest payments are due on 12 April and 12 October. As at 31 March 2012 accrued interest in respect of the loans was £1.433m (31 March 2011: £1.433m) and in accordance with The Code the accrued interest is added to the principle sum.

**11. 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.

	<b>£'000</b>
Balance at 1 April 2011	22,324
Minimum Revenue Provision (MRP)	4,872
	<hr/>
Balance at 31 March 2012	<u>27,196</u>

**12. REVALUATION ACCOUNT**

The Revaluation Account represents the records gains arising from the revaluation of non-current assets. A subsequent valuation undertaken in 2011/12 resulted in a reduction in value of £0.820m.

	<b>£'000</b>
Balance at 1 April 2011	4,225
Revaluation of Investment Property in 2011/12	(99)
Revaluation of Property, Plant and Equipment in 2011/12	(820)
	<hr/>
Balance at 31 March 2012	<u>3,306</u>

**13. CAPITAL REVALUATION ACCOUNT**

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

	<b>£'000</b>
Balances at 1 April 2011 and 31 March 2012	<hr/> 21,706 <hr/>

**14. USABLE CAPITAL RECEIPTS RESERVE**

	<b>£'000</b>
Balance at 1 April 2011 and 31 March 2012	<hr/> 621 <hr/>

This reserve represents unspent receipts from disposals of capital assets. No decision has been made on the use of this resource.

**NOTES TO THE ACCOUNTS**

**15. EARMARKED RESERVES**

	<b>£'000</b>
Balance at 1 April 2011 and 31 March 2012	1,000

An earmarked reserve of £1,000,000 to fund future recycling initiatives was established in 1999/2000 following the receipt of a special dividend from LondonWaste Ltd.

**16. SHORT TERM CREDITORS**

Other creditors and provisions can be analysed as follows

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£'000</b>	<b>£'000</b>
Other local authorities	(3,691)	(4,547)
Other entities and individuals	(711)	(1,292)
	(4,402)	(5,839)

**17. 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 2011/12.

**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 2011/12.

**Other Public Bodies**

A number of transactions with related parties are disclosed elsewhere in the accounts.

The London Borough of Camden acts as lead borough to the Authority and provides a range of support services (see note 2). In 2011/12 Camden paid £8.236m (2010/11: £8.339m) to the Authority in respect of non-household charges and its share of the levy. Camden received payments of £0.923m (2010/11: £0.560m) in respect of the Authority's BMW reward scheme,

## NOTES TO THE ACCOUNTS

Commingle Income Payment Scheme (CIPS) and a non-household refund re. 2010/11, and £1.723m (2010/11: £1.670m) for the provision of lead borough services. As at 31 March 2012 it held cash and cash equivalents of £28,444m (31 March 2011: £21.741m) on behalf of the Authority.

Following the transfer of staff from the London Borough of Haringey to London Borough of Camden on 1 April 2010, Haringey now only provides a limited range of services to the Authority i.e. technical and valuation advice and the cost of operational support to the staff based in offices at the Lee Valley Technopark. In 2011/12 Haringey paid £7.171m (2010/11: £7.946m) to the Authority in respect of non-household waste charges and share of levy. It received a payment of £1.249m (2010/11: £0.456m) in respect of the BMW reward scheme, CIPS and a non-household refund re. 2010/11.

### **Entities Controlled by the Authority**

At 31 March 2012 the Authority owned 100% of the shares in LondonWaste Ltd. The Authority's accounts include a creditor of £3,698m (2010/11 £6.294m) in respect of waste disposal and transport services provided to the Authority by the Company and a debt of £0.064m (2010/11 £1.740m) in respect of income due to the Authority.

### **Amounts Written Off**

No related party debts were written off in 2011/12 (2010/11: £nil) and no provisions for doubtful debts were raised (2010/11: £nil).

## **18. LEASING AND HIRE PURCHASE**

Included within operating expenditure for both 2010/11 and 2011/12 are rents payable to Freightliner in respect of the Hendon Solid Waste Transfer Station, Brent Terrace. Expenditure for 2010/11 and 2011/12 allows for payment of the agreed rental and terms of a new lease. Finalisation of the agreement is linked to a separate commercial agreement for the provision of services at this facility. The formalities for completion of the lease and commercial agreement were completed in 2011/12.

NOTES TO THE ACCOUNTS

19. CASH FLOW STATEMENT

	2011/12 £'000	2010/11 £'000
<b>Cash flows from operating activities include:</b>		
Interest Paid	3,050	1,525
Dividends Received	(5,500)	(5,500)
Other operating activities	(4,253)	(9,185)
	<b>(6,703)</b>	<b>(13,160)</b>
<b>Cash flows from investing activities include:</b>		
Purchase of investment property	-	12,570
Purchase of shares in London Waste Ltd	-	97,200
	-	<b>109,770</b>
<b>Cash flows from financing activities include:</b>		
Receipts of long term borrowings to fund share purchase	-	<b>(95,000)</b>

20. ANALYSIS OF CHANGE IN CASH AND CASH EQUIVALENTS

	At 31 March 2011 £'000	Cash flows £'000	At 31 March 2012 £'000
Funds lodged with Camden London Borough Council	21,741	(6,703)	28,444
	=====	=====	=====

21. 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.

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 LondonWaste Ltd in December 1994. In 2011/12 the Authority paid £31,847 to the London Pension Fund Authority (£30,915 in 2010/11) in respect of these employees. The Authority's future liability as at 31 March 2012 has been calculated by Bennett Waddingham, the actuaries for the LPFA as being £0.391m (£0.371m at 31 March 2011).

The figure is based on the following assumptions:

	2012	2011
Return on assets discount rate	4.6%	5.5%

## NOTES TO THE ACCOUNTS

Pension increases	2.5%	2.7%
Inflation (RPI)	3.3%	3.5%
Inflation (CPI)	2.5%	2.7%

With effect from 1 April 2011 the Government is increasing future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

In both years the actuary adopted a set of demographic assumptions consistent with those used for the formal funding valuation of the LPFA as at 31 March 2010. 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.

### 22. 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 LondonWaste 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 2011 the property was valued at £16.665m and £16.566m at 31 March 2012 (see also note 8).

### 23. LANDFILL ALLOWANCE TRADING SCHEME (LATS)

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) to reduce the amount of biodegradable municipal waste (BMW) disposed in landfill sites. The Act provides the legal framework for the Landfill Allowance Trading Scheme which commenced operation on 1 April 2005. This allows the Authority to landfill biodegradable waste without penalty up to the limit of the allowances issued to it by the Government. If the Authority does not fully utilise its allowances in any one year it could either carry-forward surplus allowances to meet a shortfall in future years (there are restrictions), or, sell the surplus to another WDA which needs to buy additional allowances to cover its own shortfall.

In June 2011 the Government announced that it no longer viewed LATS as a major driver for diverting waste away from landfill and that the scheme would cease after 2012/13.

In 2011/12 no allowances were sold by the Authority.

The Authority was allocated 279,077 allowances in 2011/12 and at 31 March 2012 is estimated to have used 131,814 leaving a balance of 147,263 which has been transferred to a LATS reserve pending potential sale. Allowing for surplus allowances brought forward from 2010/11 the Authority held 289,177 surplus allowances at 31 March 2012. As these allowances cannot be carried forward to 2012/13 (this is a target year) and are unlikely to be sold during the end of year LATS trading period, a value of £0.00 has been used in the 2011/12 accounts.



**NOTES TO THE ACCOUNTS**

**24. BIODEGRADABLE MUNICIPAL WASTE (BMW) DIVERSION REWARD SCHEME**

At its budget meeting in February 2011 the Authority agreed to freeze the BMW diversion reward scheme. The scheme aimed to reward constituent councils for their increase in BMW diversion from landfill. The scheme provided for a BMW payment equivalent to 50% of LATS values for every additional tonne of BMW waste diverted from the waste stream. For a number of years however, LATS allowances had been trading at negligible values and the Authority has raised very little income from this source which resulted in it having to raise funds through the levy to make payments to boroughs rather than funding them through real income. The Government has announced the cessation of LATS after 2012/13.

**25. COMMINGLED INCOME PAYMENT SCHEME (CIPS)**

At its meeting on 10 February 2010 the Authority agreed the introduction of a commingled income payment scheme to boroughs that deliver their commingled dry recyclables to the Authority for treatment. The payment would depend on the amount of income received by the Authority from its contractors and the amount of waste that each borough delivered to the Authority for treatment. The impact on the Authority's finances is therefore neutral. The scheme came into effect on 1 October 2009. Income due to participating boroughs in respect of 2011/12 was £2.362m (2010/11 £1.540m).

**26. WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT (WEEE)**

The Authority secured agreement to receive an income from the sale of recyclates extracted from WEEE collected at the Authority's nominated collection points. The new contract started on 1 January 2011 but it is only recently that the income due to be paid under this arrangement has become certain. The income received by the Authority covers a period of 15 months and comprises an income of £0.038m for 4<sup>th</sup> quarter of 2010/11 and an income of £0.118m for 2011/12.

**27. REMUNERATION OF SENIOR STAFF**

The Authority does not have any directly employed staff. The Statement of Arrangements between the Authority and the London Borough's of Camden and Haringey sets out the services that each borough will provide to the Authority including the provision of the Clerk and other key Adviser roles. The cost of these services is recovered from the Authority on an actual cost basis. The number of staff employed wholly on NLWA business receiving annual remuneration in excess of £50,000 is shown below. This excludes employer's pension contributions but includes benefits in kind, so far as they are chargeable to UK income tax.

<b>Salary range</b>	<b>2011/12</b>	<b>2010/11</b>
£50,000 to £54,999	3	3
£70,000 to £74,999	1	1
£75,000 to £79,999	-	1
£80,000 to £84,999	1	-
£115,000 to £119,999	1	-
£120,000 to £124,999	1	2
<b>Total</b>	<b>7</b>	<b>7</b>

NOTES TO THE ACCOUNTS

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

		Salary (including fees & allowances)	Bonus (note 2)	Employer's pension contributions	Total
Managing Director	2011/12	£115,000	£8,625	£30,041	£153,666
	2010/11	£115,000	£6,431	£28,294	£149,725
Procurement Director	2011/12	£100,000	£18,000	£28,674	£146,674
	2010/11	£100,000	£20,000	£27,960	£147,960
Head of Waste Strategy and Contracts	2011/12	£80,407	-	£18,984	£99,391
	2010/11	£75,198	-	£17,192	£92,390
Head of Finance (note 1)	2011/12	£71,705	£2,386	£18,004	£92,095
	2010/11	£73,411	-	£17,105	£90,516

Note 1 – The post holder’s salary in 2010/11 includes £3,411 in respect of previous years.

Note 2 – Bonuses shown here relate to the previous year.

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:

		Honorarium	Employer’s pension contributions	Total
Clerk – Chief Executive (Camden)	2011/12	£8,747	£2,125	£10,872
	2010/11	£8,747	£2,038	£10,785
Financial Adviser - Director of Finance (Camden)	2011/12	£8,165	£1,984	£10,149
	2010/11	£8,165	£1,902	£10,067
Legal Adviser – Borough Solicitor (Camden)	2011/12	£7,012	£1,704	£8,716
	2010/11	£7,012	£1,634	£8,646
Technical Adviser – Director of Environment (Enfield)# *	2011/12	£7,000	£1,378	£8,378
	2010/11	£6,363	£1,457	£7,820
Valuation Adviser – Head of Corporate Property Services (Haringey)	2011/12	£6,147	-	£6,147
	2010/11	£6,147	-	£6,147
Planning Adviser – Executive Director of Environment & Regeneration (Waltham Forest)#	2011/12	£6,923	-	£6,923
	2010/11	£6,923	-	£6,923

# These appointments are outside the Lead Borough arrangement.

\* Role was undertaken by the Director of Urban Environment (Haringey) in 2010/11.

## INTRODUCTION TO THE GROUP ACCOUNTS

Up until 22 December 2009 the Authority held a 50% interest in the shares of 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 consequence of the requirements of the Environmental Protection Act 1990 and was approved by the Secretary of State for the Environment. However, on 22 December the Authority purchased the shares held by its joint venture partner and LondonWaste Ltd became wholly owned by the NLWA but continues to operate at arms-length.

### ABOUT LONDONWASTE LTD

LondonWaste Ltd is a company limited by shares incorporated in England and Wales which operates on a stand-alone basis from the Authority. Up until 22 December 2009 the board consisted of three directors appointed by the NLWA ("A" directors), three directors appointed by Sita UK Ltd ("B" directors) and two executive directors appointed from the company's management ("C" directors), with the Chair of the board alternating between the A and B directors. As from 22 December 2009 the Sita UK Ltd representation of the board ceased. During 2010 the board was strengthened by the appointment of an additional non-executive director.

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 LondonWaste Ltd has returned to NLWA ownership and is one of the capital's largest waste management companies, handling around 900,000 tonnes of waste a year. The company employs over 200 staff offering a wide range of services to their clients. 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.

### 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 their stewardship of the funds supplied by the government and 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 LondonWaste Ltd.

In accordance with IFRS 3 *Business Combinations* and the Code of Practice, LondonWaste has been included on a line by line basis with effect from the year ended 31 December 2009. Accordingly, these group accounts consist of:

- this introduction, explaining the basis on which the group accounts have been prepared;
- 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**

**Year ended 31 March 2012**

	General Fund Balance (Restated) £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves (Restated) £000	Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2010</b>	<b>14,626</b>	<b>1,000</b>	<b>621</b>	<b>16,247</b>	<b>61,480</b>	<b>77,727</b>
<b><u>Movement in reserves during 2010/11</u></b>						
Surplus or (deficit) on provision of services	12,928	-	-	12,928	-	12,928
Other Comprehensive Expenditure and Income	(1,403)	-	-	(1,403)	-	(1,403)
<b>Total Comprehensive Income and Expenditure</b>	<b>11,525</b>	<b>-</b>	<b>-</b>	<b>11,525</b>	<b>-</b>	<b>11,525</b>
Adjustments between accounting basis & funding basis under regulations	(9,249)	-	-	(9,249)	9,249	-
<b>Net Increase/(Decrease) in 2010/11</b>	<b>2,276</b>	<b>0</b>	<b>0</b>	<b>2,276</b>	<b>9,249</b>	<b>11,525</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>16,902</b>	<b>1,000</b>	<b>621</b>	<b>18,523</b>	<b>70,729</b>	<b>89,252</b>

The background to and impact of changes that the Authority has made to the reporting of certain items of income and expenditure are set out in full as a footnote to the Comprehensive Income and Expenditure Statement. As a consequence, elements of the 2010/11 Movement in Reserves Statement are also restated:

	As reported £'000	As restated £'000
Surplus on provision of services	11,038	12,928
Other Comprehensive Income and Expenditure	487	(1,403)
<b>Total Comprehensive Income and Expenditure</b>	<b>11,525</b>	<b>11,525</b>

**GROUP MOVEMENT IN RESERVES STATEMENT**

Year ended 31 March 2012

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	<b>Total Usable Reserves</b>	Unusable Reserves	<b>Total Group Reserves</b>
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2011 brought forward</b>	<b>16,902</b>	<b>1,000</b>	<b>621</b>	<b>18,523</b>	<b>70,729</b>	<b>89,252</b>
<b><u>Movement in reserves during 2011/12</u></b>						
Surplus or (deficit) on provision of services	14,320	-	-	<b>14,320</b>	-	<b>14,320</b>
Other Comprehensive Expenditure and Income	144	-	-	<b>144</b>	-	<b>144</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>14,464</b>	-	-	<b>14,464</b>	-	<b>14,464</b>
Adjustments between accounting basis & funding basis under regulations	(6,414)	-	-	<b>(6,414)</b>	6,414	-
<b>Net Increase/(Decrease) in 2011/12</b>	<b>8,050</b>	-	-	<b>8,050</b>	<b>6,414</b>	<b>14,464</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>24,952</b>	<b>1,000</b>	<b>621</b>	<b>26,573</b>	<b>77,143</b>	<b>103,716</b>

# North London Waste Authority

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Year ended 31 March 2012

2010/11 (Restated)				2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
73,187	(45,612)	27,575	Environmental and regulatory services	68,909	(43,773)	25,136
(18)	-	(18)	Non Distributed Costs	-	-	-
<b>73,169</b>	<b>(45,612)</b>	<b>27,557</b>	<b>Cost Of Services</b>	<b>68,909</b>	<b>(43,773)</b>	<b>25,136</b>
		(43,483)	Other Operating (Income) and Expenditure			(45,178)
		1,079	Financing and Investment (Income) and Expenditure			2,628
		1,919	Taxation and Non-Specific Grant Income			3,094
		<b>(12,928)</b>	<b>Surplus on Provision of Services</b>			<b>(14,320)</b>
		2,419	(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets			(1,808)
		(1,016)	Actuarial (Gain)/Loss on Pension Assets			1,664
		<b>1,403</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(144)</b>
		<b>(11,525)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(14,464)</b>

## North London Waste Authority

### RESTATEMENT NOTE

Following publication of its 2010/11 Statement of Accounts the Authority undertook a review of the presentation of the key statements. In conducting the review it drew on the Code of Practice on Local Authority Reporting in the United Kingdom but also looked at how similar organisations presented their results. The review concluded that the clarity of the Comprehensive Income and Expenditure Statement would be improved by changing the lines in which some items of income and expenditure were shown. Changing the presentation would also ensure that the Authority followed more closely the requirements of the Code.

In order to maintain meaningful year on year comparisons the 2010/11 figures have been restated to reflect the changes. The changes affect only lines within the Comprehensive Income and Expenditure Statement – total 2010/11 Comprehensive Income and Expenditure and the resulting addition to general balances remains as originally stated.

The changes made to the published 2010/11 Comprehensive Income and Expenditure Statement are as follows:

	<b>As reported</b>	<b>As restated</b>
	<b>£'000</b>	<b>£'000</b>
Gross Income	(89,124)	(45,612)
Other Operating Income and Expenditure	29	(43,483)

The Code requires that levy expenditure is included in Other Operating Income and Expenditure; the Authority has decided to adopt the same treatment for its levy income.

	<b>As reported</b>	<b>As restated</b>
	<b>£'000</b>	<b>£'000</b>
Cost of Services	73,187	73,169
(Surplus)/Deficit on revaluation of non current assets	527	2,419
Financing and investment income and expenditure	2,951	1,079
Actuarial loss on pension assets	(1,014)	(1,016)

The asset is classified as an investment property; such surpluses and deficits are more properly recorded as an item of financing and investment income or expenditure.

# North London Waste Authority

## GROUP BALANCE SHEET

Year ended 31 March 2012

	Note	31 March 2012 £'000	31 March 2011 £'000
Property, Plant and Equipment	4.6, 4.8	103,528	105,810
Investment Property		16,566	16,665
Intangible Assets – Goodwill	4.6, 4.8	50,213	50,213
Long Term Debtors		500	-
<b>LONG TERM ASSETS</b>		<b>170,807</b>	<b>172,688</b>
<b>CURRENT ASSETS</b>	4.9	<b>55,115</b>	<b>38,720</b>
<b>CURRENT LIABILITIES</b>	4.7, 4.10	<b>(17,172)</b>	<b>(17,965)</b>
Long Term Borrowings		(96,433)	(96,433)
Long Term Liabilities - Pension		(3,249)	(2,005)
Deferred Taxation		(4,714)	(5,753)
Other Long Term Liabilities		(638)	-
<b>LONG TERM LIABILITIES</b>		<b>(105,034)</b>	<b>(104,191)</b>
<b>NET ASSETS</b>		<b>103,716</b>	<b>89,252</b>
<u>Usable Reserves</u>			
General Fund Balance		24,952	16,902
Earmarked Reserve		1,000	1,000
Usable Capital Receipts Reserve		621	621
<u>Unusable Reserves</u>			
Capital Adjustment Account	4.7	28,188	23,429
Revaluation Account		3,306	4,225
Capital Revaluation Account		21,706	21,706
Acquisition Revaluation Reserve		24,334	21,706
Pension Reserve		(391)	(371)
LATS Reserve		-	34
<b>TOTAL RESERVES</b>		<b>103,716</b>	<b>89,252</b>

Mike O'Donnell CPFA

Financial Adviser 25 September 2012

These financial statements replace the unaudited statements certified by Mike O'Donnell on 28 June 2012.



**GROUP CASH FLOW STATEMENT**

**Year ending 31 March 2012**

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b> <b>(Restated)</b>
Net surplus on the provision of services	(14,320)	(12,928)
Adjustments to net surplus on the provision of services for non-cash movements	(1,944)	(5,942)
Adjustments to net surplus for items that are financing activities	-	(4,000)
	<hr/>	<hr/>
Net cash inflow from operating activities	(16,264)	(22,870)
Investing activities	1,988	111,236
Financing activities	-	(91,000)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(14,276)	(2,634)
Cash and cash equivalents at the beginning of the reporting period	<hr/>	<hr/>
	(30,448)	(27,814)
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the reporting period</b>	<u>(44,724)</u>	<u>(30,448)</u>

**RESTATEMENT NOTE**

The background to and impact of changes that the Authority has made to the reporting of certain items of income and expenditure are set out in full as a footnote to the Comprehensive Income and Expenditure Statement. As a consequence, the presentation of the Cash Flow Statement is also changed. The Net Increase in Cash and Cash Equivalents for 2010/11 is unchanged but the Authority has revised the presentation of the statement to provide a clearer link with the other statements.

**NOTES TO THE GROUP ACCOUNTS**  
**Year ended 31 March 2012**

**1. ACCOUNTS OF LONDONWASTE LTD**

The 2011 accounts were approved by the Board of LondonWaste Ltd on 26 April 2012 and received an unqualified audit opinion by PKF (the Company's statutory auditor) on 27 April 2012. LondonWaste Ltd is not required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 or to present statements in a format that meets International Financial Reporting Standards (IFRS). However, for the purpose of preparing the NLWA Group Accounts it has been necessary to review the LondonWaste Ltd approved accounts in the light of IFRS requirements before consolidation. In practice there are a limited number of changes to the LondonWaste Ltd accounts. The principal adjustment relates to the value of non-current assets, however, as the Group Accounts for 2011/12 had been prepared on a fair value basis there is minimal impact.

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

**2. INVESTMENT IN LONDONWASTE LTD**

**Summarised balance sheet of LondonWaste Ltd**

	Note	31 December 2011 £'000	31 December 2010 £'000
<b>LONG TERM ASSETS</b>			
Tangible assets	4.6	43,319	47,409
Long Term Debtors		500	-
		<hr/> 43,819	<hr/> 47,409
<b>CURRENT ASSETS</b>			
Stocks		1,268	1,174
Debtors		10,515	11,620
Investments		6,000	-
Cash at bank and in hand		10,280	8,707
		<hr/> 28,063	<hr/> 21,501
<b>CREDITORS: amounts falling due within one year</b>		<hr/> (13,826)	<hr/> (14,929)
<b>NET CURRENT ASSETS</b>		<hr/> 14,237	<hr/> 6,572
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		58,056	53,981
<b>PROVISIONS FOR LIABILITIES -</b>			
Deferred tax		(4,714)	(5,753)
Other provisions		(638)	-
		<hr/> 52,704	<hr/> 48,228
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		52,704	48,228
<b>Defined benefit pension scheme liability</b>		<hr/> (2,858)	<hr/> (1,634)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<hr/> 49,846	<hr/> 46,594
<b>CAPITAL AND RESERVES</b>			
Called up share capital		31,196	31,196
Share premium		1,648	1,648
Profit and loss account		17,002	13,750
		<hr/> 49,846	<hr/> 46,594
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		<hr/> <hr/> 49,846	<hr/> <hr/> 46,594

## NOTES TO THE GROUP ACCOUNTS

Year ended 31 March 2012

### 3. SHARE PREMIUM RESERVE

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

### 4. NOTES TO THE GROUP ACCOUNTS

In addition to the notes and accounting policies to the Authority only accounts the following disclosures are made in respect of LondonWaste Ltd.

#### Accounting Policies

#### 4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2012. The acquisition method of accounting has been 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.

#### 4.2 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.

#### 4.3 Inventories

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

#### 4.4 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.

#### 4.5 Pensions

LondonWaste 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

**NOTES TO THE GROUP ACCOUNTS**  
**Year ended 31 March 2012**

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.

**4.6 Non Current Assets and Depreciation**

The non current assets of LondonWaste Ltd are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost of those assets, less their residual value, over the expected useful lives on the following basis:

Plant and equipment	6.66% - 10% per annum on cost
Motor Vehicles	12.5% - 25% on cost
Office equipment	12.5% - 25% on cost
Freehold buildings	5% - 7% on cost

The following table provides a summary of the book value of assets held by LondonWaste Ltd as at 31 December 2011 as adjusted for the revaluation undertaken by Wilks Head and Eve as at the same date for the purpose of obtaining an up-to-date fair value of the non-current assets held by the Company:

	<b>Freehold Land</b>	<b>Property, buildings, Plant &amp; machinery</b>	<b>Motor Vehicle s</b>	<b>Office Equipment</b>	<b>Capital Works In progress</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost at 31 December 2011	11,750	93,387	1,208	6,011	528	112,884
Depreciation at 31 December 2011	0	63,596	964	5,005	0	69,565
Net book value at 31 December 2011	11,750	29,791	244	1,006	528	43,319
Additional value as a result of valuation at 31 December 2011	23,304	25,155	0	0	0	48,459
Total adjusted value of assets at 31 December 2011	35,054	54,946	244	1,006	528	91,778

**4.7 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 LondonWaste Ltd's Eco-Park. £1.7m was paid over to LondonWaste Ltd in March 2005 which was offset by the receipt of a grant from the London Recycling Fund. LondonWaste 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, 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

## NOTES TO THE GROUP ACCOUNTS

Year ended 31 March 2012

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.

The policy of LondonWaste 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 the Authority has changed the accounting treatment of the grant to reflect the provisions of the Code.

### 4.8 Acquisition Note

On 22 December 2009, the Authority acquired the remaining 50% of its joint venture, LondonWaste Limited. LondonWaste Limited is now fully consolidated in these financial statements, whereas it used to be accounted for using the gross equity method. The acquisition has been accounted for using acquisition accounting. The resulting goodwill of £50.213m was capitalised.

The 2009 accounts for LondonWaste 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 LondonWaste 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 2011/12 group accounts were prepared in accordance with International Financial Reporting Standards (IFRS), LondonWaste Ltd commissioned chartered surveyors Wilks Head and Eve to value the company's land, buildings and plant and machinery at 31 December 2011. Wilks Head and Eve concluded that the fair value of these assets at that date was £90.000m, i.e. an increase of £48.459m over the figure of £41.541m included in the company's balance sheet as at 31 December 2011. These adjustments have been reflected in the group balance sheet.

The increase in the net assets on acquisition of LondonWaste 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. A valuation undertaken as at December 2010 reduced this reserve by £2.419m to £21,706; a further revaluation at December 2011 has increased this reserve by £2.628m bringing the balance to £24.334m.

**NOTES TO THE GROUP ACCOUNTS**  
**Year ended 31 March 2012**

**4.9 Analysis of Current Assets**

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Balance held with LB Camden*	28,444	21,741
HM Revenue and Customs	1,004	970
Other debtors	8,119	6,052
LATS – Recognition of allowances	-	76
Stocks	1,268	1,174
Investments*	6,000	-
Cash at Bank*	10,280	8,707
	<u>55,115</u>	<u>38,720</u>
	44,724	30,448

**4.10 Analysis of Current Liabilities**

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Other creditors	(13,568)	(12,309)
LATS – Liability for BMW landfill usage	-	(42)
Bank Loan and Overdrafts	-	(3,000)
Central Government	(3,604)	(2,614)
	<u>(17,172)</u>	<u>(17,965)</u>