

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:** FINANCE UPDATE

**REPORT OF:** THE FINANCIAL ADVISER

**FOR SUBMISSION TO:** AUTHORITY MEETING

**DATE:** 5 OCTOBER 2023

**SUMMARY OF REPORT:**

This report provides an update on the Authority's financial position for 2023/24 and an initial indicative budget and levy forecast for 2024/25.

The report also includes the Auditor's Annual Report which concludes the 2020/21 audit, provides an update for the final accounts for 2021/22 and the plan for the audit of the statements. In addition, the report advises of a change to the outturn for 2022/23 and the adjustment to the opening balances for each borough in 2023/24.

**RECOMMENDATIONS:**

The Authority is recommended to:

- A. Note the completion of the 2020/21 audit;
- B. Note this review of the 2023/24 financial position; and
- C. Note that a further update of the 2023/24 financial position will be reported to the Authority meeting in December together with an updated assessment of the budget and resource requirements for 2024/25

**SIGNED:** Jon Rowney, Financial Adviser

**DATE:** 25 September 2023

## 1. EXECUTIVE SUMMARY

### Overview

- 1.1. On 22 June 2023, the Authority was provided with an up-to-date assessment of its financial position. This included a draft outturn for 2022/23 and provided an early update on changes to the resources available in 2023/24 compared to the budget.
- 1.2. This report provides an update on the unaudited outturn for 2022/23 reflecting some minor changes that have affected the outturn, subject to external audit. This paper also provides the outcome of a detailed review of the 2023/24 forecast outturn, on the outlook for the budget and levy for 2024/25 and the medium-term forecast.

### 2020/21 Audit

- 1.3. The Audit for 2020/21 is now completed, and the auditor has issued the Auditor's Annual Report. This is attached at Appendix D.

### 2021/22 Final Accounts and Audit

- 1.4. The Financial Adviser has signed the unaudited statements of accounts for the year ending March 2022 and the public inspection period has commenced. The timetable for the audit is being discussed with Mazars, but it is anticipated that this will commence in October.

### 2022/23 Outturn

- 1.5. At the Authority meeting in June, Members were informed that the net expenditure outturn for 2022/23 was £60.245m. Since then, two changes have been identified relating to the Minimum Revenue Provision (MRP) and the recognition of VAT related interest owed to the Authority. These two items reduce the Authority's net expenditure for 2022/23 by £0.798m to £59.448m.
- 1.6. This increases the balance carried forward to reduce the levy in 2024/25 by £0.761m, with the remaining £0.037m falling as a reduction to charges for chargeable household and non-household wastes. The effect to individual boroughs for these amounts is included in Appendix A. The total balance carried forward which is available to reduce the levy in 2024/25 now stands at £5.442m.

### 2023/24 Forecast

- 1.7. **Financial Outturn:** The net expenditure outturn forecast for 2023/24 is £70.806m, a projected underspend of £4.822m compared to the June forecast. This underspend was primarily driven by in-year savings resulting from the revised opening date of the EcoPark South assets, part of the North London Heat and Power Project (NLHPP). This has led to a reduced forecast for the operating costs of (£1.2m), and reduced

interest charges (£3.6m). The latter cost is being capitalised during the construction period and will be recognised from the date that new assets are brought into use.

- 1.8. **Waste Tonnage:** The tonnage related forecasts have been reviewed with borough officers. In 2023/24 the Authority is forecast to receive fewer tonnes of waste compared to budget. 481 (0.1%) fewer tonnes of residual waste are forecast to be received by the Authority, organic waste (food waste, garden waste and mixed organic waste) is forecast to be 1,917 tonnes (3.1%) lower than budget and the forecast for mixed dry recycling is 6,314 tonnes (4.8%) lower than budget.

### Borough Balances at 31 March 2024

- 1.9. The revenue balance at the end of the financial year is forecast to be £9.200m. This difference would be available to support the 2024/25 levy.

### 2024/25 Forecast Budget and Levy

- 1.10. Section 7 of this report sets out the underlying assumptions and discusses significant issues that have been captured in the early budget forecast for 2024/25. It concludes that the net expenditure requirement will increase to £95.083m which reflects the opening of the EcoPark South assets in 2023/24 and the need to recognise the cost of interest on the borrowing undertaken, and the Authority is required to start making the MRP. This is in line with previous levy estimates once these facilities opened.
- 1.11. When compared to the approved levy for 2023/24, before the £10.2m windfall levy rebate was taken into account, the levy is forecast to increase by 11.9%. However as the carry forward of balances is expected to be lower next year than it was this year, the levy may increase by 14.4%. Authority officers will continue to work to mitigate any increases. The potential effect on each borough is captured below.

	Forecast Levy before balances			Balances available			Forecast Levy after balances		
	2023/24 £000s	2024/25 £000s	Increase/ Decrease	2023/24 £000s	2024/25 £000s	Increase/ Decrease	2023/24 £000s	2024/25 £000s	Increase/ Decrease
Barnet	15,499	17,270	8.4%	(2,721)	(1,843)	-32.3%	12,778	15,427	20.7%
Camden	8,466	8,504	12.6%	151	(2,034)	-1448.8%	8,617	6,470	-24.9%
Enfield	11,452	12,969	19.1%	(1,075)	(1,119)	4.1%	10,377	11,850	14.2%
Hackney	9,127	10,745	13.2%	(1,568)	(639)	-59.2%	7,559	10,105	33.7%
Haringey	10,154	11,139	10.3%	(1,947)	(1,387)	-28.8%	8,207	9,752	18.8%
Islington	8,118	9,064	12.8%	(1,359)	(759)	-44.2%	6,759	8,305	22.9%
Waltham Forest	11,490	12,571	10.0%	(1,920)	(1,420)	-26.0%	9,570	11,151	16.5%
	<u>74,306</u>	<u>82,261</u>	<u>11.9%</u>	<u>(10,439)</u>	<u>(9,200)</u>	<u>-11.9%</u>	<u>63,867</u>	<u>73,061</u>	<u>14.4%</u>

- 1.12. The 11.9% increase before balances is driven by a full year of operating costs, interest charges and Minimum Revenue Provision relating to the new assets being brought into use in 2023/24. All boroughs are forecast to see an increase in the levy with the Exception of Camden.

- 1.13. Following discussions with counterparts in Camden, there has been an amendment to tonnage forecasts which increases the commercial waste tonnages and reduces the amount of household waste, with no overall movement. This decreases the costs attributable to their levy, but increases the amount that they pay in charges (although the overall payment attributable to Camden remains the same). This is explained further at paragraph 5.7.
- 1.14. A further review will be presented to the December 2023 Authority meeting along with a draft budget for 2024/25 and medium-term forecast. At the Authority meeting in February 2024, the Authority must agree its budget and set the levy for 2024/25, in line with the Inter Authority Agreement agreed in 2016.

#### **Medium term Forecast**

- 1.15. In the following three years, net expenditure is forecast to increase to £97.684m in 2025/26 (a year-on-year increase of 2.7%) and £99.466m (1.8%) in 2026/27. The coming into operation of new facilities delivered by the NLHPP mean that the Authority costs will rise in coming years. However, costs are forecast to remain moderate in comparison with other waste authorities.

#### **NLHPP Outturn**

- 1.16. The NLHPP outturn forecast is within the inflated budget range of £1.42bn - £1.52bn, and a table of spend to the end of July 2023 and the forecast outturn is included in section 8.

#### **Other Updates**

- 1.17. Since the June Authority meeting, recruitment of an independent member of the Audit Committee has progressed, and interviews will take place in September. The Authority has appointed its first Finance Graduate trainee. The position is part of a plan in conjunction with the London Boroughs of Camden and Enfield and one trainee from each authority will rotate and gain experience across the three organisations.
- 1.18. Authority officers continue to work towards the change in the Authority as it will become the owner of assets generated by the NLHPP. Officers are working through understanding provisions around asset management risk.

## **2. 2020/21 AUDIT**

- 2.1. The Authority's accounts for the year ended March 2021 were approved by the Audit Committee at its meeting in April 2023. The Authority's Auditors, Mazars, have now completed the outstanding work related to the Value for Money outcome and issued their final audit opinion.

2.2. Mazars have issued the final report which is included as Appendix D to this report.

### 3. 2021/22 FINAL ACCOUNTS AND AUDIT

3.1. The draft accounts for the year ended March 2022 were signed by the Financial Adviser on 30 August 2023 and have been published on the Authority's website at the link below:

[nlwa.gov.uk/sites/default/files/inline-files/nlwa-soa-2021-22-unaudited-website.pdf](https://nlwa.gov.uk/sites/default/files/inline-files/nlwa-soa-2021-22-unaudited-website.pdf)

3.2. The public inspection period is in progress and runs for a six-week period until 19 October 2023.

3.3. The audit is expected to begin in October and a progress update will be brought to the next Authority meeting.

### 4. 2022/23 FINANCIAL OUTTURN

4.1. A draft financial outturn for the year ending March 2023 was reported at the June Authority meeting. Since then, two changes have been identified. Based on the published accounts for 2021/22, the MRP has been revised based on the timings of assets being brought into use at the EcoPark and this has reduced by £0.318m

4.2. In addition, a payment of £0.480m has been received from His Majesty's Revenue and Customs, relating to the recovery of VAT. This should be recognised as being owed in 2022/23.

4.3. These changes reduce the net expenditure in 2022/23 from £60.245m reported in June by £0.798m to £59.448m.

4.4. Balances available to reduce the levy in 2024/25 increase by £0.761m to £5.442m. The updated balances for each borough are shown in the table below.

	<b>Balances Available £000s</b>
Barnet	-1,235
Camden	-969
Enfield	-639
Hackney	-598
Haringey	-740
Islington	-403
Waltham Forest	-858
	<u>-5,442</u>

- 4.5. Charges for chargeable household and non-household waste decrease by £0.037m. The updated charges and refund due to boroughs are included in tables A2 and A3 in Appendix A.

## 5. 2023/24 FORECAST

- 5.1. At the meeting on 9 February 2023, the Authority approved a budget for 2023/24 of £85.071m, before including windfall income of £10.200m. To reflect the windfall income that the Authority forecast to receive, Members also approved a one-off rebate of £10.200m as a deduction to the levy. The adjusted, post-windfall net expenditure was £74.871m and the budgeted net expenditure and levy figures levy shown in table B1 in the appendices therefore includes the deduction.
- 5.2. Taking into account the revised plans and updated balances, at the Authority meeting on 22 June 2023 an updated 2023/24 net expenditure forecast was presented of £75.628m.
- 5.3. A revised forecast position for 2023/24, taking into account the current year to date spends, revised plans for the remainder of the year and revised tonnage forecasts has led to an updated 2023/24 net expenditure forecast position of £70.806m, i.e. a saving of (£4.822m) compared to the June forecast.
- 5.4. A key driver of this reduced forecast is the financial consequence of the delay in opening to the EcoPark South complex, part of the NLHPP. The budget included an assumption that the facilities would open in March 2023. The later opening date defers the recognition of the MRP and interest payments of (£3.608m), and (£1.241m) respectively for the new facilities.
- 5.5. A detailed breakdown for the tonnage by type and borough can be found in tables A2-6 in Appendix B.
- 5.6. The key variances to the February forecast are as below:
- 5.6.1. **Revenue Funding – Capital Programme:** (£3.608m) as described in section 5.3 above, the revised opening date for new facilities has led to an in-year deferment to the recognition of interest charges.
- 5.6.2. **Transfer Station and Other Sites:** (£1.421m) as described in section 5.3 above, the delay in opening of the EcoPark South section of the NLHPP has led to in-year saving on the operating costs of the new RRF. This has been partially offset by an increase in business rates for the Wembley transfer station.
- 5.6.3. **Carbon Capture & Storage:** £0.370m increase as phase 1 of the feasibility originally planned to be carried out over two years, have been brought forward from 2024/25. The overall cost has not increased.

- 5.7. A detailed commentary on the differences between the February forecast and the 22/23 outturn is provided in the appendices.
- 5.8. As part of this forecast, Officers have consulted with counterparts in the boroughs and updated tonnage forecasts. Residual waste forecasts have been reduced compared to the budget, although there is an increase compared to the tonnage for 2022/23. The headline movements mask a movement between household waste and chargeable types of waste, particularly in the forecast provided by the London borough of Camden.

#### **Camden Waste explained**

The residual waste forecast for Camden in 2023/24 of 69,561 tonnes is 369 tonnes lower than budgeted. Camden officers have revised their declaration of the split between household waste, non-household (commercial) waste and chargeable household waste (collected from establishments such as schools and healthcare centres). This has transferred tonnage from household waste and chargeable household waste into non-household waste.

	Budget Tonnes	Forecast Tonnes	Change Tonnes
Household	54,965	48,728	- 6,237
Non-Household	13,600	19,763	6,163
Chargeable Household	996	702	- 294
	69,561	69,193	- 369

Household waste is recharged to boroughs through the levy and the other two waste types are charged separately. Any cost movements relating to the levy are held as positive or negative balances and are used to adjust the 2024/25 levy. The separate charges are returned at the end of the year once the audit is complete. Camden is therefore forecast to receive an additional charge similar to the amount that will be held as balances that will decrease the 2024/25 levy.

## **6. BOROUGH BALANCES AT 31 MARCH 2024**

- 6.1. The menu price-based levy requires the Authority to apportion all its costs to the boroughs based on the types of waste and the tonnage delivered by each borough and to hold borough specific balances. A positive balance for a borough can be used to support a future year's levy but if negative, will be recovered through an additional share in the following year's levy, equal to the borough's balance.
- 6.2. Tables B9 and B10 in Appendix B show how in-year levy balances might be apportioned (based on the current forecast) between the boroughs and used to

reduce the levy when the Authority determines its 2024/25 levy in February. A table detailing the forecast outturn and how it has changed since the June review is included in Appendix B as table B1.

- 6.3. Tables B7 and B8 in Appendix B reflect the forecast expectation for non-household and chargeable waste and show that most boroughs are forecast to receive a refund.

### **2023/24 Summary**

- 6.4. Allowing for the factors outlined above, the total net expenditure in 2023/24 for the Authority is estimated to be £70.806. This represents a decrease of £4.822m compared with the June update. Taking into account a decrease in non-household and household charges since June of £0.354m, the net revenue surplus on 31 March 2025 is forecast to be £9.200m, i.e. an increase of £5.176m since the June review.

## **7. 2024/25 BUDGET FORECAST**

- 7.1. The following paragraphs set out the underlying assumptions and discuss significant issues and variances for the coming year. This section of the report concludes with a table setting out the forecast 2024/25 levy and charges for each borough. This is based on data early in the current financial year and fuller data will be used to present a further review to the December 2023 Authority meeting along with a draft budget for 2024/25 and the medium-term forecast. At the Authority meeting in February 2024, the Authority must agree its budget and set the levy for 2024/25, in line with the Inter Authority Agreement agreed in 2016.

### **Opening position**

- 7.2. The improvement in the revenue balance at 31 March 2024 and the variations reported in this review indicate that the Authority's reserves at the end of March 2024 are anticipated to increase by £5.176m from the first review to £9.200m. The Authority's net expenditure is forecast to be £95.083m, before considering any available reserves. This is 11.9% higher than in 2023/24 (the net expenditure budget before the electricity windfall). The following paragraphs set out the underlying assumptions and discuss significant issues and variances. The budget for 2024/25 compared with 2023/24 is laid out in table C1.

### **Inflation**

- 7.3. Most of the prices in the Authority's contract with LEL are reviewed annually in line with the December Retail Price Index (RPI). For financial planning purposes the Authority has used the HM Treasury's digest of forecasts published by banks and other institutions and has assumed an increase in December 2023 RPI at 6.5%. This is higher than the assumptions of 5.9% RPI inflation included in the 2023/24 budget. Inflation assumptions will be reviewed and updated for the December and February budget and levy meeting.



## **Transport and Disposal**

- 7.4. The 2024/25 transport and disposal budget has been based on forecast residual waste stream of 550,347 tonnes (excluding RRC tonnages), i.e. a decrease of 3,303 tonnes compared with 2023/24 budget, but a slight increase compared with the 2023/24 forecast outturn. These tonnages have been reviewed with borough officers and the impacts are therefore tailored to each borough's circumstances. A breakdown by boroughs is included in table B2 in Appendix B.

## **Landfill Tax**

- 7.5. In recent years, Government policy regarding landfill tax has been to increase the tax in line with inflation, rounded to the nearest five pence. The rate of landfill tax for 2024/25 has been announced at £103.70 per tonne, an increase of £1.60 per tonne compared to 2023/24. The budget reflects the increased tax.

## **Organic Waste and Materials Recovery Facility Services**

- 7.6. The budget forecast for 2024/25 reflects that mixed organic waste, food waste and green tonnages are expected to have no significant change compared with the 2023/24 budget, dry mixed recycling tonnage is forecast to remain the same compared with 2023/24 forecast. The budget also reflects an allowance of 5.7% for price inflation in April 2024.

## **Reuse and Recycling Centres**

- 7.7. The costs of running the Reuse and Recycling Centres have been updated to reflect any known costs and estimated income from recyclates.

## **New Resource Recovery Facility (RRF)**

- 7.8. The budget includes the estimated cost of running the RRF for the entire year. The cost of funding the capital programme includes an allowance for interest on loans taken to fund the development and construction of the facility as well as a charge for the associated MRP.

## **Carbon Capture and Storage**

- 7.9. The budget and medium plan includes the approved cost of preparing the outline business case for a carbon capture and storage solution at the new energy recovery facility.

## **Sale of Recyclates**

- 7.10. Due to volatility in market price, the price used for income from recyclates assumes that current market values, which are close to historic average prices, remain stable.

However, as the Authority has benefitted from strong values early in 2023, the expected income over the year as a whole is forecast to be £619K below this year.

### **Non-Household Waste Charges**

- 7.11. The Authority anticipates that boroughs will deliver 77,507 tonnes of residual waste and 15,376 tonnes of recyclable and organic waste to the Authority in 2024/25.

### **Chargeable Household Waste**

- 7.12. The Authority forecasts that it expects to receive 14,178 tonnes of residual waste and 3,504 tonnes of organic waste and dry mixed recycling in 2024/25.

### **Contingency**

- 7.13. The budget forecast in this report reflects the approach taken in recent budgets, i.e. £1m plus 2% of the operational base provision.

### **Levy**

- 7.14. The table in paragraph 1.11 sets out the current estimate of the potential 2024/25 levy for each borough. It reflects the forecast balances at 31 March 2024 and the Authority's expenditure and income expectations. Residual waste and recycling tonnage forecasts will be reviewed in conjunction with borough counterparts to inform the December update.

### **Conclusion**

- 7.15. Subject to Member decisions and the variations included in this review, the Authority's reserves at the end of March 2023 are forecast to increase by £5.176m from the first review to £9.200m. A further review of the Authority's financial performance in 2023/24 and forecast for 2024/25 will be presented to the December meeting.

### **Medium term forecast**

- 7.16. After 2024/25 there are currently no balances available to offset the levy. Based on high level estimates of future expenditure, the current total levy estimates are as below. Borough directors of finance have confirmed that increases to the levy resulting from the opening of NLHPP assets have been factored into their own forecasts. The Energy Recovery Facility is forecast to open during 2026/27, at which point the borrowing costs will be recognised and net expenditure and the levy increase as a result. In advance of the December Authority meeting, all forecasts will be reviewed from bottom up to reflect the latest timings assets being brought into use

## 8. NLHPP OUTTURN

- 8.1. In July 2019, the Programme Committee noted the baseline budget for the North London Heat and Power Project (NLHPP) at £1,220.6m based on March 2019 prices. The NLHPP will be delivered over a 12 year period including demolition of the existing energy from waste facility.
- 8.2. The latest overall forecast position is that the programme is expected to remain within the March 2019 baseline budget.
- 8.3. In line with the recommendations from the Corporate Peer Challenge (CPC), the Authority will also report the NLHPP forecasts in current prices, i.e. including inflation. In the April 2023 Authority paper, an outturn forecast was presented with the range of £1.42bn-£1.52bn.
- 8.4. The Authority has always included inflation estimates within supporting information provided relating to forecasts of future borough levies, and considered in subsequent procurement decisions.
- 8.5. Despite the widespread inflationary impacts that the economy has faced, the upward pressure on the project's costs have been mitigated with the careful management of borrowing and appropriate risk sharing with contractors. Over 80% of costs for the project are now secured under contract, and it is possible to forecast the outturn cost with a degree of certainty. These contracts have been entered into before the rise in inflation began in 2022. In addition, the majority of borrowing for the project was undertaken at fixed rates while interest rates were at historically low levels.
- 8.6. Spend to date is £545m, with £1,297m of the forecast outturn already committed. This reflects the value of work agreed in contracts – including construction works, advisors, Authority direct costs and third-party fees.

<b>Outturn cost (including inflation)</b>	<b>Actual Cost to Date</b>	<b>Estimate to Complete</b>	<b>Total</b>
Committed Base Cost	£545.1m	£752.4m	<b>£1,297.5m</b>
Uncommitted Base Cost		£125.8m	<b>£125.8m</b>
Contingency		£83.2m	<b>£83.2m</b>
<b>Total</b>	<b>£545.1m</b>	<b>£ 961.4m</b>	<b>£1,506.5m</b>

The inflated outturn forecast is within the range of £1.42 billion to 1.52 billion. As future estimates of inflation change, the budget figure will be amended.

## **9. OTHER UPDATES**

### **Independent Audit Committee Member**

- 9.1. At the June 2023 Authority meeting, Members agreed to the appointment of an independent member of the Audit Committee and delegated authority to appoint the independent member to the Director of Corporate Services, in consultation with the other members of the interview panel.
- 9.2. This position has now been advertised and shortlisting is underway. It is anticipated that interviews will be held in September.

### **Asset Management**

- 9.3. Authority officers continue to work towards the change in the Authority as it will become the owner of assets generated by the NLHPP. Officers are working through understanding provisions to mitigate the new asset management reliability risk.

## **10. CONCLUSION**

- 10.1. Allowing for the improvement in the revenue balances at 31 March 2023 and the 2023/24 variations, the first review indicates that the Authority's balances at 31 March 2023 will have increased, and once carry forwards into 2023/24 are taken into account, there might be £9.200m available to be offset against the 2024/25 levy. This improvement strengthens the Authority's ability to manage its services within budget and accommodate potential budget pressures.

## **11. EQUALITIES IMPLICATIONS**

- 11.1. Budgets and forecasts are considered an allocation of resources. Approval to spend is sought separately by Officers. The equalities implications are considered as part of the spending approval.

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

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

**List of documents used:**

Report to the Authority 09 February 2023 – Budget and Levy 2023/24

2022/23 final accounts working papers

2023/24 budgetary control working papers

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## APPENDIX A: REVISED TABLES FOR 2022/23

Table A1 Revised Outturn for 2022/23

	2022/23 Reported Outturn £'000	2022/23 Revised Outturn £'000	Variance £'000
<b>Expenditure</b>			
Main Waste Disposal Contract (ex RRC Waste)	38,124	38,124	0
Composting Waste Services	1,658	1,658	0
MRF Services	10,146	10,146	0
Transfer Station and Other Sites	1,834	1,834	0
Corporate and Other Support Service Costs	3,948	3,948	0
Waste Prevention and Communications Programme	262	262	0
Recycling Communications	244	244	0
Recycling Initiatives	202	202	0
North London Heat and Power Project	667	667	0
Revenue Funding – Capital Programme	6,752	6,434	(318)
	<b>63,837</b>	<b>63,519</b>	<b>(318)</b>
<b>Reuse and Recycling Centres Expenditure</b>			
Residual Waste Disposal	1,122	1,122	0
Operating Costs	3,738	3,738	0
	<b>4,860</b>	<b>4,860</b>	<b>0</b>
<b>Income</b>			
Rents	(135)	(135)	0
Sale of Recyclates	(8,091)	(8,091)	0
Interest on Balances	(226)	(706)	(480)
	<b>(8,452)</b>	<b>(8,931)</b>	<b>(480)</b>
Net Expenditure	60,245	59,448	(798)
Contingency	0	0	0
<b>Total Net Expenditure</b>	<b>60,245</b>	<b>59,448</b>	<b>(798)</b>
<b>Financed By</b>			
Use of Balances	(15,251)	(15,251)	0
Charges to Boroughs (Non-household waste)	(6,555)	(6,513)	42
Charges to Boroughs (Chargeable Household Waste)	(1,265)	(1,271)	(6)
2022/23 Levy - Base Element	(52,440)	(52,440)	0
- Base Element Rebate (Windfall)	4,753	4,753	0
- RRC Element	(4,607)	(4,607)	0
Total Levy	(52,294)	(52,294)	0
<b>Total Resources Available</b>	<b>(75,366)</b>	<b>(75,329)</b>	<b>37</b>
<b>Estimated Additional Revenue Balances at 31 March</b>	<b>(15,121)</b>	<b>(15,881)</b>	<b>(761)</b>
<b>Balance available to support future levies</b>	<b>(4,682)</b>	<b>(5,442)</b>	<b>(761)</b>

**Table A2 – Revised 2022/23 Non-Household Waste Charges by Borough**

	<b>2022/23 Budget</b>	<b>2022/23 Actual cost</b>	<b>Repayment due (to)/from borough</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Barnet	1,129	839	(290)
Camden*	2,256	1,564	(692)
Enfield	897	748	(149)
Hackney*	1,802	1,478	(324)
Haringey *	237	238	1
Islington *	2,124	1,563	(561)
Waltham Forest	145	125	(20)
<b>Total</b>	<b>8,590</b>	<b>6,555</b>	<b>(2,035)</b>

\*Including income from non-household recyclable wastes.

**Table A3 Revised 2022/23 Chargeable Household waste Charges by Borough**

	<b>2022/23 Budget</b>	<b>2022/23 Actual cost</b>	<b>Repayment due (to)/from borough</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Barnet	215	173	(42)
Camden*	294	75	(219)
Enfield	138	124	(14)
Hackney*	599	483	(116)
Haringey *	257	213	(44)
Islington *	306	197	(109)
Waltham Forest	0	0	0
<b>Total</b>	<b>1,809</b>	<b>1,265</b>	<b>(544)</b>

\*Including income from chargeable household recyclable wastes.

## **APPENDIX B: FY23/24 FORECAST VS BUDGET COMMENTARY.**

**Revenue Funding – Capital Programme (£3.608m):** The original budget assumed EcoPark South would open in March 2023, meaning the Authority would incur a full year of interest payments on loans taken out to fund the project (up to the cost of the EcoPark South section the project), a full year of Minimum Revenue Provision (MRP) costs for this part of the project. The delay to an expected opening in January 2024 means a saving on both MRP and interest payments for 2023/24.

**Transfer Stations & Other Sites (£1.254m):** Similar to above, the delay in opening of the new RRF facility from March 2023 to January 2024, has led to the saving vs the budget.

**Carbon Capture & Storage £0.370m:** Overspend as works originally planned to be carried out of two years, completing in 2024/25, have now been accelerated and now expected to be substantially complete this year.

**Sale of Recyclates £0.346m:** Reduction in forecast sales of recyclates driven by a reduction on volume forecast of (6,314) tonnes (4.8%), and a reduction in the expected average unit price the Authority will receive for each tonne recycled by (£1.14) (2.7%).

**Corporate and other Support Service Costs (£0.194m):** At the 2022/23 year end £0.3m was carried forward into the 2023/24 revised budget for works relating to the Joint Waste Strategy. The latest plan means only £0.2m is required now in 2023/24, leading to a (£0.1m) saving. The remainder on the saving is accounted for by various staffing vacancies across the Authority.

**Composting Waste Servies (£0.190m):** Savings driven primarily by a reduction in the average unit rate charged for Garden waste, a £5.97 (11.5%) reduction from budget.

**Materials Recovery Facility (MRF) Services (£0.130m):** Cost saving on mixed recycling due to a reduction in forecast volumes of (6,314) tonnes (4.8%).

**Recycling Initiatives (£0.087m):** The revised cost plan, based on the latest planned payments shows a saving versus the budget.



**Table B1 2023/24 Forecast Outturn**

	2023/24 Budget	2023/24 June Forecast	2023/24 Current Forecast	Variance
	£'000	£'000	£'000	£'000
<b>Expenditure</b>				
Main Waste Disposal Contract (ex RRC Waste)	43,859	43,859	43,908	49
Composting Waste Services	2,314	2,314	2,124	(190)
MRF Services	12,633	12,633	12,503	(130)
Transfer Station and Other Sites	4,625	4,975	3,721	(1,254)
Corporate and Other Support Service Costs	5,372	5,679	5,485	(194)
Waste Prevention and Communications Programme	833	933	916	(17)
Recycling Communications	0	0	0	0
Recycling Initiatives	287	287	200	(87)
North London Heat and Power Project	600	600	603	3
Carbon Capture & Storage	1,054	1,054	1,424	370
Revenue Funding – Capital Programme	10,868	10,868	7,260	(3,608)
	82,445	83,202	78,144	(5,058)
<b>Reuse and Recycling Centres Expenditure</b>				
Residual Waste Disposal	1,368	1,368	1,167	(201)
Operating Costs	4,086	4,086	4,185	99
	5,454	5,454	5,352	(102)
<b>Income</b>				
Rents	(137)	(137)	(137)	0
Sale of Recyclates	(5,299)	(5,299)	(4,953)	346
Income from LEL	(10,000)	(10,000)	(10,000)	0
Interest on Balances	(40)	(40)	(40)	0
Miscellaneous Income	0	0	(9)	(9)
	(15,476)	(15,476)	(15,139)	337
Net Expenditure	72,423	73,180	68,357	(4,823)
Contingency	2,448	2,448	2,448	0
<b>Total Net Expenditure</b>	<b>74,871</b>	<b>75,628</b>	<b>70,806</b>	<b>(4,822)</b>
<b>Financed By</b>				
Use of Balances	(10,439)	(15,121)	(15,881)	(760)
Charges to Boroughs (Non-household waste)	(8,949)	(9,032)	(8,778)	254
Charges to Boroughs (Chargeable Household Waste)	(1,815)	(1,831)	(1,679)	152
2023/24 Levy - Base Element	(58,136)	(58,136)	(58,136)	0
- Base Element Rebate	10,000	10,000	10,000	0
- RRC Element	(5,532)	(5,532)	(5,532)	0
Total Levy	(53,668)	(53,668)	(53,668)	0
<b>Total Resources Available</b>	<b>(74,871)</b>	<b>(79,652)</b>	<b>(80,006)</b>	<b>(354)</b>
Estimated Additional Revenue Balances at 31 March	0	(4,024)	(9,200)	(5,176)

**Table B2 – 2023/24 residual waste tonnage forecast**

	<b>2022/23 Actual Tonnes</b>	<b>2023/24 Budget Tonnes</b>	<b>2023/24 Q2 Forecast Tonnes</b>	<b>Change Tonnes</b>	<b>Change %</b>
Barnet	103,769	108,438	106,869	-1,568	-1.45
Camden	69,721	69,561	69,193	-369	-0.53
Enfield	84,560	85,020	87,564	+2,544	+2.99
Hackney	84,763	84,137	85,440	+1,303	+1.55
Haringey	68,147	69,697	67,864	-1,833	-2.63
Islington	67,959	68,447	68,512	+64	+0.09
Waltham Forest	63,857	65,048	64,425	-623	-0.96
<b>Total</b>	<b>542,776</b>	<b>550,348</b>	<b>549,867</b>	<b>-481</b>	<b>-0.09</b>

**Table B3 – 2023/24 mixed organic waste tonnage forecast**

	<b>2022/23 Actual Tonnes</b>	<b>2023/24 Budget Tonnes</b>	<b>2023/24 Q2 Forecast Tonnes</b>	<b>Change Tonnes</b>	<b>Change %</b>
Barnet	0	0	0	+0	N/A
Camden	0	0	0	+0	N/A
Enfield	0	0	0	+0	N/A
Hackney	0	0	0	+0	N/A
Haringey	445	192	282	+90	+46.84
Islington	3,295	4,170	3,652	-518	-12.42
Waltham Forest	7,765	8,941	8,721	-220	-2.46
<b>Total</b>	<b>11,506</b>	<b>13,303</b>	<b>12,655</b>	<b>-648</b>	<b>-4.87</b>

**Table B4 – 2023/24 Food waste tonnage forecast**

	<b>2022/23 Actual Tonnes</b>	<b>2023/24 Budget Tonnes</b>	<b>2023/24 Q2 Forecast Tonnes</b>	<b>Change Tonnes</b>	<b>Change %</b>
Barnet	0	0	0	0	N/A
Camden	2,460	2,900	2,816	84	-2.91
Enfield	0	7,900	7,082	818	N/A
Hackney	4,424	5,597	4,888	708	-12.66
Haringey	3,309	3,846	3,486	361	-9.37
Islington	0	0	0	0	N/A
Waltham Forest	408	492	400	92	-18.66
<b>Total</b>	<b>10,602</b>	<b>20,735</b>	<b>18,671</b>	<b>-2,063</b>	<b>-9.95</b>

**Table B5 – 2023/24 Garden waste tonnage forecast**

	<b>2022/23 Actual Tonnes</b>	<b>2023/24 Budget Tonnes</b>	<b>2023/24 Q2 Forecast Tonnes</b>	<b>Change Tonnes</b>	<b>Change %</b>
Barnet	10,513	12,349	12,618	+268	+2.17
Camden	1,651	1,793	2,090	+297	+16.55
Enfield	296	6,900	6,579	-321	N/A
Hackney	2,558	2,681	2,842	+161	+6.01
Haringey	2,287	2,579	2,561	-18	-0.69
Islington	487	418	551	+133	+31.82
Waltham Forest	455	193	467	+274	+141.50
<b>Total</b>	<b>18,248</b>	<b>26,914</b>	<b>27,708</b>	<b>+794</b>	<b>+2.95</b>

**Table B6 – 2022/23 MDR tonnage forecast**

	<b>2022/23 Actual Tonnes</b>	<b>2023/24 Budget Tonnes</b>	<b>2023/24 Q2 Forecast Tonnes</b>	<b>Change Tonnes</b>	<b>Change %</b>
Barnet	25,759	26,553	25,759	-795	-2.99
Camden	15,362	15,546	15,362	-184	-1.19
Enfield	17,616	20,000	17,616	-2,384	+0.00
Hackney	17,505	18,386	17,505	-881	-4.79
Haringey	16,985	18,459	16,865	-1,594	-8.64
Islington	14,245	14,539	14,245	-294	-2.02
Waltham Forest	18,015	18,198	18,015	-183	-1.01
<b>Total</b>	<b>125,486</b>	<b>131,681</b>	<b>125,366</b>	<b>-6,314</b>	<b>-4.80</b>

**Table B7 – Non-household waste Charges by Borough**

	<b>2023/24 Budget Estimate £'000</b>	<b>2023/24 Current Forecast £'000</b>	<b>Repayment due (to) / from borough £'000</b>
Barnet	1,289	1,049	(239)
Camden*	1,773	2,439	666
Enfield	1,025	967	(58)
Hackney*	2,244	1,853	(391)
Haringey *	323	297	(26)
Islington *	2,130	2,016	(115)
Waltham Forest	165	157	(9)
<b>Total</b>	<b>8,949</b>	<b>8,778</b>	<b>(172)</b>

\* Including income from non-household recyclable wastes.

**Table B8 – Chargeable household waste charges by borough**

	<b>2023/24 Budget Estimate</b>	<b>2023/24 Current Forecast</b>	<b>Repayment due (to) / from borough</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Barnet	245	219	(27)
Camden*	125	84	(42)
Enfield	158	149	(9)
Hackney*	653	621	(32)
Haringey *	291	278	(13)
Islington *	342	328	(14)
Waltham Forest	0	0	0
<b>Total</b>	<b>1,815</b>	<b>1,679</b>	<b>(136)</b>

**Table B9 - RRC Balances available at year end**

Balances with brackets at 31 March 2024 indicate an estimate of balances owed to the borough by the Authority and balances without brackets are a balance owed by the borough to the Authority.

	<b>Revised RRC Balances at 1 April 2023</b>	<b>Total Operating Costs – 2023/24 Original Budget</b>	<b>Total Operating Costs - 2023/24 Current Forecast</b>	<b>Change in 2023/24 Total Operating Costs</b>	<b>Estimated RRC Balances at 31 March 2024 (Column 1 plus 4)</b>
	<b>1 £'000</b>	<b>2 £'000</b>	<b>3 £'000</b>	<b>4 £'000</b>	<b>£'000</b>
Barnet	13	1,131	1,150	19	32
Camden	(35)	735	736	1	(34)
Enfield*	(36)	308	277	(31)	(67)
Hackney	(12)	255	243	(12)	(24)
Haringey	(7)	714	747	34	27
Islington	(12)	819	802	(16)	(29)
Waltham Forest	(66)	1,570	1,502	(68)	(134)
<b>Total</b>	<b>(154)</b>	<b>5,532</b>	<b>5,458</b>	<b>(74)</b>	<b>(228)</b>

**Table B10 - Base levy balances by borough**

Balances with brackets at 31 March 2024 indicate an estimate of balances owed to the borough by the Authority.

	<b>Revised balance at 1 April 2023</b>	<b>2023/24 Budget Levy Costs</b>	<b>2023/24 Levy Costs - Current Forecast</b>	<b>Forecast Change in 2023/24 Levy Costs</b>	<b>Estimated Balance at 31 March 2024 (Column 1 plus 4)</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Barnet	(1,249)	9,642	9,015	(627)	(1,876)
Camden	(934)	6,601	5,535	(1,066)	(2,000)
Enfield	(603)	8,493	8,044	(449)	(1,052)
Hackney	(586)	5,748	5,718	(30)	(616)
Haringey	(733)	6,202	5,521	(680)	(1,413)
Islington	(391)	4,679	4,340	(339)	(730)
Waltham Forest	(792)	6,770	6,276	(494)	(1,286)
<b>Total</b>	<b>(5,288)</b>	<b>48,136</b>	<b>44,451</b>	<b>(3,685)</b>	<b>(8,972)</b>

\*Balances include the £10m rebate

## APPENDIX C: TABLE C1 – 2023/24 & 2024/25 COMPARISON

	2023/24 Budget	2023/24 Budget Excl. Rebate	2024/25 Current Forecast	Variance
	£'000	£'000	£'000	£'000
<b>Expenditure</b>				
Main Waste Disposal Contract (ex RRC Waste)	43,859	43,859	44,621	762
Composting Waste Services	2,314	2,314	2,159	(155)
MRF Services	12,633	12,633	12,706	73
Transfer Station and Other Sites	4,625	4,625	5,338	713
Corporate and Other Support Service Costs	5,372	5,372	6,070	698
Waste Prevention and Communications Programme	833	833	980	147
Recycling Communications	0	0	0	0
Recycling Initiatives	287	287	211	(76)
North London Heat and Power Project	600	600	633	33
Carbon Capture & Storage	1,054	1,054	1,971	917
Revenue Funding – Capital Programme	10,868	10,868	16,759	5,891
	82,445	82,445	91,448	9,003
<b>Reuse and Recycling Centres Expenditure</b>				
Residual Waste Disposal	1,368	1,368	1,227	(141)
Operating Costs	4,086	4,086	4,428	342
	5,454	5,454	5,655	201
<b>Income</b>				
Rents	(137)	(137)	(145)	(8)
Sale of Recyclates	(5,299)	(5,299)	(4,680)	619
Income from LEL	(10,000)	0	0	0
Interest on Balances	(40)	(40)	(40)	0
Miscellaneous Income	0	0	0	0
	(15,476)	(5,476)	(4,864)	612
Net Expenditure	72,423	82,423	92,238	9,815
Contingency	2,448	2,448	2,845	397
<b>Total Net Expenditure</b>	<b>74,871</b>	<b>84,871</b>	<b>95,083</b>	<b>10,212</b>
<b>Financed By</b>				
Use of Balances	(10,439)	(10,439)	(9,200)	1,239
Charges to Boroughs (Non-household waste)	(8,949)	(8,949)	(10,787)	(1,838)
Charges to Boroughs (Chargeable Household Waste)	(1,815)	(1,815)	(2,036)	(221)
2023/24 Levy - Base Element	(58,136)	(58,136)	(67,633)	(9,497)
- Base Element Rebate	10,000	0	0	0
- RRC Element	(5,532)	(5,532)	(5,427)	105
Total Levy	(53,668)	(63,668)	(73,061)	(9,393)
<b>Total Resources Available</b>	<b>(74,871)</b>	<b>(84,871)</b>	<b>(95,083)</b>	<b>(10,212)</b>
Estimated Additional Revenue Balances at 31 March	0	0	(0)	

REPORT ENDS

# Auditor's Annual Report

North London Waste Authority – year  
ended 31 March 2021

1 August 2023





# Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to Members or officers are prepared for the sole use of North London Waste Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North London Waste Authority ('the Authority') for the year ended 31 March 2021. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 5<sup>th</sup> May 2023. Our opinion on the financial statements was unqualified.



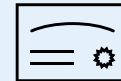
### Value for Money arrangements

In our audit report issued we reported that we not yet completed our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. We have now completed this work and Section 3 provides our commentary on the Authority's arrangements.



### Wider reporting responsibilities

We await the National Audit Office's selection of sampled local authority components for the purposes of Whole Government Accounts.



### Audit certificate

We issued the audit certificate on 2 August 2023.

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# 02

Section 02:

**Audit of the financial statements**

## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 5<sup>th</sup> May 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

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

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances. The accounts have been prepared on the correct (continued provision of service) going concern basis.

Draft accounts were provided by the authority on 30<sup>th</sup> July 2021 and were of a good quality. The audit was protracted due to a number of factors including the need for us to engage our valuation expert and the resultant time taken for the Authority's own valuer to engage and respond to our enquiries. In addition, the Authority has a relatively small finance team and the protracted nature of the audit meant that we had to agree mutually convenient timescales for recommencing and completing outstanding areas of audit. The Authority is also reliant on engagement with the finance team of

Camden Council, which also impacted on the progress of the audit.

The audit has been carried out against a context of backlogs in local government financial reporting and audits nationally, which has increased the complexity of scheduling the timing of audit work.

### Significant matters discussed with management

We have discussed the following significant matters with management:

- Valuation of the Group property, plant and equipment – the nature of the Group activities mean that it holds specialist assets, namely the Eco-Park and the associated plant and machinery. We held several discussions with management over the reasonableness of the Authority's valuation of these assets, including using our own valuation expert to challenge the approach and assumptions made by the Authority's valuer. Whilst overall we were satisfied that the valuation at 31 March 2021 was reasonable, we raised a recommendation for improvements in the Authority's approach for 2021/22 and beyond.
- In addition, we challenged management on the carrying value of its land at Pinkham Way. As a result, the Authority revisited the value (based on a 2018 valuation) and uplifted the value from £14m to £19m based on the increase in land value at the Eco-Park.

### Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

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# 2. Audit of the financial statements

## Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

### Valuation of the Eco-Park

#### Description of deficiency

The Group's main non-current asset is the Eco-Park which contains an Energy for Waste (EfW) incinerator. This is a very specialised asset and consistent largely of plant and machinery (P&M). The valuation of P&M is a specialist form of asset valuation. Our evaluation of the Authority's external valuer found that they did not apply sufficient consideration of specific factors such as:

- Componentisation and associated consideration of their associated (and different) useful economic lives; and
- Effective age and hence consideration of asset status through capital expenditure requirements.

#### Potential effects

There is a risk that the valuation of P&M non-current assets overall will be misstated. This risk may be increased in future years as the Authority's asset base grows.

#### Recommendation

For future valuations the Authority should consider seeking specialist P&M valuation input.

#### Management response

The Authority agrees with this recommendation and is working with our external valuer to ensure that this is reflected in future valuations. As new assets are brought into use, they will be fully componentised within the fixed asset register reflecting the useful economic lives of these assets.

The requirement for the valuation of the Eco-Park arises as the LondonEnergy Ltd financial statements are prepared in line with UK Generally Accepted Accounting Practice (UKGAAP) while the Authority's financial statements are prepared using International Financial Reporting Standards. LondonEnergy hold a componentised fixed asset register for the existing facilities.

# 03

Section 03:

**Commentary on VFM arrangements**

# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	10	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	12	No	No



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Background to financial sustainability in 2020/21

The Authority began the 2020/21 financial year as the first national lockdown began, which brought with it a range of operational requirements needed in order to effectively respond to the range of challenges the pandemic presented. Central government made a series of policy announcements as part of the national response to Covid-19, some of which impacted the Authority (e.g., the prohibition of visits to Reuse and Recycling Centres (RRCs) and many directly impacting the Authority's seven constituent councils.

### The Authority's financial planning and monitoring arrangements

The Authority prepares an annual Budget and Levy report which seeks approval of the budget and resources requirements for a specific year including levy and charging arrangements for non-household and chargeable household waste.

The Authority uses a Members' Finance Working Group to examine the assumptions that underpin the budget forecast and the levy and to consider an early draft of the budget calculations. The Authority also engages the seven Borough Directors of Finance to consider the budget and levy. The output of the Members' Finance Working Group and the Borough Directors of Finance are included in the budget and levy report to the Authority

The Authority has arrangements in place to identify financial pressures (which typically arise when waste tonnages are different to that expected and forecast and where commodity prices fluctuate). A detailed finance report is issued to Authority meetings providing transparency of the Authority's finances. During 2020/21 the Authority's finances were impacted by Covid-19 and the financial planning arrangements helped to ensure that reporting to Members on the finances of the Authority continued to enable them to make appropriate decisions.

The Authority has an annual meeting where it agrees:

- expenditure requirements for the year ahead and agree the budget;
- use of a revenue balance to support the budget;
- the levy;
- the arrangements for collection of the levy and charges for non-household and household waste;
- The Prudential Indicators and the basis for calculating the Minimum Revenue Provision;
- the per tonne charge for non-household and chargeable household residual and recyclable waste; and
- the medium-term budget forecasts for the next 3 years.

### The Authority's arrangements for identifying, managing and monitoring funding gaps and savings

The Authority produces a Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The MTFS sets out the resources available to deliver the Authority's overall commitment to provide services that meet the needs of its constituent councils and is updated and extended as part of each year's budget setting process.

We have reviewed a range of the budget preparation documents and meetings held as part of the budget setting process. This confirmed that the documents were comprehensive and detailed and the process for development had been completed on a timely basis and delivered the intended outcomes to assist with the budget preparation.

**Based on the above considerations we are satisfied there is not a significant weakness in the Authority's arrangements in relation to financial sustainability.**

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### The Authority’s risk management and monitoring arrangements

The Authority has a high-level risk register for strategic risks, which is owned by the Managing Director. Operational areas have specific, more detailed, risk registers used for ensuring that risks associated with specific areas of work are monitored and managed. In addition, the North London Heat and Power Project (NLHPP) has its own specific risk register on which progress is reported through regular project updates.

The high-level risk register considers the risks which most affect the effective delivery of the Authority’s responsibilities, principally the ability to deliver services successfully in the short and long term and to deal with externally stimulated changes. The NLHPP risk register covers different issues as it is focussed on the successful construction and commissioning of major new infrastructure.

### The Authority’s arrangements for budget setting and budgetary control

The Authority agreed the 2020/21 Budget and Levy in February 2020, setting out the estimates of the financial challenge for the financial year 2020/21, as supported by the overarching MTFs. Regular finance reports were present to the Authority meetings throughout 2020/21 which highlighted key issues, including any potential impact on budgets in 2021/22 and beyond.

During the year, there was continued discussion between officers and Members to consider the current financial position and the impact on the budget of the Authority and how to manage the impact of the pandemic on the Authority and its service delivery.

### The Authority’s decision-making arrangements and control framework

The Authority comprises two representatives appointed by each of the seven constituent councils. Three Committees were re-established for 2020/21 at the Authority meeting on 24 September 2020. These were the Urgency Committee, Audit Committee and the Programme Committee.

In accordance with the Authority’s Standing Orders, each Committee has a membership of seven so that one Member is from each of the constituent council.

The Authority also re-established two working groups for 2020/21 - the Finance Working Group and Recycling Working Group.

The Authority owns and controls LondonEnergy Limited, a company that provides waste management services to the Authority and other bodies. The Authority and LondonEnergy Limited are parties to a Shareholder Agreement and the Authority approves the business plan of LondonEnergy Limited.

For 2020/21 the Authority has taken assurance from the work of the Camden Council internal audit service specifically with regard to key financial systems. This is on the basis that the Authority uses Camden Council’s key financial systems for its treasury management functions.

Compliance with policies, laws and regulations is dealt with through a range of written rules and procedures which are regularly reviewed and updated. These include Standing Orders relating to the Authority, Standing Orders relating to Committees, delegations to Officers, and Contract Standing Orders. The Authority also follows the London Borough of Camden Financial Standing Orders.

**Based on the above considerations we are satisfied there is not a significant weakness in the Authority’s arrangements in relation to governance.**

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### The Authority’s arrangements for assessing performance and evaluating service delivery

Finance and performance information is reported to Authority meetings regularly and clearly outline the areas needed for improvement. Performance is related largely to waste collection and recyclable and compostable waste tonnages and these are reported in detail (e.g., types of waste, sources of waste (i.e., by Borough)) and commodity prices. The Authority reports subsequent forecast revenue and impact on the future year’s levy. Financial reporting is supported by commentary to enable Members to assess the relationship with performance (e.g., tonnage).

During 2020/21 the Authority’s services were impact by the Covid-19 pandemic and the movement restrictions that were in place for long periods of the year. During the early part of the year (to mid May 2020), officers provided reports to constituent Borough Emergency Coordination Centres on management of waste streams. During the same period the Authority had to manage the closure and reopening of reuse and recycling centres and assess the impact on service performance.

Reporting to the Authority meetings included key risks to service continuity together with actions being taken by the Authority, contractors and the wider industry.

### The Authority’s arrangements for effective partnership working

The Authority works in partnership with seven boroughs and residents to manage waste in the most sustainable way. Standing orders provide a formal structure of these partnership arrangements.

During 2020/21 the Authority carried a review of the relationship between the Authority and LondonEnergy Ltd. As a result, new board appointments were made to LondonEnergy Ltd, including the chair and vice chairs of the Authority and officers from the Authority and constituent boroughs.

In addition, the Authority completed a review of the 2015 treasury management agreement with the London Borough of Camden to ensure that it still reflects the requirements of both parties. The

agreement was updated and signed by both parties in May 2021.

### The Authority’s arrangements for procurement and commissioning services

The main services commissioned are waste transportation and disposal and collecting recycling and processing recyclables. The Authority procures commercial organisations to provide these services, delivered under contracts that are managed by the Authority.

For contracts that were started in 2020/21 the Authority has included some equality obligations on contractors not to discriminate in relation to the provision of services to the public and to employment practices in relation to their staff; where appropriate and the Authority’s procurement procedures include a check of tenderers’ equality policies.

The Authority commissions LondonEnergy Ltd to manage the Edmonton energy from waste facility as well as six reuse and recycling centres and three waste transfer stations.

For procurement relating to NLHPP (e.g., the letting and management of construction contracts for works including the construction of the Energy Recovery Facility, a Resource Recovery Facility, EcoPark House and associated infrastructure works) the Authority has a Programme Committee which has the authority to take decisions relating to the NLHPP. Minutes of each Programme Committee meeting are presented to the next meeting of the Authority so that Members are all fully aware of decisions taken without the need for matters to be expressly discussed or on the agenda of more than one decision making meeting.

**Based on the above considerations we are satisfied there is not a significant weakness in the Authority’s arrangements in relation to improving economy, efficiency and effectiveness.**

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# 04

Section 04:

**Other reporting responsibilities and  
our fees**

## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

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

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

During the 2020/21 audit we did receive some correspondence but there was no objections to the accounts.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data.

We have completed this work.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Corporate Committee in March 2021. Having completed our work for the 2020/21 financial year, we have agreed final fees with the Director of Corporate Services:

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£14,068	£14,068
Additional fees in respect of additional work on:		
The new VFM approach	n/a	£6,000
Increased regulatory requirements	£5,748	£5,900
Correspondence from members of the public	£1,320	£1,470
Group accounts	£5,201	£5,000
ISA 540 (revised) accounting estimates	n/a	£2,200
Non-current asset valuations expert and additional work	n/a	£5,750
<b>Total fees</b>	<b>£26,337</b>	<b>£40,388</b>

### Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

# Suresh Patel, Partner

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