NORTH LONDON WASTE AUTHORITY

REPORT TITLE: FINANCE UPDATE

REPORT OF: THE FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 12TH NOVEMBER 2026

SUMMARY OF REPORT:

This report provides an update on the Authority's financial position for the 2025/26 financial year. The report also contains Forvis Mazars' Audit Strategy Memorandum which outlines their approach to the audit of the 25/26 accounts and the steps being taken on confidence in the financial statements.
The latest forecast compared to the budget for 2026/27 is also provided in the report along with an initial indicative budget and levy forecast for 2027/28 and 2028/29.
This report also updates Members on a proposal to appoint a second independent Member to the Audit and Governance Committee.

RECOMMENDATIONS:

The Authority is recommended to:

A. Approve the revised prudential indicators as included in section 7 of this report;
B. Note the review of the unaudited outturn for 2025/26;
C. Note this review of the 2026/27 financial position and the early forecast of the budget assessment for 2027/28;
D. Note that a further update of the 2026/27 financial position will be reported to the Authority meeting in December together with an updated assessment of the budget and resource requirements for 2027/28;
E. Note the Forvis Mazars Audit Strategy Memorandum in Appendix D and the progress update in Appendix E; and
F. Note the proposal to appoint a second independent Member to the Audit and Governance Committee.

SIGNED: Daniel Omisore, Financial Adviser
DATE: 02 November 2026

1. EXECUTIVE SUMMARY

Overview

1.1. This report provides an update on the unaudited outturn for 2025/26. It presents Forvis Mazars report to the Authority and an update on the progress of the audit, which has already commenced. It updates Members on the latest view of the likely 2026/27 forecast outturn, the emerging position for the 2027/28 budget and levy. Subject to approval of the increase to the delegated Authority of the Energy from Waste facility construction contract elsewhere on this agenda, this paper also seeks approval of revised prudential indicators. The paper also explains the rationale behind appointing a second independent Member to the Audit and Governance Committee.

2025/26 Outturn

1.2. **Financial Outturn**: The net expenditure outturn for 2025/26 was £93.4m, an underspend of £5.1m compared to the budget. This positive variance was primarily driven by additional income earned on the Authority's balances due to consistently higher interest rates and the release of the unused contingency at year end. Within the overall underspend, there were increased costs on the main waste contract due to additional costs of disposal while the electrical export cable from the EcoPark was repaired and the energy from waste facility's capacity was reduced. There are also adjustments to the accounting treatment to recognise the full cost of the rent of the Wembley Transfer station.

1.3. **Waste Tonnage**: In 2025/26, the Authority's waste tonnages were slightly lower than budgeted, but some waste streams increased year on year:

1.3.1. The Authority received fewer tonnes of residual waste compared to the previous year. Excluding waste delivered by the public to reuse and recycling centres, 543,800 tonnes of residual waste was received by the Authority, a decrease of 12,723 tonnes (2.3%) lower than budget for the year and 24,919 tonnes (4.4%) compared to 2024/25.

1.3.2. Organic waste of 56,284 tonnes received was 3,396 tonnes (5.7%) lower than budgeted for the year largely due to fewer tonnes of garden waste being received. This was 7,401 tonnes (15.1%) higher than in 2024/25.

1.3.3. Mixed Dry Recycling processed was 127,511 tonnes, an increase in tonnage of 1,658 tonnes (1.3%) higher than budgeted for the year and 4,490 tonnes (3.6%) higher when compared to 2024/25.

Borough Balances at 31 March 2026

1.4. The revenue balance at the end of the financial year stood at £7.3m. This was £2.7m greater than was reported in February. The increase in balances is mainly

due to the release of the unused contingency at year end. This difference is available to support the 2027/28 levy. The cost which boroughs ultimately pay varies according to the amount of waste each borough delivers for disposal. Therefore positive balances which arise as a result of the Authority's services costing less than budgeted are credited to boroughs and used to reduce future costs they would pay.

Reserves at 31 March 2026

1.5. Members approved the creation of a reserve in February 2024. This reserve is to be used for maintenance of the new facilities created through the NLHPP. It also allows the Authority to manage pressures in the medium term with LondonEnergy so that it can effectively plan to fund the maintenance required to keep the existing facilities running until the new facilities are built. Ahead of the new plant opening, the maintenance reserve allows the Authority to use interest on cash balances to offset LondonEnergy Ltd (LEL) maintenance related pressures.

1.6. At the February 2026 meeting of the Audit and Governance Committee, the Authority's auditors, Mazars reported on the audit of the 2024/25 financial statements. As part of their audit, they reviewed the treatment of the lease of the waste transfer station at Wembley. Part of the cost of the rent had been capitalised each year since the lease was signed in the 2020/21 financial year, as the facility was providing resilience which helped to protect services against the risk of disruption during the carrying out of the North London Heat and Power Project (NLHPP) and therefore was considered to be a reasonable cost to capitalise. The total capitalised to the end of 2024/25 was £3.6m.

1.7. The auditors had previously agreed that this was appropriate treatment in the accounts. In light of the new leasing accounting standard known as IFRS 16, the auditors informed the Authority that they reversed their acceptance of this treatment and have proposed that the full amount capitalised since 2020/21 should be restated as an operating cost. This reversal was noted with frustration by Members at the Audit and Governance Committee meeting on 12 February 2026. Officers have continued to discuss this with Mazars and have agreed to restate the 2024/25 statements to reflect this.

1.8. To adjust for this additional cost and ensure that boroughs are not asked to fund this, an equal amount of £3.6m will be drawn down from reserves in 2024/25. The revised total of the maintenance reserve at the end of 2024/25 is therefore restated to £8.2m.

1.9. During 2025/26, £5m was budgeted to be released to provide support to LEL. At the end of the year, £7.9m of Extended Producer Responsibility (pEPR) has been added to the reserve, along with £3.9m funded from interest received on cash balances held to fund the North London Heat & Power Project (NLHPP). The reserve now stands at £15.0m.

Audit of the 2025/26 Financial statements

1.10. The 2025/26 unaudited financial statements were signed by the Financial Adviser on 29 June 2026 and published on the Authority's website and can be found at the link below.

https://www.nlwa.gov.uk/ourauthority/financial-statements

1.11. The Public inspection period, the period where members of the public can ask to inspect the accounts and related documents such as contracts and invoices, ran from 1 July to 11 August.

1.12. Like many other local Authorities, the preparation of final accounts and the audit of them fell behind following the COVID-19 pandemic. As a result, the Government introduced a series of backstop dates that Local Authorities and their auditors had to conclude the audits. In implementing the backstop deadlines, the Ministry for Housing Communities and Local Government, the National Audit Office (NAO) and the Financial Reporting Council (FRC) have been clear that where authorities receive a disclaimed audit opinion that this should not reflect poorly on the authority.

1.13. The 2023/24 accounts received a disclaimed opinion due to insufficient time to complete the audit before the deadline. The audit of the 2024/25 statements was completed with the exception of fixed assets and the Authority's leases. These statements were therefore also disclaimed. This was a common occurrence across Local Government with Public Sector Audit Appointments Ltd 190 Local Authorities had received a disclaimed opinion and a further 36 Local Authorities were delayed beyond the backstop deadline.

1.14. As a result, additional work is being undertaken to provide assurance in the Authority's financial reporting as part of the 2025/26 audit. For the 2025/26 statements, the audit must be completed by the statutory backstop date of 29 January 2027.

1.15. The Authority's auditors, Forvis Mazars, have issued their audit plan which is published at Appendix D. The plan sets out the responsibilities of the external auditor and outlines their approach to the audit. In addition, a progress report to the audit is contained at appendix E. Forvis Mazars will be present at the meeting to answer any questions that Members may have.

1.16. Further information on the audit plan, the background to the audit and the progress report are provided in section 3 of this paper.

2026/27 Forecast

1.17. **Forecast Outturn:** The information in this paper is based on service and cost assessments available before the midway point of the current financial year. This is

reflected in the degree of certainty which can be provided at this stage. Further forecasts will be provided to Authority meetings in December and February when there will be increased data from the year. The Authority's net expenditure for 2026/27 is currently forecast at £101.5 million, representing a £0.1m favourable variance against the approved budget. Although the overall variance is small, this is made up of some larger forecast underspends, savings and overspends.

1.18. The most significant forecast underspend is within Composting Waste (£0.7m), primarily reflecting substantially lower green waste volumes following the prolonged heatwave, together with lower-than-budgeted food waste tonnages, which have fallen below the growth assumptions incorporated within the budget. A further underspend of £0.6m is forecast within Recycling Initiatives, Waste Prevention and Communications. There are other underspends across a number of areas totalling £0.7m.

1.19. These favourable variances are, however, offset by forecast overspends in other areas. Expenditure on the main waste contract is projected to exceed budget by £1.1m. This is forecast principally because the existing energy from waste plant has operated below its expected performance meaning that more waste that expected has had to be disposed of via third-party waste companies which is more expensive than using LEL. In addition, charges for leases included in the Revenue Cost of Capital Programme are forecast to be £0.5m above budget. Income from the sale of recyclates is also projected to be £0.3m below budget, reflecting prevailing market conditions together with changes in tonnage levels and gate fee assumptions.

1.20. Overall, despite these offsetting pressures, the Authority is forecast to deliver a small net underspend against its approved budget for 2026/27.

1.21. **Waste tonnage**: Forecasts have been reviewed with borough officers and are expected to be slightly lower than budgeted. More detail on waste tonnages is provided in the parallel services and policy paper for this meeting:

1.21.1. Residual waste is forecast to fall by 2,490 tonnes (0.5%) to 531,302 tonnes. The largest percentage reduction is from Hackney, reflecting a reduction in waste delivered from commercial waste contracts.

1.21.2. Dry mixed recycling is forecast at 127,648 tonnes, a marginal increase of 672 tonnes (0.5%).

1.21.3. Organic waste is forecast at 61,339 tonnes, 7,747 tonnes (11.2%) below budget. This is largely due to a 16.6% reduction in garden waste following a prolonged heatwave. Food waste is forecast to be 6.5% below budget, attributable to higher growth assumptions within Barnet's food waste budget not yet being realised.

1.22. The revenue balance at the end of the financial year is forecast to be £2.6m, this surplus may be used to support the 2027/28 levy.

1.23. Further detail of the variances to the 2026/27 budget are included in section 4 of the report.

2027/28 Forecast Budget and Levy

1.24. Section 5 of this report contains the early outlook for 2027/28. This has been prepared prior to a thorough consideration of potential changes to waste services and national and global pressures. It has largely been approached by applying external indices to current costs. The forecast does not therefore include the full impact of funding needed for LEL and does not factor in any further service changes in boroughs. On this basis the preliminary current forecast for net expenditure is £107.3m. This would represent a 5.6% increase on the 2026/27 budget. This includes updated capital financing costs (including Minimum Revenue Provision and borrowing assumptions).

1.25. In this case the levy is forecast to increase by 8.5% compared to 2026/27. This is primarily due to officers forecasting that the underspend in 2026/27 will be lower than the underspend in 2025/26 thus reducing the carry forward of credit. Officers will continue to work to minimise year-on-year fluctuations in the levy.

Table 1: Forecast levies

	Forecast Levy before balances			Balances available			Forecast Levy after balances		
	2026/27 £000s	2027/28 £000s	Increase/ Decrease	2026/27 £000s	2027/28 £000s	Increase/ Decrease	2026/27 £000s	2027/28 £000s	Increase/ Decrease
Barnet	17,821	18,619	4.5%	(728)	(844)	15.9%	17,093	17,775	4.0%
Camden	9,345	9,867	5.6%	(323)	(305)	-5.6%	9,022	9,562	6.0%
Enfield	14,921	16,005	7.3%	(960)	(235)	-75.5%	13,961	15,770	13.0%
Hackney	11,308	11,913	5.4%	(634)	(202)	-68.1%	10,674	11,711	9.7%
Haringey	12,429	13,327	7.2%	(330)	(188)	-43.0%	12,099	13,139	8.6%
Islington	9,381	9,967	6.2%	(892)	(285)	-68.0%	8,489	9,682	14.1%
Waltham Forest	12,714	13,339	4.9%	(763)	(551)	-27.8%	11,951	12,788	7.0%
	87,919	93,037	5.8%	(4,630)	(2,610)	-43.6%	83,289	90,427	8.6%

1.26. Before applying balances, the levy increase is 5.8%. However, the balances currently identified to reduce the levy are lower than in previous years. As a result, the net levy is forecast at £90.5m, 8.6% higher than in 2025/26.

1.27. A further update, including a draft budget and refreshed medium-term forecast, will be presented to the Authority in December 2026. The final budget and levy for 2027/28 will be agreed at the February 2027 meeting, in line with the Inter Authority Agreement agreed in 2016.

Medium term financial strategy

1.28. The planning assumptions included in the forecast for medium term years have been updated to include amendments to Government plans for the waste sector including postponement of the introduction of the Emissions Trading Scheme. Officers will discuss the risks and opportunities identified in the medium-term forecast with Directors of Finance and Environment as well as the Member Finance Working Group in advance of the Authority meeting in December.

Prudential Indicators

1.29. The Authority determines its capital investment needs to meet its service obligations. In doing so, it must have regard to the Prudential Code for Capital Finance in Local Authorities. The Code is designed to ensure that local authorities have capital investment plans that are affordable, prudential and sustainable.

1.30. Approval to increase the delegated authority for the contract to construct the Energy Recovery Facility is requested elsewhere on this agenda and the Prudential indicators have been revised to reflect this.

Other Matters

1.31. Section 8 of the report provides an update on 2 matters:

1.31.1. An allowance for a second independent Member of the Audit & Governance Committee will be included in an update to the Authority's Standing Orders in due course, which will be presented for approval to Members.

1.31.2. An update on discussions with His Majesty's Revenue and Customs (HMRC) relating to Value added tax which has been resolved successfully.

2. 2025/26 OUTTURN

2.1. At the meeting on 13 February 2025, the Authority approved a budget for 2025/26 of £98.5m. Regular updates were provided through the year and in the last update on 12 February 2026, an updated expenditure forecast was presented of £96.7m. This lower forecast expenditure, coupled with the fixed levy income, was expected to result in an expected balance of £4.6m, which would be available at 31 March 2026 to support the 2026/27 levy.

2.2. As at 31 March 2026, the total net expenditure incurred was £93.4m. After taking into account movement in charges for chargeable household and non-household waste, balances carried forward increased to £7.3m. The balance in the February Authority report has already been accounted for when calculating the levy for 2026/27; however, the increased balance of £2.6m can be used to reduce the 2027/28 levy.

2.3. Apart from Residual waste, other waste tonnages have been lower than budgeted for the year. Residual waste compared to budget has decreased by 12,723 tonnes, or 2.3% and compared with 2024/25, a decrease of 24,919 tonnes, or 4.4%. After Hackney discontinued bringing waste in for processing from outside the north London boroughs, the variance to budget is more evenly spread across all constituent boroughs. A detailed breakdown for the tonnage by type and borough can be found in tables A2-A5 in Appendix A.

2.4. The key variances to the budget for the year ending 31 March 2026 were as below:

2.5. **Main waste disposal contract: (-£1.8m)** The costs in this line included the transport and processing or disposal of residual waste (excluding tonnage received at reuse and recycling centres) and other types of waste that are managed by LondonEnergy Ltd (LEL) such as asbestos, tyres, waste electronic and electrical equipment and mattresses.

2.6. The reduction in costs was primarily driven by an overall decrease of 12,723 tonnes (2.3%) in residual waste volumes across all boroughs. However, this financial saving had been partially offset by an increase in waste sent to third-party providers during the year (approximately 20,000 tonnes) due to unplanned outages. Notably, damage to the electricity export cable at Meridian Water in January 2026 reduced capacity at the facility, resulting in more use of third-party providers and boroughs diverting waste directly to external providers at a cost of £1.0m. Additionally, lower contamination levels during the year generated a modest saving of £44k, and landfill tax costs were £0.2m below the budgeted estimate.

2.7. **Composting Waste Services: (-£0.1m).** This budget line captured the cost of transporting and treating food and garden waste. Expenditure was below budget reflecting a £0.2m saving in green waste, driven by a 12.3% reduction in volumes (4,011 tonnes). This was partially offset by an additional £0.1m spend on food waste, linked to a 2.3% increase in volumes (614 tonnes). Most boroughs recorded a modest rise in food waste collections. This trend is likely due to the ongoing expansion of food waste services to businesses, estates, and Flats Above Shops (FLASH) in preparation for Simpler Recycling. Boroughs were implementing these service enhancements at different stages ahead of the government's 1 April 2026 deadline.

2.8. **Material Recycling Facility (MRF) Services: (+£0.3m)** This line reflected the cost of transporting and processing dry mixed recycling. Recycling volumes were 1,658 tonnes (1.3%) above budget, driven primarily by increased tonnage from Waltham Forest and Enfield. There was also an increase in the number of loads that required additional work by the processor before they were accepted due to higher levels of contamination. Additionally, there was an in-year indexation realignment cost that had not been in the budget.

2.9. **Transfer Station and Other Sites: (-£0.8m).** This line contained the budgeted running costs for sites owned by the Authority such as The Hornsey Street and Wembley transfer stations, the Resource Recovery Facility, EcoPark House and other sites owned by the Authority such as Pinkham Way.

2.10. There was a reclassification of costs of £0.5m relating to change in accounting treatment for the rental of the Wembley transfer station, in line with changes required by the CIPFA code of practice. These costs are now reported under 'Revenue Funding – Capital Programme'; £0.1m from lower expenditure at Hornsey Street due to the deferral of planned improvement works to year 2026/27; and £0.2m in savings on new EcoPark operating facilities running costs, driven by reduced insurance expenses. The operating costs of the new facilities were reviewed by NLWA officers alongside counterparts at LEL when they had been operating for a year. A fixed cost for operating and maintaining the facilities has been agreed for the next 12 months, after which a further review will be undertaken and a new agreement established.

2.11. **Corporate and Other Support Service Costs: (-£0.3m)** This cost heading contains Staffing, Governance and other administrative costs to ensure the smooth running of the Authority. A variance of £0.2m is primarily attributable to reduced staff costs, driven by vacant posts and lower charges for the pension fund. Further savings of £0.1m were achieved as several service projects originally scheduled for delivery this year were deferred to the 2025/26 financial year. These will be replanned within the existing 2026/27 budget.

2.12. **Waste Prevention and Communications Programme: (+£0.2m)** In December 2025 the Authority approved additional funding for circular economy. Projects and initiative this financial year included:

2.12.1. Reducing absorbent hygiene product waste through recycling, behaviour change, and public affairs

2.12.2. Scaling waste-prevention and education initiatives to drive measurable behaviour change, enhance circularity, and deliver social value.

2.12.3. Addressing fast fashion and textile waste through research, innovation, and collaborative campaigns with partners

2.13. **Recycling Initiatives: (+£0.1m)** The budget for this line was primarily for an initiative to pay Charity shops that signed up for the scheme for tonnage that was sold in the shops and diverted from the waste stream. This allows boroughs to count this tonnage as part of their recycling rate.

2.14. In December 2025, the Authority approved additional recycling projects and initiatives funded by monies received for Extended Producer Responsibility. The initiatives included the recruitment of Recycling Advisers who work with residents to improve recycling behaviours and support green growth across North London.

While some initiatives have already commenced during the current financial year, others have begun in 2026/27.

2.15. **Carbon Capture: (-£0.3m)** This line captured the costs relating to the feasibility stage of the carbon capture project. The slower pace of spend in the year was primarily due to limited Government direction and delays in policy and actions to advance carbon capture.

2.16. **North London Heat and Power Project revenue costs: (+£0.6m)** Only the costs directly attributable to the project can be capitalised. Other costs have to be charged against the levy. The increased cost in the year related to legal costs associated with the ongoing arbitration with the contactor on the final account for EcoPark South, which are now treated as revenue expenditure as the project is complete and no longer eligible for capitalisation.

2.17. **Revenue Funding – Capital Programme: (+£1.1m)** This budget line contained the cost of paying for the financing costs of the capital programme. It covered the interest paid on borrowing for all assets except the Energy Recovery Facility, which is being capitalised during the construction period. In addition, the Authority is required to make a provision to repay the borrowing in future. This is known as the Minimum Revenue Provision (MRP). It also contains the costs recognised for the Authority's leased assets (Wembley transfer station and the office at Berol House, Tottenham.

2.18. The increased cost in year reflects the transfer of costs for the Wembley Transfer station from capital into revenue mentioned in section 2.10. The transfer is to reflect a change to the accounting rules, requiring leases to be recognised as capital assets. In addition, a further £0.7m has been added to reflect the full cost of Wembley that had been budgeted as capital expenditure.

2.19. **Additional LEL Support (nil variance)** In 2024, the Authority agreed to provide LEL with additional support. The main waste disposal contract is over 10 years old. The pricing structure of the contract has only had minor variations over this time. Over the years, LondonEnergy's (LEL) cost base has changed to reflect the changing requirements of waste and other legislation, and these have not necessarily been reflected in contractual increases that are linked to RPI. In addition, the existing plant has aged and has become more expensive to maintain. In 2025/26, the Authority released £2m from reserves to support this cost and reduce the effect of the increase to the levy.

2.20. **Reuse and Recycling Centre (RRCs): (-£0.1m)** The cost of running the RRCs and the costs associated with disposing and recycling waste were held under this heading.

2.20.1. RRC Residual Waste and Disposal: (+£0.1m) The overspend was spread across sites and is primarily driven by higher-than-budgeted tonnages.

2.20.2. RRC Operating Costs and recycling: (-£0.2m) Site operating costs included net recycling, site operations, and the reuse shop. Income from recyclables is £0.1m below budget due to lower market prices for metals and textiles; however, this was partially offset by reduced recycling costs, driven by lower-than-budgeted tonnages. Site operating costs were slightly below budget, reflecting the cancellation or deferral of enhancement projects to FY26/27. The reuse shop at Kings Road generated a profit of £0.1m.

2.21. **Income from the Sale of Recyclates: (+£0.7m)** The Authority receives a rebate from its dry mixed recyclates processor as part of the contract with them. This is based on the market rate, as published by letsrecycle.com. During the year, the service experienced a 1.3% increase in volumes, equivalent to 1,653 tonnes, primarily driven by Waltham Forest and Enfield. This volume variance generated increased income compared to budgeted tonnage of £0.1m. However, this benefit was fully offset by a £0.8m adverse impact resulting from a net basket price that was lower than budgeted.

2.22. The amount of contaminated material present in DMR has increased from 16.5% in 2021/22 to 22.5% in 2026/27. This increase in contamination has a significant negative impact on the revenue from the sales of recycled materials approximately £14.19 per tonne, circa £1.7m per annum. Officers will provide a detailed contamination update at the December 2026 Authority meeting.

2.23. **Interest on Balances: (-£1.4m)** The Authority earns interest on its cash held by the London Borough of Camden. The Interest earned on these balances was greater than budgeted as balances were greater than anticipated and interest rates fell at a slower pace than expected.

2.24. **Miscellaneous Income (-£0.1m)** This is a payment received from His Majesty's Revenue and Customs for interest on a late repayment of VAT.

2.25. **Extended Producer Responsibility pEPR: (-£0.3m).** This payment is a Government grant received for the first time in 2025/26. The total of the grant in the year was £14.5m. The Authority budgeted for £8.2m of the funding to be added to the maintenance reserve. During the year, Members decided to allocate a further £0.3m to circular economy initiatives and reduce the amount transferred to reserves by the same amount.

2.26. **Contingency (-£2.9m)** The Authority held a contingency in case it was required. No call against the contingency was made during the year.

Borough Balances at 31 March 2026

2.27. The menu price-based levy requires the Authority to apportion all of its costs to the boroughs based on the types of waste and the tonnage delivered by each borough and to hold borough specific balances. This is consistent with the Inter-Authority Agreement (IAA) which provides the legal basis on which costs are allocated.

2.28. The levy is set at the Authority meeting in February each year and boroughs make monthly payments based on this amount. During the year, Authority and borough officers regularly review these tonnages to establish where variances have arisen and the cost impacts of these changes. The updated forecasts are re-run through the menu pricing model to establish how the variances affect each borough and these movements are ringfenced to be added or subtracted from the borough's levy the following year.

2.29. The calculation is split into two parts. The base levy which is calculated on tonnages and the cost of each waste stream, including the Authority's overheads. The RRC levy is calculated on the cost of each RRC site and is apportioned to boroughs using the results of a visitor survey.

2.30. These balances have now been updated based on the 2025/26 outturn position. Table 1 below presents the current balances due or owing to each borough for household waste disposal. These figures should be considered draft until the audit is completed. The calculations behind the base and RRC levies can be found in Tables A6 and A7 in Appendix A

2.31. In February 2026, the forecast used to set the budget and levy for 2026/27 concluded that there might be £4.6m of balances available to reduce borough levies. This unaudited outturn report increases balances to £7.4m, therefore, there is £2.8m that can be used to reduce borough levies for 2027/28.

2.32. A negative balance in the table below represents a balance owed to a borough that can be used to support a future year's levy, but a positive figure is a balance to be recovered through an addition to the levy. Every borough has a negative balance which means that they will all benefit from a carry forward which will help to reduce the 2027/28 levy.

Table 2: Balances to reduce the 2027/28 Levy

	Balances Available
	£'000
Barnet	(844)
Camden	(305)
Enfield	(235)
Hackney	(202)
Haringey	(188)
Islington	(285)
Waltham Forest	(551)
	(2,610)

2.33. **Charges for non-household and Chargeable Household Waste (+£0.167m)** Similarly to the levy, charges for non-household waste (commercial waste) and chargeable household waste (for example from healthcare establishments and schools) are based on the tonnages budgeted to be delivered to the Authority. These are set for the year and paid monthly by boroughs. At the end of the year these are recalculated based on actual costs and tonnages and the balances are settled with boroughs once the audit is complete.

2.34. The balances for each borough can be found in Tables A8 and A9 in Appendix A.

3. 2025/26 EXTERNAL AUDIT

3.1. The Authority's Auditor, Forvis Mazars, have issued the Audit Strategy Memorandum for the 2025/26 financial statements and this is included at Appendix D. The Audit Strategy Memorandum summarises their audit approach, including the significant audit risks, areas of key judgement they have identified and will review during the audit, and an outline of the approach to be taken to gain assurance in the financial statements.

3.2. Like many other local authorities, the preparation of final accounts and the audit of them fell behind following the COVID-19 pandemic. In response to the national backlog, the Government implemented a series of backstop dates for past and future years. These dates define the point at which local authorities must report accounts, with disclaimed or modified audit opinions where audits are incomplete.

3.3. In implementing the backstop deadlines, the Ministry for Housing Communities and Local Government, the National Audit Office (NAO) and the Financial Reporting Council (FRC) have been clear that where authorities receive a disclaimed audit opinion that this should not reflect poorly on the authority.

3.4. The Authority met these backstop dates for all sets of accounts up to 2022/23. The backstop date for 2023/24 was only 3 months later. It was not possible to complete a full audit in such a short time-frame and the accounts had to be disclaimed, meaning that no opinion was provided by the auditors.

3.5. For 2024/25, much of the audit work was completed, however work on fixed assets and work to gain assurance on the opening balances arising from the 2023/24 disclaimed statements could not be completed before the backstop date and the 2024/25 statements also had to be disclaimed.

3.6. Audit work on the 2025/26 statements began in July and is progressing well. Much of the work has already been completed, and it is expected that the audit will be finished in advance of the backstop date of 31 January 2027.

3.7. Forvis Mazars have issued a progress report on the audit and this is contained in Appendix E.

4. 2026/27 FORECAST

4.1. At the meeting on 12 February 2026, the Authority approved a budget for 2026/27 of £101.6m. Based on progress in the early months of the year, the current forecast net expenditure for 2026/27 is £101.5m, a reduction in cost of £0.1m.

4.2. The paragraphs below go into more detail on the key variances. A detailed breakdown of the tonnage by type of waste for each borough can be found in tables A2-5 in Appendix B.

4.3. As part of this forecast, officers have engaged with counterparts across the constituent boroughs to review and update waste tonnage projections. Residual waste is now forecast at 531,302 tonnes, representing a reduction of 2,490 tonnes against the budgeted volume of 533,792 tonnes, and a decrease of 37,417 tonnes compared with the 2025/26 outturn of 549,712 tonnes. The majority of this reduction was recorded during the first three months of the financial year and is consistent with the trend observed over the corresponding period in each of the previous five years.

4.4. Mixed Dry Recycling (MDR) tonnage is forecast at 127,648 tonnes, compared with a budgeted volume of 126,976 tonnes. This represents a marginal increase of 672 tonnes against budget and indicates that recycling volumes are performing broadly in line with the assumptions underpinning the approved budget.

4.5. The key variances to the budget are shown below:

4.5.1. **Composting Waste Services: (-£0.7m)**. Tonnage of 26,744 is forecast to be 5,333 tonnes below budget, primarily due to lower volumes of garden waste received during the warm and dry summer period. This reduction in demand is expected to deliver a corresponding saving against the budget.

Food waste tonnage is forecast at 34,595 tonnes, 2,414 tonnes below the budgeted volume of 37,009 tonnes. This variance is largely attributable to an overestimation of food waste tonnage within Barnet's budget assumptions, which exceeded current forecasts by 2,816 tonnes. Consequently, both food waste tonnage and the associated disposal costs are forecast to be materially lower than the levels assumed in the budget.

4.5.2. **Transfer Stations and Other Sites: (-£0.3m)** The saving is primarily attributable to the closure of Wembley following the fire incident. This has been partially offset by first-year preparatory costs associated with the replacement transfer station at Geron Way. Authority officers will continue to monitor and review the costs of preparing, operating, and maintaining the remaining facilities.

4.5.3. **Corporate and Other Support Services costs (-£0.4m)** Corporate and Other Support Services expenditure is forecast to be £0.4m below budget, reflecting staffing vacancies remaining unfilled for longer than anticipated and the reprofiling of planned expenditure within the Strategic Asset Management and Finance budgets. The resulting underspend represents a combination of workforce-related savings and the deferral of non-pay expenditure into future financial years.

4.5.4. **Waste Prevention and Communications Programme: (-£0.2m)** In December 2025, the Authority approved additional funding for circular economy projects to be financed from reserves, with no impact on the levy. Delays in project delivery have resulted in an underspend in the current year. The projects are now expected to be completed in 2027/28, with the associated expenditure will be managed within the forecast 2027/28 budget envelope.

4.5.5. **Recycling Initiatives: (-£0.3m).** Expenditure on projects funded through Extended Producer Responsibility (pEPR) is below budget due to delays in project commencement, resulting in a temporary underspend in the current year.

4.5.6. **Carbon Capture: (-£0.2m)** Spend is lower than forecast due to delays in Government policy and direction on carbon capture. As a result, programme activity and spend have progressed more slowly.

4.5.7. **Revenue Funding – Capital Programme: (+£0.5m)** This increase reflects recognition of the full lease cost of Wembley.

4.5.8. **Main Waste Disposal Contract (excluding RRC Waste): (+£1.1m)** Residual waste tonnage is forecast to be 2,490 tonnes (0.5%) below budget. However, this reduction has not yet translated into a saving, as increased use of more expensive third-party processing has been required during

periods of unplanned outage caused by turbine failures in the ageing incinerator.

4.5.9. Authority officers will work with borough officers to continuously review the tonnage figures for the rest of the year, and an update will be brought to the December Authority meeting.

4.5.10. **Sale of Recyclates: (+£0.3m)** Although a modest tonnage increase (0.5%) is projected, the revenue expected is lower due to a fall in forecasted market prices resulting from unstable economic environment for example, the war in the middle east and the situation with the Strait of Hormuz. The forecast market prices for the third and fourth quarters will be reviewed in advance of the December Authority meeting.

4.5.11. **North London Heat & Power Project (+0.1m)** These costs relate to work on EcoPark South construction that were incurred after the facility was brought into use.

4.5.12. **MRF Services: (+£0.1m)** These additional costs are driven by the larger than budgeted inflationary increase in the price per tonne of waste compared to the budget.

4.5.13. **Charges for Household & Non-Household Waste: (£0.2m)** Updated forecasts of tonnages from boroughs for chargeable household wastes (from healthcare and schools, for example) and non-household wastes (commercial) indicate that overall, a modest increase in waste will be collected across the financial year. Tables B6 and B7 in Appendix B reflect the forecast expectation for non-household and chargeable waste for each borough.

Borough Balances at 31 March 2027

4.6. 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.

4.7. Tables B8 and B9 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 2027/28 levy in February.

4.8. A table detailing the forecast outturn and how it has changed compared to the budget is included in Appendix B as table B1.

2026/27 Summary

4.9. Allowing for the factors outlined above, the total net expenditure in 2026/27 for the Authority is, at this stage, estimated to be £101.5m. This represents a decrease of £0.1m compared with the budget. After taking balances carried forward from last financial year that were reported in June into account, the net revenue surplus on 31 March 2027 is forecast to be £2.6m.

5. 2027/28 BUDGET FORECAST

5.1. The following paragraphs set out the initial underlying assumptions and discuss significant issues and variances for the coming year. Forecasts will be refined significantly over the coming months as more information is available about waste volumes and costs in the current year. The early emerging forecast 2027/28 levy for each borough is included in table 1 in section 1.23 in the introduction to the report.

5.2. The budget forecast is based on data early in the current financial year and fuller data will be used to present a further review to the December 2026 Authority meeting. At the Authority meeting in February 2027, the Authority must agree its budget and set the levy for 2027/28, in line with the Inter Authority Agreement agreed in 2016.

Opening position

5.3. The revenue balance at 31 March 2026 and the variations reported in this review indicate that the Authority will have balances available to reduce the levy in 2027/28 of £2.6m.

5.4. The Authority's net expenditure is forecast to be £107.3m. This is 5.6% higher than the budget for 2026/27. The following paragraphs set out the underlying assumptions and discuss significant issues and variances. The budget for 2027/28 compared with 2026/27 is laid out in table B1 in appendix B.

Inflation

5.5. Most of the prices in the Authority's contract with LEL are updated 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 2026 RPI at 4.2% and the Consumer Price Index of 3.4%. Inflation assumptions will be reviewed and updated for the December and February budget and levy meetings.

Transport and Disposal

5.6. The 2027/28 transport and disposal budget is broadly in line with the latest forecast for 2026/27. The tonnage figures have been discussed with borough officers and the impacts are therefore tailored to each borough's circumstances. These will be

reviewed again in advance of the December meeting to ensure that changes that boroughs might be planning, are reflected in the budget forecast.

LEL Support

5.7. The Authority will continue to provide support to LEL to ensure that they can continue to maintain the Energy from Waste facility, which is now over 50 years old, until the new Energy Recovery Facility is brought into use. Officers are currently working with counterparts in LEL to review the additional costs for maintenance and other costs to ensure that there is sufficient resilience within the company. This is being managed as "Project 60" (given this name as the existing facility will be 60 years old in 2030). An update on this work will be brought to the Authority meeting in December in association with advising Members on LEL's budget for 2027. Proposals will be discussed with Directors of Finance and Environment in advance of that meeting.

Landfill Tax

5.8. The rate of landfill tax for 2026/27 is £130.75 per tonne. The rate for 2027/28 has not yet been announced, for the purposes of this forecast, it is assumed that it will rise in line with RPI.

Organic Waste and Materials Recovery Facility Services

5.9. The budget forecast for 2027/28 reflects the latest estimates received from the boroughs for organic waste. These will be reviewed again in forthcoming forecasts.

Reuse and Recycling Centres

5.10. The costs of running the Reuse and Recycling Centres have been updated to reflect any known costs and estimated income from recyclates. The operating costs for the Edmonton RRC are captured under the Transfer Stations & Other sites. It is assumed that the increases and decreases in the cost of operating the RRCs reported in 2.20 will continue and tonnages used to inform the forecast for 2027/28 are similar to 2026/27.

5.11. The exception to the above paragraph is Barrowell Green RRC, the costs of which fall principally to Enfield. It is operated by LEL for nine months in the current year and will be operated for 12 months in 2027/28. Enfield will enjoy a saving in other budgets outweighing the increased cost to NLWA.

Transfer stations

5.12. The budget includes the full-year operating costs of processing through the facilities at EcoPark South and Hornsey Street and maintenance of Pinkham Way.

5.13. In addition, the budget includes funding to support the development of the Geron Way transfer station, a new facility being delivered by the London Borough of Barnet and currently scheduled to become operational in September 2027. Authority officers remain in regular contact with Barnet to monitor progress and any changes to the expected opening date.

Carbon Capture and Storage

5.14. The budget and medium plan includes an estimated cost towards preparing the outline business case for a carbon capture and storage solution at the new energy recovery facility.

Revenue Cost of Capital Programme

5.15. The cost of funding the capital programme includes both the interest on loans taken to fund the purchase and construction of assets that have been brought into use. In addition, it includes the charge made for the Minimum Revenue Provision, an amount set aside each year to ensure the repayment of debt when it falls due. This is in line with the Minimum Revenue Provision policy approved by the Authority in February 2026.

Sale of Recyclates

5.16. The average basket price used to derive the rebate on the sale of recyclates for 2026/27 is lower than previously forecast. At this stage, the rate used for 2027/28 assumes the same. We will monitor these rates, and ensure the latest picture is included in all forthcoming forecasts.

Extended Producer Responsibility

5.17. The Extended Producer Responsibility (EPR) grant funding was £13.5m in 2026/27. The level of funding is yet to be announced for 2027/28 however the forecast includes an assumption that the grant will fall by £0.5m to £13m in 2027/28 and future years, although there has been no notable reduction in packaging yet following the introduction of EPR.

Non-Household Waste Charges

5.18. The Authority anticipates that boroughs will deliver 77,053 tonnes of residual waste, 14,895 tonnes of dry recyclable waste and 2,739 tonnes of organic waste to the Authority in 2027/28.

Chargeable Household Waste

5.19. The Authority forecasts that it expects to receive 13,614 tonnes of residual waste, 2,110 tonnes of dry mixed recycling and 1,147 tonnes of organic waste in 2027/28.

Contingency

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

Levy

5.21. The table in paragraph 1.7 sets out the current estimate of the potential 2027/28 levy for each borough. It reflects the forecast balances at 31 March 2026 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

5.22. Subject to future Member decisions and the variations included in this review, the Authority's balances at the end of March 2027 are forecast to be £2.6m. This is slightly lower that the balances available at this stage in 2025 which were £3.396m. The budget for 2027/28 is still at a preliminary stage of development. A further review of the Authority's financial performance in 2026/27 and forecast for 2027/28 will be presented to the December meeting.

6. MEDIUM TERM FORECAST

6.1. As reported to the Authority in June 2025, there are a number of uncertainties in the wider operating outlook including inflation, legislative reform, ensuring business continuity, particularly with the age of the existing Energy from Waste plant operated by LEL, operating costs and the future revenue impact of the current capital investment.

Inflation

6.1.1. The forecast includes assumptions for inflation however the further into the future, the more uncertain these forecasts become. Therefore, after December 2026, it is assumed that inflation lies within the government targets (2.5% for the RPI and 2.0% for the Consumer Price Index). For every 1% difference from this the equivalent cost would be movement of £1m to the Authority.

Legislative reform

6.1.2. Since the budget and the medium-term financial strategy was published in February 2026 the Government has confirmed that the planned implementation of the Emissions Trading Scheme has been deferred. Officers are monitoring plans to implement the Deposit Return Scheme.

6.1.3. Authority officers continue to work in collaboration with external stakeholders to lobby on the side of affordability and practicality on these changes. However, at this stage, the uncertainty means that nothing has been included in the forecast for these items.

Business Continuity

6.1.4. As mentioned in paragraph 5.7, Authority officers are working with LEL counterparts to review the support provided to LEL in the period until the new Energy Recovery Facility is operational and a new operating contract is in place. This will support the Authority's objectives.

Operating Costs

6.1.5. As reported previously to the Authority, insurance costs in the waste sector have increased significantly and officers are working with LEL counterparts to explore strategies for future insurance of facilities.

Revenue Impact of Capital Investment

6.1.6. The current forecast includes an estimate of the interest cost and Minimum Revenue Provision (MRP) for EcoPark South facilities. These estimates may change slightly until the final costs are agreed.

APPROACH

6.2. The MTFS not only provides a roadmap for maintaining financial stability and delivering value for money but also reinforces NLWA's role as a leader in sustainable waste management. Through prudent budgeting, risk mitigation, and strategic investment—particularly in the North London Heat and Power Project (NLHPP) and other critical infrastructure—the Authority is well-positioned to meet the evolving needs of its constituent boroughs and communities.

6.3. As financial forecasts are developed and refined, officers propose to share a series of updates throughout the year. Consistent with the approach to date, this will be in an open and transparent manner and scrutiny, and challenge will be invited in the spirit of partnership working. The following dates set out key milestones for the year with engagement planned around these:

6.3.1. Assurance/challenge session with borough directors and members in November 2026

6.3.2. Agree LEL 2026 budget and provide an updated MTFS and draft budget and levy for 2027/28: December 2026 Authority Meeting

6.3.3. Agree NLWA 2027/28 budget: February 2027 Authority Meeting

6.4. A detailed draft budget for 2027/28 is included in appendix C.

6.5. Officers will review tonnages for 2027/28 in advance of the next Authority meeting in December to refine these forecasts and provide indicative levies and charges by borough for these years. These will be shared with the Members Finance Working Group and borough Directors in advance of this meeting.

7. PRUDENTIAL INDICATORS

7.1. The Authority determines its capital investment needs to meet its service obligations. In doing so, it must have regard to The Prudential Code for Capital Finance in Local Authorities. The Code is designed to ensure that local authorities have capital investment plans that are affordable, prudential and sustainable. To demonstrate that they have fulfilled these objectives the Code sets out indicators that must be used.

Indicators for Affordability

7.2. The Authority's capital programme for 2026/27 to 2029/30 includes:

7.2.1. Continued construction of the Energy Recovery Facility at the Edmonton EcoPark, part of the NLHPP project is being reviewed due to delays.

7.2.2. Acquisition of a waste transfer station should the opportunity arise, small scale enhancements at the Resource Recovery Facility and refurbishment work at existing RRC sites.

7.2.3. Based on this capital programme of £1,048m (2026/27 to 2029/30) the following ratios of financing costs (i.e. interest and minimum revenue provision) to net revenue stream are recommended for approval. It should be noted that for the Authority, the net revenue stream is represented by the levy: -

Ratio of Financing Costs to Net Revenue Stream					
	2025/26 Actual	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**
	21.46%	19.47%	17.48%	17.48%	18.02%

7.2.4. The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have been previously taken by the Authority, reported in February 2026, are:

Impact on the NLWA Levy					
	2025/26 Actual	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**
£m	0.342	-0.390	-0.046	1.296	17.797

7.2.5. The impact on the levy reflects changes to the financing charges included in the 2026/27 forecast compared to similar numbers in 2026/27 budget in February 2026. This is driven by changes caused by movements to leased properties included in the charges.

7.3. **Indicators for Prudence**

7.3.1. The Capital Financing Requirement measures the underlying need to borrow. The Code provides that over the medium-term net external borrowing does not exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for the current and next two years. This provides assurance that borrowing will be incurred only for capital purposes. The Authority met this requirement in 2025/26 and no difficulties are envisaged in 2026/27 or subsequent years. The CFR reflects the cumulative capital expenditure less any provision made for the minimum revenue provision in year. The following Capital Financing Requirements are therefore recommended for approval:

Capital Financing Requirement					
	2025/26 Actual	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**
£m	1,138	1,565	1,869	2,021	2,140

7.3.2. The Code requires that treasury management is carried out in accordance with good practice. The prudential indicator is that a local authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. Members will be aware that the Authority's cash resources are pooled with those of London Borough of (LB) Camden and that LB Camden undertakes treasury management activities on the Authority's behalf. Camden has adopted this Code, and its treasury management policies and procedures conform to the Code's requirements. Officers are satisfied that through the arrangement that the Authority has with LB Camden that treasury management activities undertaken on behalf of the Authority also meet the requirements of this Code.

7.4. **Indicators for capital expenditure, external debt and treasury management**

7.4.1. Planned capital expenditure for 2026/27 to 2029/30 is to support the building of a new Energy Recovery Facility and to plan for the demolition of the existing Energy from Waste facility at the EcoPark. There will be a small amount of capital expenditure to enhance the facilities that have already been constructed.

7.4.2. The estimates of capital expenditure below are recommended for approval:

Capital Expenditure					
	2025/26 Actual	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
£m	171	439	316	163	131

7.4.3. The following two Prudential Indicators (PI's) govern the Authority's ability to borrow funds in the money markets or from the Public Works Loans Board. They must be set at a level that allows headroom for the capital programme to be achieved. The following authorised limits for external debt are recommended for approval:

Authorised Limit for External Debt					
£m	2025/26 Actual	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Borrowing	1,500	1,590	1,870	2,020	2,150
Other long term liabilities	1	1	1	1	1

7.4.4. The following operational boundaries for external debt are recommended for approval:

Operating Boundary for External Debt					
£m	2025/26 Actual	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Borrowing	1,500	1,590	1,870	2,020	2,150
Other long term liabilities	1	1	1	1	1

7.4.5. The following prudential indicators are relevant for setting a treasury management strategy. The Authority has currently only taken fixed interest loans, but the indicators are set at a level that will enable the Authority to react to changing circumstances that may favour the use of variable rate loans.

Net Principal re Fixed Rate Borrowing					
	2025/26 Actual	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
£m	1,500	1,590	1,870	2,020	2,150

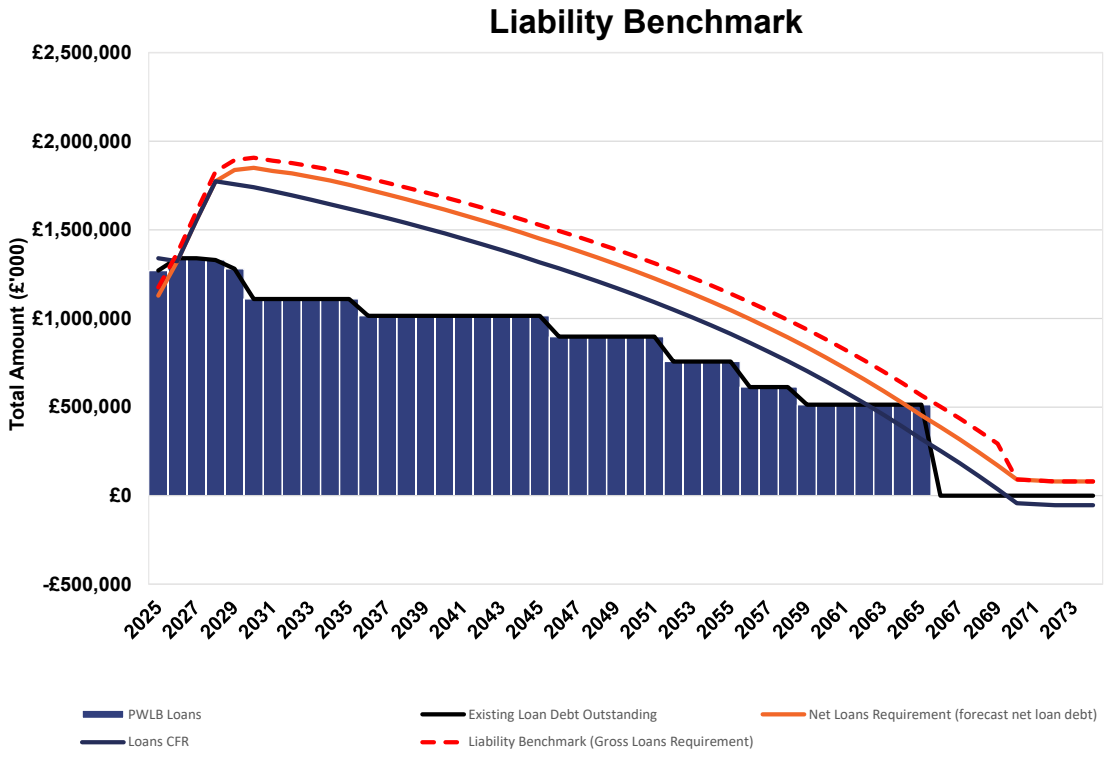
Net Principal re Variable Rate Borrowing					
	2025/26 Actual	2026/27 Estimate	2027/28 Estimate	2027/28 Estimate	2029/30 Estimate
£m	0	320	600	750	560

7.4.6. In order to ensure flexibility in the loans that might be taken it is recommended that the following maturity structure of fixed rate

borrowing is set for 2026/27. Given the Authority's particular investment needs, the limits provide maximum flexibility for short-term borrowing.

Maturity Structure of fixed rate borrowing during 2026/27	Upper Limit %	Lower Limit %	Current %
Under 12 months	100	0	0
12 months and within 24 months	100	0	1
24 months and within 5 years	100	0	16
5 years and within 10 years	100	0	0
10 years and above	100	0	83

7.4.7. The liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. The benchmark shows the gap between the authority's outstanding loans at future points in time and the authority's need to for borrowing (the benchmark). It can be used to identify the debt maturities needed for new borrowing in order to match to future liabilities.



7.4.8. The indicators will be kept under review.

8. OTHER MATTERS

Independent Audit & Governance Committee Member

8.1. The Authority has had an independent Member of the Audit and Governance Committee since 2024. This was a recommendation of a Peer Review that was undertaken in 2023. The current Member is a Section 151 officer of a south London borough. Cipfa recommends that all English local authority audit committees include two co-opted independent members to increase the Committee's skills and experience and reinforce the Committee's independence. While the Cipfa Position Statement on Audit Committees in Local Authorities does not represent a legal requirement, it is considered good practice and is supported by the Ministry of Housing, Communities and Local Government. The position statement sets out the advantages of a second independent Member:

8.1.1. To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting;

8.1.2. To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.

8.1.3. Help to achieve a non-political focus on governance, risk, and control matters.

8.1.4. Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience and increase the resilience and continuity of the committee.

8.1.5. It shows a commitment to supporting and investing in the committee.

8.2. An allowance for a second independent Member of the Audit & Governance Committee will be included in an update to the Authority's Standing Orders, which will be presented for approval to Members in due course.

Value Added Tax

8.3. At the February 2026 Authority meeting, Members were advised that His Majesty's Revenue and Customs (HMRC) has carried out a review in relation to a contract between the Authority and one of its suppliers. As a result of this review and HMRC's view that the arrangements in the contract constitute a dual rather than a single supply of services. This would mean that the Authority and the supplier would have to issue separate invoices for the two supplies and record the input and output VAT rather than issuing one invoice for the net amount.

8.4. Officers have engaged openly and constructively with both HMRC and the contractor and have reached agreement that the process will be changed going forwards. HMRC have agreed that no back-dated penalties or charges will be applied and have refunded all monies paid under the assessment that was issued.

9. CONCLUSION

9.1. Allowing for the improvement in the revenue balances at 31 March 2026 and the 2026/27 variations, this review indicates that the Authority's balances at 31 March 2026 will have increased and it is anticipated that there might be £2.6m available to be offset against the 2027/28 levy.

10. EQUALITIES IMPLICATIONS

10.1. 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.

11. COMMENTS OF THE LEGAL ADVISER

11.1. The Authority must have regard to the Local Government Act 2003, the CIPFA Prudential Code, and the Treasury Management Code when setting and revising prudential indicators. Members must be satisfied that borrowing and capital expenditure remain affordable, prudent and sustainable.

11.2. In regard to the proposed arrangements to appoint a second Independent Member of the Audit and Governance Committee, the Authority must have regard to the Local Audit and Accountability Act 2014 and relevant guidance. Any Independent Member appointed to the Audit and Governance Committee will serve in a non-voting capacity in accordance with section 13 of the Local Government and Housing Act 1989 and the Authority's Standing Orders.

List of documents used:
Report to the Authority 12 February 2026 – Budget and Levy 2026/27
2026/27 budgetary control working papers.

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APPENDIX A 2025/26 OUTTURN TABLES

Table A1 – 2025/26 Unaudited Outturn

	Full Year Actual £'000	Budget £'000	February Forecast £'000	Variance to Budget £'000	Variance to Forecast £'000
Expenditure					
Main Waste Disposal Contract (ex RRC Waste)	47,134	48,888	46,457	(1,754)	677
Composting Waste Services	1,540	1,696	1,539	(156)	1
MRF Services	14,481	14,185	14,600	297	(119)
Transfer Station and Other Sites	10,111	10,959	9,900	(848)	211
Corporate and Other Support Service Costs	5,787	6,041	6,485	(254)	(698)
Waste Prevention and Communications Programme	894	723	927	170	(33)
Recycling Initiatives	362	211	474	151	(112)
Carbon Capture	210	491	222	(281)	(12)
North London Heat and Power Project	744	92	552	652	192
Revenue Funding – Capital Programme	17,421	16,323	17,061	1,099	360
	98,684	99,609	98,216	(925)	468
Additional LEL support					
LEL Support	7,000	7,000	7,000	(0)	(0)
Release of Maintenance Provision	(5,000)	(5,000)	(5,000)	0	(0)
	2,000	2,000	2,000	(0)	(0)
Reuse and Recycling Centres Expenditure					
Residual Waste Disposal	1,412	1,363	1,445	49	(34)
Operating Costs	4,882	5,015	4,987	(133)	(105)
	6,294	6,378	6,433	(84)	(139)
Income					
Rents	(163)	(161)	(163)	(2)	0
Sale of Recyclates	(4,976)	(5,667)	(4,885)	691	(91)
Interest on Balances	(1,712)	(289)	(1,059)	(1,423)	(653)
Miscellaneous Income	(130)	0	(39)	(130)	(91)
Extended Producer Responsibility	(6,558)	(6,270)	(6,725)	(287)	168
	(13,538)	(12,386)	(12,871)	(1,151)	(667)
Net Expenditure	**93,440**	**95,600**	**93,778**	**(2,160)**	**(338)**
Contingency	0	2,912	2,912	(2,912)	(2,912)
Total Net Expenditure	**93,440**	**98,512**	**96,690**	**(5,072)**	**(3,250)**
Financed By					
Use of Balances	(7,323)	(4,440)	(7,323)	(2,882)	0
Charges to Boroughs (Non-household waste)	(10,445)	(11,067)	(11,209)	622	764
Charges to Boroughs (Chargeable Household Waste)	(1,883)	(1,892)	(1,678)	9	(205)
2022/23 Levy - Base Element	(74,483)	(74,483)	(74,483)	0	0
- RRC Element	(6,629)	(6,629)	(6,629)	(0)	(0)
Total Levy	**(81,112)**	**(81,112)**	**(81,112)**	**(0)**	**(0)**
Total Resources Available	**(100,763)**	**(98,512)**	**(101,321)**	**(2,251)**	**559**
Estimated Additional Revenue Balances at 31 March	**(7,323)**	**(0)**	**(4,632)**	**(7,323)**	**(2,691)**

Table A2 – 2025/26 Residual Waste tonnage

	2024/25 Actual Tonnes	2025/26 Budget Tonnes	2025/26 Actual Tonnes	Change Tonnes	Change %
Barnet	105,195	108,438	105,935	(2,503)	(2.3%)
Camden	69,377	69,650	69,134	(516)	(0.7%)
Enfield	87,850	88,925	86,470	(2,455)	(2.8%)
Hackney	103,461	87,653	86,304	(1,349)	(1.5%)
Haringey	69,274	70,012	69,728	(284)	(0.4%)
Islington	68,640	70,080	68,630	(1,450)	(2.1%)
Waltham Forest	64,921	61,764	57,598	(4,166)	(6.7%)
	568,719	**556,522**	**543,800**	**(12,723)**	**(2.3%)**

Table A3 – 2025/26 Food Waste Tonnage

	2024/25 Actual Tonnes	2025/26 Budget Tonnes	2025/26 Actual Tonnes	Change Tonnes	Change %
Barnet	0	0	0	0	N/A
Camden	2,703	2,840	3,104	264	9.3%
Enfield	6,691	6,628	6,827	199	3.0%
Hackney	4,503	4,576	4,541	(35)	(0.8%)
Haringey	3,602	3,672	3,828	155	4.2%
Islington	2,599	2,421	2,734	313	12.9%
Waltham Forest	2,802	6,996	6,714	(282)	(4.0%)
	22,900	**27,134**	**27,748**	**614**	**2.3%**

Table A4 – Garden Waste Tonnage

	2024/25 Actual Tonnes	2025/26 Budget Tonnes	2025/26 Actual Tonnes	Change Tonnes	Change %
Barnet	10,621	11,057	9,528	(1,529)	(13.8%)
Camden	1,751	1,920	1,794	(126)	(6.6%)
Enfield	6,566	6,527	5,994	(534)	(8.2%)
Hackney	1,677	1,506	1,407	(99)	(6.6%)
Haringey	2,660	2,682	2,634	(49)	(1.8%)
Islington	1,356	1,461	1,348	(113)	(7.7%)
Waltham Forest	1,351	7,392	5,832	(1,560)	(21.1%)
	25,983	**32,546**	**28,536**	**(4,011)**	**(12.3%)**

Table A5 – Mixed Dry Recycling tonnage

	2024/25 Actual Tonnes	2025/26 Budget Tonnes	2025/26 Actual Tonnes	Change Tonnes	Change %
Barnet	25,002	25,695	24,984	(710)	(2.8%)
Camden	15,843	17,145	16,044	(1,101)	(6.4%)
Enfield	17,346	17,507	18,695	1,188	6.8%
Hackney	16,680	16,855	17,218	363	2.2%
Haringey	16,357	16,485	16,548	63	0.4%
Islington	14,448	14,456	14,483	27	0.2%
Waltham Forest	17,344	17,711	19,539	1,828	10.3%
	123,021	**125,853**	**127,511**	**1,658**	**1.3%**

Table A6 RRC Levy

	RRC Balances at 1 April 2025	Total Operating Costs – 2025/26 Original Budget	Total Operating Costs - 2025/26 Actual	Change in 2025/26 Total Operating Costs	RRC Balances at 31 March 2026 (Column 1 plus 4)
	1	**2**	**3**	**4**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Barnet	(4)	1,583	1,571	**(13)**	**(16)**
Camden	36	822	837	**15**	**51**
Enfield*	28	308	311	**3**	**31**
Hackney	(8)	307	311	**5**	**(4)**
Haringey	(24)	1,256	1,220	**(35)**	**(59)**
Islington	(23)	1,020	1,025	**5**	**(18)**
Waltham Forest	(33)	1,334	1,345	**11**	**(22)**
Total	**(28)**	**6,630**	**6,621**	**(9)**	**(36)**

Table A7 – Base Levy

	Balance at 1 April 2025	2025/26 Budget Levy Costs	2025/26 Levy Costs Actual	Change in 2025/26 Levy Costs	Balance at 31 March 2026 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	(436)	15,278	14,313	(966)	(1,402)
Camden	(452)	7,764	7,547	(217)	(669)
Enfield	(547)	12,624	11,876	(747)	(1,294)
Hackney	(415)	10,151	9,786	(365)	(780)
Haringey	(253)	10,019	9,607	(412)	(665)
Islington	(341)	8,420	7,550	(871)	(1,211)
Waltham Forest	(411)	10,227	9,373	(855)	(1,266)
Total	**(2,855)**	**74,483**	**70,051**	**(4,433)**	**(7,287)**

Table A8 – Non-Household Waste Charges

	2025/26 Budget Estimate	2025/26 Actual	Repayment due (to) / from borough
	£'000	£'000	£'000
Barnet	1,454	1,305	(149)
Camden*	3,051	2,728	(323)
Enfield	1,006	939	(68)
Hackney*	2,665	2,297	(368)
Haringey *	411	404	(7)
Islington *	2,299	2,615	316
Waltham Forest	181	158	(24)
Total	**11,067**	**10,445**	**(622)**

*Including tonnages and income from non-household recyclable waste

The over or under payments will be collected from or repaid to boroughs at the conclusion of the external audit.

Table A9 – Chargeable Household Waste

	2025/26 Budget Estimate £'000	2025/26 Actual £'000	Repayment due (to) / from borough £'000
Barnet	289	269	(20)
Camden*	119	115	(5)
Enfield	186	179	(8)
Hackney*	681	743	62
Haringey *	337	337	(0)
Islington *	279	240	(39)
Waltham Forest +	0	0	0
Total	**1,892**	**1,883**	**(10)**

*Including tonnages and income from non-household recyclable waste

+Waltham Forest has indicated that it does not collect such waste

APPENDIX B FY26/27 FORECAST VS BUDGET

Table B1 2026/27 Forecast Outturn

	2026/27 Budget	2026/27 Q2 Forecast	Variance to Budget
	£'000	£'000	£'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	46,262	47,404	1,142
Composting Waste Services	3,546	2,831	(716)
MRF Services	14,775	14,876	101
Transfer Station and Other Sites	11,492	11,164	(328)
Corporate and Other Support Service Costs	6,984	6,606	(378)
Waste Prevention and Communications Programme	1,750	1,543	(206)
Recycling Initiatives	919	657	(262)
Carbon Capture	350	121	(229)
North London Heat and Power Project	154	269	116
Revenue Funding – Capital Programme	17,273	17,725	452
	103,505	103,198	(308)
Additional LEL Support			
LEL Support	7,000	7,000	(0)
Release of Maintenance Provision	0	0	0
	7,000	7,000	(0)
Reuse and Recycling Centres Expenditure			
Residual Waste Disposal	1,562	1,575	14
Operating Costs	5,863	5,793	(70)
	7,425	7,368	(57)
Income			
Rents	(167)	(169)	(2)
Sale of Recyclates	(4,787)	(4,506)	281
Interest on Balances	(839)	(839)	(0)
Miscellaneous Income	0	0	0
Extended Producer Responsibility	(13,509)	(13,509)	0
	(19,302)	(19,023)	279
Net Expenditure	**98,628**	**98,543**	**(86)**
Contingency	2,973	2,973	0
Total Net Expenditure	**101,601**	**101,515**	**(86)**
Financed By			
Use of Balances	(4,632)	(7,323)	(2,691)
Charges to Boroughs (Non-household waste)	(11,662)	(11,505)	157
Charges to Boroughs (Chargeable Household Waste)	(2,020)	(2,010)	10
2024/25 Levy - Base Element	(75,782)	(75,782)	0
- RRC Element	(7,506)	(7,506)	0
Total Levy	(83,288)	(83,288)	0
Total Resources Available	**(101,601)**	**(104,125)**	**(2,524)**
Estimated Additional Revenue Balances at 31 March	**0**	**(2,609)**	**(2,609)**

Table B2 – 2026/27 residual waste tonnage forecast

	2025/26 Actual Tonnes	2026/27 Budget Tonnes	2026/27 Forecast Tonnes	Change Tonnes	Change %
Barnet	105,935	97,313	97,992	679	0.7%
Camden	69,134	68,637	68,101	(536)	(0.8%)
Enfield	86,470	84,750	85,147	397	0.5%
Hackney	86,304	86,660	83,780	(2,880)	(3.3%)
Haringey	69,728	69,185	68,767	(418)	(0.6%)
Islington	68,630	67,483	69,457	1,974	2.9%
Waltham Forest	57,598	59,764	58,058	(1,706)	(2.9%)
	543,800	**533,792**	**531,302**	**(2,490)**	**(0.5%)**

Table B3 – 2026/27 Food waste tonnage forecast

	2025/26 Actual Tonnes	2026/27 Budget Tonnes	2026/27 Forecast Tonnes	Change Tonnes	Change %
Barnet	0	8,854	6,038	(2,816)	N/A
Camden	3,104	3,013	3,065	52	1.7%
Enfield	6,827	6,732	7,017	285	4.2%
Hackney	4,541	4,414	4,616	202	4.6%
Haringey	3,828	3,917	3,902	(15)	(0.4%)
Islington	2,734	2,979	2,919	(60)	(2.0%)
Waltham Forest	6,714	7,100	7,038	(62)	(0.9%)
	27,748	**37,009**	**34,595**	**(2,414)**	**(6.5%)**

Table B4 – 2026/27 Garden waste tonnage forecast

	2025/26 Actual Tonnes	2026/27 Budget Tonnes	2026/27 Forecast Tonnes	Change Tonnes	Change %
Barnet	9,528	11,058	8,861	(2,197)	(19.9%)
Camden	1,794	1,775	1,742	(33)	(1.8%)
Enfield	5,994	6,550	4,976	(1,574)	(24.0%)
Hackney	1,407	1,423	1,299	(124)	(8.7%)
Haringey	2,634	2,651	2,500	(151)	(5.7%)
Islington	1,348	1,460	1,404	(56)	(3.8%)
Waltham Forest	5,832	7,160	5,962	(1,198)	(16.7%)
	28,536	**32,077**	**26,744**	**(5,333)**	**(16.6%)**

Table B5 – 2026/27 MDR tonnage forecast

	2025/26 Actual Tonnes	2026/27 Budget Tonnes	2026/27 Forecast Tonnes	Change Tonnes	Change %
Barnet	24,984	24,864	24,862	(2)	(0.0%)
Camden	16,044	15,788	15,751	(37)	(0.2%)
Enfield	18,695	18,660	18,818	158	0.8%
Hackney	17,218	16,934	17,344	410	2.4%
Haringey	16,548	16,458	16,455	(3)	(0.0%)
Islington	14,483	14,598	14,551	(47)	(0.3%)
Waltham Forest	19,539	19,674	19,867	193	1.0%
	127,511	**126,976**	**127,648**	**672**	**0.5%**

Table B6 – Non-household waste charges by borough

	2026/27 Budget Estimate £'000	2026/27 Current Forecast £'000	Repayment due (to) / from borough £'000
Barnet	1,454	1,359	(95)
Camden*	3,051	3,171	120
Enfield	1,006	1,006	(0)
Hackney*	2,665	2,512	(153)
Haringey *	411	250	(161)
Islington *	2,299	3,010	711
Waltham Forest	181	197	16
Total	**11,067**	**11,505**	**438**

* Including income from non-household recyclable wastes.

Table B7 – Chargeable household waste charges by borough

	2026/27 Budget Estimate £'000	2026/27 Current Forecast £'000	Repayment due (to) / from borough £'000
Barnet	289	275	(14)
Camden*	119	124	5
Enfield	186	217	31
Hackney*	681	768	87
Haringey *	337	348	11
Islington *	279	278	(1)
Waltham Forest	0	0	0
Total	**1,891**	**2,010**	**118**

* Including income from non-household recyclable wastes.

Table B8 - RRC Balances available at year end

Balances with brackets at 31 March 2026 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.

	Revised RRC Balances at 1 April 2026	Total Operating Costs – 2026/27 Original Budget	Total Operating Costs - 2026/27 Current Forecast	Change in 2027/27 Total Operating Costs	Estimated RRC Balances at 31 March 2027 (Column 1 plus 4)
	1 £'000	2 £'000	3 £'000	4 £'000	£'000
Barnet	(65)	1,634	1,540	**(94)**	**(160)**
Camden	(4)	904	912	**8**	**5**
Enfield*	(18)	1,097	1,079	**(18)**	**(36)**
Hackney	(3)	327	322	**(4)**	**(7)**
Haringey	0	1,129	1,145	**16**	**16**
Islington	(12)	973	945	**(27)**	**(39)**
Waltham Forest	(14)	1,442	1,528	**86**	**72**
Total	**(116)**	**7,506**	**7,472**	**(34)**	**(150)**

Table B9 - Base levy balances by borough

Balances with brackets at 31 March 2026 indicate an estimate of balances owed to the borough by the Authority.

	Revised balance at 1 April 2026	2026/27 Budget Levy Costs	2026/27 Levy Costs - Current Forecast	Forecast Change in 2026/27 Levy Costs	Estimated Balance at 31 March 2027 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	(624)	15,459	15,399	(60)	(684)
Camden	(290)	8,118	8,098	(20)	(310)
Enfield	(284)	12,864	12,950	86	(198)
Hackney	(147)	10,347	10,298	(48)	(195)
Haringey	(394)	10,970	11,159	189	(204)
Islington	(326)	7,517	7,596	80	(246)
Waltham Forest	(511)	10,509	10,396	(112)	(623)
Total	**(2,575)**	**75,782**	**75,896**	**114**	**(2,461)**

APPENDIX C MEDIUM TERM FORECAST

	2026/27 Q2 Forecast	2027/28 Forecast	2028/29 Forecast
	£'000	£'000	£'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	47,404	49,570	51,575
Composting Waste Services	2,831	2,950	3,064
MRF Services	14,876	15,456	16,054
Transfer Station and Other Sites	11,164	12,791	14,313
Corporate and Other Support Service Costs	6,606	7,129	7,233
Waste Prevention	1,543	1,782	1,799
Recycling Initiatives	657	826	190
Carbon Capture	121	300	500
North London Heat and Power Project	269	176	149
Revenue Funding – Capital Programme	17,725	17,323	15,897
	103,198	108,304	110,774
Additional LEL Support			
LEL Support	7,000	7,000	7,000
Release of Maintenance Provision	0	0	0
	7,000	7,000	7,000
Reuse and Recycling Centres Expenditure			
Residual Waste Disposal	1,575	1,632	1,695
Operating Costs	5,793	6,149	6,387
	7,368	7,781	8,082
Income			
Rents	(169)	(176)	(183)
Sale of Recyclates	(4,506)	(4,838)	(4,983)
Interest on Balances	(839)	(839)	(871)
Miscellaneous Income	0	0	0
Extended Producer Responsibility	(13,509)	(13,000)	(13,000)
	(19,023)	(18,853)	(19,037)
Net Expenditure	**98,543**	**104,233**	**106,819**
Contingency	2,973	3,085	3,136
Total Net Expenditure	**101,515**	**107,317**	**109,956**
Financed By			
Use of Balances	(7,323)	(2,609)	0
Charges to Boroughs (Non-household waste)	(11,505)	(12,156)	(12,552)
Charges to Boroughs (Chargeable Household Waste)	(2,010)	(2,124)	(2,193)
2024/25 Levy - Base Element	(75,782)	(82,795)	(87,128)
- RRC Element	(7,506)	(7,633)	(8,083)
Total Levy	(83,288)	(90,427)	(95,211)
Total Resources Available	**(104,125)**	**(107,317)**	**(109,956)**
Estimated Additional Revenue Balances at 31 March	**(2,609)**	**0**	**(0)**

Report Ends



Audit Strategy Memorandum

North London Waste Authority – Year ending 31 March 2026

For 25th June Audit and Governance Committee

forvis mazars

North London Waste Authority
Unit 1B Berol House,
25 Ashley Road
London

10th June 2026

I am pleased to present our Audit Strategy Memorandum ("ASM") for North London Waste Authority ("the Authority") for the year ended 31 March 2026. This document will be presented at the Audit and Governance Committee meeting on 25th June 2026. If you would like to discuss any matters in more detail, please contact me on +44 (0)7977 261 873.

This report provides an overview of the planned scope and timing of our audit, including the significant and enhanced audit risks we have identified. In addition, as it is a fundamental requirement that we are, and are seen to be, independent of the Authority, this report also summarises our considerations and conclusions on our independence.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of our audit and our respective responsibilities,
- Sharing information to assist each of us with fulfilling our respective responsibilities,
- Providing you with constructive observations arising during our audit, and
- Ensuring that we gain an understanding of your attitude and views in respect of the risks facing the Authority which may affect our audit, including the likelihood of those risks materialising and how they are monitored and managed.

This report, which we have prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations.

Subject to our prior written agreement or as required by any applicable law or regulation, this report is considered confidential and is intended solely for the Audit and Governance Committee and should not be disclosed to any other party, used or quoted for any other purpose.

Yours faithfully,

S. Patel

Suresh Patel
Forvis Mazars LLP

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This document is to be regarded as confidential to North London Waste Authority. It has been prepared for the sole use of Audit and Governance Committee [as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

Your audit team



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We recognise the value you place in understanding you, understanding how you operate and the environment that you operate in. Suresh will continue as Engagement Lead for the fifth year and will be joined by Katie as your new Engagement Manager. Katie brings experience auditing the Authority as well as London Borough Councils. She will be supported by Amelia, a product of our graduate programme who brings two years of experience auditing the Authority.

Audit scope, approach, and timeline

Planning and risk assessment
April & July 2026

- Developing our understanding of the entity
- Documenting systems and controls; performing walkthroughs
- Risk identification and assessment
- Considering proposed accounting policies and accounting treatments
- Developing our audit strategy and planning the audit work to be performed including the approach to be adopted to rebuild assurance following the disclaimer of opinions that has/have been issued in the prior years.
- Agreeing timetable and deadlines
- Preliminary analytical review
- Determination of materiality
- Undertake planning work for our Value for Money (VFM) responsibilities

Fieldwork
July – September 2026

- Executing our strategy, starting with significant risks and other higher-risk areas
- Receiving and reviewing the draft financial statements
- Complete remaining audit work required as part of the rebuilding strategy
- Confirm our understanding of VFM arrangements, including determining any identified significant weaknesses, including participation in the firm's Consistency Panel process
- Communicating progress

Completion
October 2026

- Final review of financial statements, and disclosure checklist
- Final partner review
- Agreeing the content of the letter of representation
- Preparing our auditor's report, including our VFM exception reporting
- Reporting to the Audit and Governance Committee
- Subsequent events procedures
- Signing our auditor's report
- Clearance Meetings

Group audit scope

The preliminary scope of our group audit is set out below. When scoping our group audit, we have considered quantitative criteria (the contribution of each of the group's consolidated components to the group financial statements); qualitative criteria (the risks of material misstatement of the group financial statements that consolidated components may present individually at component level); and we have assessed the risk of material misstatement across the group's consolidated components in aggregate.

Component	% of Gross Revenue Expenditure	Location	Auditor	Scope
North London Waste Authority	37%	London	Forvis Mazars	**Full audit** Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality
LondonEngery Limited (LEL)	62%	London	BDO	**Full audit** Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

BDO LLP serves as the auditor for LondonEnergy Limited (LEL) and we will issue group audit instructions, as LEL is a material component.

Audit risks and other significant matters

Significant risks

In this section, we have set out the significant and enhanced audit risks we have identified and our planned response. If we identify additional risks or change our risk assessment during our audit, we will report this to you. Refer to Appendix A for definitions. We have also set out in this section of the report any other significant matters that we consider should be brought to your attention.

Risk	Description	Our planned response
Management override of controls	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we are required by auditing standards to identify a significant risk of management override of controls on our audit.	We will address the risk through performing audit procedures, covering a range of areas including (but not limited to): • accounting estimates included in the financial statements for evidence of management bias; • testing a sample of journals that meet our risk criteria and other adjustments recorded in the general ledger in preparing the financial statements.; and • significant transactions outside the normal course of business or otherwise unusual.
IFRS 16 - Leases	IFRS 16 has been applicable from 1 April 2024 and is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. During the prior year audit, we challenged Management's judgement on the capitalisation of lease payments relating to the lease of a building in Wembley and considered this to be inappropriate; as a result, there was insufficient time to complete the required work around the IFRS 16 transition and for Management to make appropriate adjustments regarding the Wembley lease.	We will review the work that the Authority has carried out for the implementation of IFRS 16. We will test a sample of leases reported under IFRS 16 to confirm their appropriate accounting treatment and disclosure in the 2024/25 accounts. We will review the prior period adjustment the Authority plan to make because of the capitalisation of lease payments.

Audit risks and other significant matters

Significant risks - continued

Risk	Description	Our planned response
Valuation of property, plant and equipment	The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Authority has adopted a rolling revaluation model which sees all land buildings revalued in a five-year cycle. The 2024 Financial Statements showed Land and Buildings with a value of £181.2m – this consists of the Edmonton EcoPark, Pinkham Way and Hornsey Street sites (valued on DRC basis). These were revalued by external valuation expert Savills. Due to the high degree of estimation uncertainty associated with valuations, we determined this area to be a significant risk	We will address this risk by reviewing the approach adopted by the Authority to assess the risk that assets not subject to valuation at year end are not materially misstated, and consider the robustness of that approach. We will also assess the risk of the valuation changing materially in year, considering the movement in market indices between revaluation dates and the year end, to determine whether these indicated that fair values have moved materially. In addition, for any assets which are revalued during the year we will: • assess the valuer's qualifications; • assess the valuer's objectivity and independence; • review the methodology used; and • for a sample of assets, perform testing of the associated underlying data and assumptions; • ensure the accounting treatment of the valuation and associated movements is compliant with relevant accounting framework.

Other significant matters

The Authority have been issued a with a penalty by HMRC for an inaccuracy in the VAT treatment of payments under a contract – this has been disputed. We will review the current position including any correspondence with HMRC, to ensure the penalty is appropriately treated in the 2025/26 accounts. This arose as a result of the Authority paying VAT based on the net value of invoices containing a payment and credit, the Authority has since requested the contractor to adjust their invoicing to show the gross amount of expenditure and credit due. The Authority expects to receive a refund from the contractor in relation to the credit balance and we will review their approach to accounting for this to ensure it is appropriate.

Re-building assurance

Background

A range of factors have led to delays in local authority financial reporting and audit over several years. Legislation passed by government in 2024, the Accounts and Audit (Amendment) Regulations 2024, addresses the backlog by introducing a series of 'backstop dates' by when local authorities or similar bodies must publish financial statements, even if the audit is not completed.

On 27th February 2026, we disclaimed our opinion on the Authority's 2024/25 financial statements. This followed on from disclaimed opinions issued previously in respect of the Authority's 2023/2024 accounts. We issued a disclaimer of opinion because there was not sufficient time to complete all required audit procedures in advance of the backstop date to enable us to form an opinion on the financial statements. As a result, we do not have assurance over all opening balances for the 2025/26 financial statements. This absence of assurance relating to previous years presents challenges in relation to reserve balances as these reflect transactions posted in earlier years, including transactions which maintain the split between usable and unusable reserves that is required to comply with the local authority financial reporting framework. We have summarised in the table below the opinions we have issued since the Amendment Regulations came into effect.

Opinions issued since The Accounts and Audit (Amendment Regulations) came into effect		
Financial Year	**Opinion Type**	**Date of Opinion**
2022/23	Unmodified	November 2024
2023/24	Disclaimed	February 2025
2024/25	Disclaimed	February 2026

Rebuilding assurance

'Rebuilding assurance' is the term used by the National Audit Office ('NAO') in guidance issued to auditors in the form of Local Audit Reset and Recovery Implementation Guidance (LARRIGs), and describes the process whereby auditors can, usually over more than one audit cycle, return to a position where an unmodified opinion on the financial statements can be issued. Our overall approach to re-building assurance has been developed in line with the LARRIGs and fully complies with the Code of Audit Practice and International Standards on Auditing (UK).

Our planned work on the financial statements for 2025/26

We are currently in the process of completing our initial risk assessment procedures in relation to rebuilding assurance at the Authority. For 2025/26 it is anticipated that we will be able to undertake initial procedures to support the full rebuilding approach to be applied in 2025/26 and the work we commenced during 2024/25 on the Authority's closing financial statements will form part of this re-building approach. The depth and extent of procedures we will undertake depends on the outcome of this risk assessment work. We will continue to work with management to agree the evidence and transaction listings we will require as this is likely to involve additional and different information which has not been required previously for us to have sufficient appropriate evidence upon which to form an opinion on the financial statements. The table below sets out an illustrative example of how the type of audit opinion given could change over the coming financial years following the successful completion of our planned work to rebuild assurance. We will provide regular updates on our rebuilding progress to the Audit and Governance Committee through our Audit Progress Reports and will report the outcome of this work in our Audit Completion Report, which is anticipated to be presented to the Audit and Governance Committee later this year.

Potential future opinion based on planned rebuilding programme		
Financial Year	Opinion Type	Publication Deadline
2025/26	Qualified	30 January 2027
2026/27	Qualified	30 November 2027
2027/28	Unmodified	30 November 2028

Materiality

For the consolidated financial statements, we consider the gross expenditure of the group to be the key focus of the users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus/deficit level as the benchmark.

For the parent only financial statements, we consider the gross expenditure of the Authority to be the key focus of the users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus/deficit level as the benchmark.

We expect to set financial statement materiality as 2**%** of **gross revenue expenditure at surplus/deficit level** for our audit of the consolidated financial statements and, for our audit of the parent only financial statements, as 2**%** of **gross revenue expenditure at surplus/deficit level**. Based on currently available information, this being the prior year audited accounts, we anticipate setting our financial statement materiality and performance materiality for our audit of the consolidated and parent only financial statements at the levels set out in the table adjacent. We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

In 2025/26 we have applied 70% of Overall Materiality to calculate Performance Materiality, decreased from 80% applied in 2024/25. This is to reflect the increased risk resulting from the disclaiming of the 2024/25 audit opinion.

We will accumulate misstatements identified during our audit that are above the reporting thresholds set out in the table adjacent, i.e., any misstatements that we identify that are above the reporting thresholds will be reported to you and management. Any misstatements that we identify that are below those amounts would not need to be reported because we expect that the accumulation of such amounts would not have a material effect on the financial statements and our audit opinion.

Each misstatement above our reporting threshold that we identify will be classified as **adjusted** (corrected by management), or **unadjusted** (not corrected by management). We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to you as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and our audit opinion.

We also consider whether there are any financial statement areas or disclosures where a misstatement of an amount lower than overall materiality could reasonably be expected to influence the economic decisions of users of the financial statements. Our assessment of the financial statements and/or disclosures to which this applies and the specific materiality level we have set is shown below.

Misstatements also cover qualitative misstatements and quantitative and qualitative misstatements and omissions relating to the notes of the financial statements. If you have any queries about our reporting threshold, please raise these with me.

Materiality		
	2025-26 (£'000s)	2024-25 (£'000s)
Overall materiality (Consolidated)	£3,041	£3,041
Overall materiality (Authority)	£1,778	£1,778
Performance materiality (Consolidated)	£1,702	£2,432
Performance materiality (Authority)	£1,244	£1,422
Clearly trivial (Consolidated)	£91	£91
Clearly trivial (Authority)	£53	£53

Fees

Audit fees and other services provided by Forvis Mazars LLP

Our fees (exclusive of VAT and disbursements) for the audit of the financial statements for the year ended 31st March 2026, and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the period, are outlined in the table adjacent.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit.

The proposed fee reflects the scale fee determined by PSAA and information on how the scale fee is set can be found on PSAA's website. Where an auditor is required to undertake substantially more or less work to deliver their responsibilities a fee variation may be proposed which is subject to approval by PSAA. Examples compiled by PSAA of circumstances that may trigger a fee variation are available on the PSAA website.

Any threats to our independence arising from the provision of non-audit services and the associated safeguards we have identified and/ or put in place are set out on the in the 'Our independence' section of this report.

Nature of service	2025-26 proposed fee	2024-25 actual fee
Statutory audit work to comply with the NAO Code of Audit Practice	£103,693	£100,869
Reduction in scale fee arising from incomplete audit procedures leading to the disclaimed opinion[1]	-	£(15,130)
Value for money risk of significant weakness[2]	TBC	£5,000
On the group accounts and ISA 600 (revised)[3]	TBC	£2,500
Additional Work[4]	TBC	£5,009
Rebuilding assurance work [5]	TBC	-
Total fees	**TBC**	**£98,248**

1. Scale fee reduction to reflect the extent of audit procedures we were unable to complete for 2024/25.
2. We identified a risk of significant weakness in respect of the Authority's management of the North London Heat and Power Plant (NLHPP) project and delays to delivery of the ERF facility by the contractor. We reported our work and findings in the Auditor's Annual Report. In line with PSAA's guidance, this work is in addition to the scale fee.
3. The auditing standards relating to auditing group accounts, ISA 600 was revised in 2023 impacting the 2024/25 audit, increasing the requirements on auditors. There is likely to be a similar additional fee for 2025/26.
4. The Authority has implemented a new accounting standard, IFRS16, in respect of lease accounting for the first time in 2024/25 (£2,640). In addition, we have spent additional time dealing with issues arising with property, plant and equipment valuations, as well as engaging our own valuation experts to support our work auditing the valuation of the RRF (£2,369).
5. Rebuilding assurance work is outside of the PSAA scale fee.

Our independence

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships that we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that, in our professional judgement, there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the context of the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration and complete annual ethics training,
- All new partners and staff are required to complete an independence confirmation,
- Rotation policies covering audit engagement partners and other key members of the audit team, and
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that Forvis Mazars LLP, the engagement team and others in the firm as appropriate are independent and comply with relevant ethical and independence requirements. However, if at any time you have concerns or questions about our integrity, objectivity, or independence, please discuss these with me in the first instance.

We have not identified any threats to our independence in connection with the services we have provided to the Authority . As indicated on the previous slide, we do not anticipate that we will be providing any non-audit services in the current audit period. We will update our independence assessment if this changes and inform you of the outcome as part of subsequent reporting to you.

Value for money

The framework for Value for money work

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

We undertake our VFM work in accordance with the 2024 Code of Audit Practice (the Code). Our responsibility, under the Code, is to be satisfied that the Authority has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the [Authority's] arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Authority plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Authority ensures that it makes informed decisions and properly manages its risks; and
3. **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.

Our approach

Our work falls into three primary phases as outlined opposite. We gather sufficient evidence to support our commentary on the Authority's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified, we are required to report these to the Authority and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle, and we are not expected to wait until issuing our overall commentary to do so.

Planning	Obtaining an understanding of the Authority's arrangements for each specified reporting criteria. Relevant information sources will include: • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
Additional risk- based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement; and • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Authority

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Status update

Financial Statements Audit

During April, we commenced our audit planning with a view to conclude this in July. To date we have completed:

- Had initial meetings with the finance team, and an initial internal team meeting to decide on audit strategy.
- Completed our walkthroughs of key business processes
- Developed and updated our understanding of the entity
- Completed a preliminary analytical review.
- Provided with listings to sample key areas to month 11 – this included expenditure, income, journals.
- Started our opening balances testing

Value for Money

The Code of Audit Practice and Auditor Guidance Note 03 issued by the NAO require us to carry out work at the planning stage to understand the Authority's arrangements and to identify risks that significant weaknesses in arrangements may exist.

We have not fully completed our planning and risk assessment work and no risks of significant weaknesses in arrangements have been identified to date. We will report any identified risks to the Audit and Governance Committee on completion of our planning and risk identification work.

Appendix A: Other communications

Audit scope and approach

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are driven primarily by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we identify.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or if we decide that it would be more efficient, we may take a wholly substantive approach to our audit testing if, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required by UK auditing standards to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality'* section of this report.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Authority that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Authority and our planned audit approach.

Area	Service organisation	Audit approach
Financial systems, payroll and cash management	London Borough of Camden	We will obtain assurance by understanding the process and controls that the Authority has in place to assure itself that transactions are processed materially correctly. We will obtain confirmations of the nature and value of the amounts invested by London Borough of Camden on behalf of the Authority directly from LB Camden's auditors (Forvis Mazars LLP).

Appendix A: Other communications

Audit scope and approach

Management's and our experts

Management makes use of experts in specific areas when preparing the Authority's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our Expert
Net benefit liability	Barnett Waddingham (London Pension Fund Authority - LPFA)	We make use of PWC actuarial services who are commissioned by the NAO to review the national analysis of pension trends and assumptions of the various LGPS actuaries.
Property, plant and equipment valuation	Savills	We will use the Forvis Mazars Internal Property Valuation Team's expertise to ensure we can sufficiently challenge the valuation figures for specialised assets.

Use of internal audit

Where possible, we will use the work performed by internal audit when designing the nature, extent, and timing of our audit procedures. We will discuss with internal audit the progress of their work and their findings prior to commencing our control evaluation procedures.

Where we intend to use the work of internal audit, we will evaluate the work performed by them and perform our own procedures to determine the adequacy of that work for our audit.

Appendix A: Other communications

Responsibilities

We are appointed to perform the external audit of North London Waste Authority (the Authority) for the year to 31 March 2026. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24]. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the CIPFA Code of Practice on Local Authority Accounting.
Our audit does not relieve management or Audit and Governance Committee, as those charged with governance, of their responsibilities.
The Director of Corporate Services is responsible for the assessment of North London Waste Authority's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

a) whether a material uncertainty related to going concern exists, and
b) the appropriateness of the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.
As part of our audit procedures in relation to fraud, we are required to inquire of you and key management personnel on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks.
In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North London Waste Authority's internal control.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Authority and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.
We also report to the NAO on the consistency of the Authority's financial statements with its Whole of Government Accounts (WGA) submission.

Value for money

We are also responsible for forming a view on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in the '*Value for Money*' section of this report.

Appendix A: Other communications

Required communications

This section of our report sets out the matters that we are required to report to you by UK auditing standards, including which form of our communications satisfy, or will satisfy, those requirements.

Required communication	Where addressed
Our responsibilities in relation to our audit of the company's financial statement and the responsibilities of management and those charged with governance.	Audit Strategy Memorandum and engagement letter
The planned scope and timing of our audit, including any limitations (specifically with respect to significant risks and key audit matters, if applicable).	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion, • The effect of uncorrected misstatements related to prior periods, • A request that any uncorrected misstatement is corrected, and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Inquiries with you to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the company, • Any fraud that we have identified or information we have obtained that indicates that fraud may exist, and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit and Governance Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)
Significant matters arising during our audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management, • Inappropriate authorisation and approval of transactions, • Disagreement over disclosures, • Non-compliance with laws and regulations, and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report

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Appendix A: Other communications

Required communications

Required communication	Where addressed
Significant findings from our audit, including: • Our view about the significant qualitative aspects of accounting practices, including accounting policies, accounting estimates, and financial statement disclosures, • Significant difficulties, if any, encountered during our audit, • Significant matters, if any, arising from our audit that were discussed with management or were the subject of correspondence with management, • Written representations that we are seeking, • Expected modifications to our auditor's report, and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified during our audit that we believe are relevant to those charged with governance in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during our audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of you into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that you may be aware of.	Audit Completion Report and Audit and Governance Committee meeting(s)
With respect to going concern, events or conditions identified that may cast significant doubt on the company's ability to continue as a going concern, including: • Whether the event or condition constitutes a material uncertainty, • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements, and • The adequacy of related disclosures in the financial statements.	Audit Completion Report

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Appendix A: Other communications

Required communications

Required communication	Where addressed
Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's system of quality management team completes, as part of an ongoing and iterative process, key steps to assess and conclude on our firm's system of quality management, including: • Ensuring there is an appropriate assignment of responsibilities, • Establishing and reviewing quality objectives each year, ensuring our firm's quality objectives align with our strategies and priorities, • Identifying, reviewing, and updating quality risks each quarter, taking into consideration multiple input sources (such as FRC/ ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.), • Identifying, designing, and implementing responses to strengthen our firm's internal control environment and overall quality, and • Evaluating our quality responses and remediating control gaps or deficiencies. We perform an evaluation of our system of quality management on an annual basis. We publish the details of our annual evaluation, and our conclusion, in our Transparency Report, which can be accessed on our website at: https://www.forvismazars.com/uk/en/who-we-are/corporate-publications/transparency-reports.	Audit Strategy Memorandum (the communication adjacent satisfies this requirement)
We are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include: • Significant delays in management providing information that we require to perform our audit. • An unnecessarily brief time within which to complete our audit. • Extensive and unexpected effort to obtain sufficient, appropriate audit evidence. • Unavailability of expected information. • Restrictions imposed on us by management. • Unwillingness by management to make or extend their assessment of the company's ability to continue as a going concern when requested. We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).	Audit Completion Report, discussion at Audit and Governance Committee meeting(s), and audit clearance meeting(s)

Appendix A: Other communications

Required communications

Required communication	Where addressed
An overview of the work to be performed at the components of the group and the nature of our involvement in the work to be performed by component auditors.	Audit Strategy Memorandum and Audit Completion Report
Instances where our review of the work of a component auditor gave rise to a concern about the quality of the component auditor's work, and how we addressed that concern.	Audit Completion Report
Any limitations on the scope of our group audit; for example, significant matters related to restrictions on access to people or information.	Audit Strategy Memorandum and Audit Completion Report, as necessary
Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group's system of internal control or others when the fraud resulted in a material misstatement of the group financial statements.	Audit Completion Report and discussion at Audit and Governance Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Other communications

Definitions

Term	Definition
Materiality	An expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements. We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to the company. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to you (reporting threshold). Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users. An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users: • Have a reasonable knowledge of business, economic activities, and accounts, • Have a willingness to study the information in the financial statements with reasonable diligence, • Understand that financial statements are prepared, presented, and audited to levels of materiality, • Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events, and • Will make reasonable economic decisions based on the information in the financial statements. We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks. We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage. The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

Appendix A: Other communications

Definitions

Term	Definition
Significant risk	A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by UK auditing standards), including management override of controls and revenue recognition.
Enhanced risk	An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to: • Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement, and • Risks relating to other assertions and arising from significant events or transactions that occurred during the period.
Standard risk	A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.
Key audit partner	(a) An individual who is eligible for appointment as a statutory auditor and who is designated by our firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of our firm. (b) In the case of a group audit, any of the following: (i) an individual who is eligible for appointment as a statutory auditor and who is designated by our firm as being primarily responsible for carrying out the statutory audit of the consolidated accounts of the group on behalf of our firm; (ii) an individual who is eligible to conduct the audit of the accounts of any subsidiary undertaking determined by us to be a 'material subsidiary' and who is designated as being primarily responsible for that audit. (c) An individual who is eligible for an appointment as a statutory auditor and who signs the audit report.

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Appendix B: Current year updates, forthcoming accounting & other issues

HM Treasury changes to non-investment asset valuation

Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the "Code")

Following a thematic review of non-current asset valuations for financial reporting in the public sector, HM Treasury has made a number of changes to its requirements for the valuation frequency, valuation methodology and classification of non-investment property assets. The changes are effective from 1 April 2025 as set out in the 2025-26 Code and include:

- A change to the requirements regarding revaluation frequency. Rather than adhering to paragraph 34 of IAS 16 which requires an asset to be revalued whenever its carrying value differs materially from its current value, entities will be required to revalue assets on a quinquennial basis, i.e. every five years, supplemented by annual indexation in the intervening years. This requirement can be adhered to either as part of a full revaluation or as part of a rolling programme. The Code requires bodies to use the best index available to them. Should management determine that there is no appropriate index to use, then the quinquennial valuation is supplemented by a valuation in the third year.

- Revaluations carried out prior to 2025/26, in line with former requirements of the Code, remain valid throughout the transition period (being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.

- The requirement to consider indicators of impairment under IAS 36 remains, so management will still be required to undertake an annual assessment of whether there are indicators of impairment, and where these are present, it may be necessary to undertake valuations outside of the 5-yearly valuation programme.

Whilst management will no longer need to consider annually whether it is necessary to revalue non-investment assets, they will need to be satisfied that they have appointed a suitably qualified valuer to undertake the valuation of assets whenever they fall due either as part of a full valuation or a rolling programme. If local indices are used, management will need to have sufficient evidence to demonstrate these indices are appropriate and relevant to the entity's circumstances, and to provide this evidence to the auditor.

Appendix B: Current year updates, forthcoming accounting & other issues

Effective for accounting periods beginning on or after 1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements

The standard was UK-adopted in December 2025, and the date of incorporation into the Code is not confirmed, though expected to be within the 2028/29 financial year. It is not yet confirmed what interpretations and adaptations HMT will determine are necessary for implementation in the public sector. We have provided an outline of the main changes arising from IFRS 18 as unadapted and without interpretation and will provide an update on the expected impact on the Authority as and when detail is available as to when and how the standard is incorporated into the Code.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements.

New categories and subtotals for inclusion within the statement of profit or loss

- Income and expenses are to be classified into three new defined categories: operating, investing and financing, in addition to the income taxes and discontinued operations categories.
- All companies are to present new defined subtotals – operating profit and loss, and profit or loss before financing and income taxes.

New reporting requirements on Management Performance Measures (MPMs)

- New requirements are introduced for management-defined performance measures (MPMs), which may also be called Alternative Performance Measures (APMs). These are described as subtotals of income and expenses that an entity: (a) uses in public communications outside financial statements; (b) uses to communicate to users of financial statements management's view of an aspect of the financial performance; and (c) are not listed within IFRS 18 or specifically required to be presented or disclosed by another IFRS Accounting Standard.
- All MPMs are required to be disclosed in a single note in the financial statements setting out:
  - an explanation of why the MPM is reported, and
  - a reconciliation to a directly comparable GAAP measure within IFRS 18 or another IFRS Accounting Standard.

Enhanced requirements for aggregation & disaggregating information

- Enhanced requirements are set out for the aggregation and disaggregation of items based on similar and dissimilar characteristics. Items that have dissimilar characteristics must be disaggregated when the resulting information is material. Guidance is also included on how to describe items within the financial statements, requiring an entity to label items presented or disclosed as 'other' only if a more informative label cannot be found.
- New guidance is provided on whether information should be reported in the primary financial statements or the notes. This includes guidance on presentation and disclosure of expenses classified in the operating category, alongside introducing more prescribed requirements for an entity that classifies expenses by function as well as the requirement to disclose expenses by nature in a single note for certain amounts - depreciation, amortisation, employee benefits, impairment and write-downs of inventories

Many principles and requirements have been brought forward from IAS 1 to IFRS 18 such as frequency of reporting, comparative information, offsetting, capital disclosures and the requirements for the statement of financial position and for the statement of changes in equity.

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Audit Progress Report

North London Waste Authority

Year ended 31st March 2026

For 12th November Meeting of the Authority

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

16th October 2026

I am pleased to present our Audit Progress Report for North London Waste Authority ("the Authority") for the year ended 31st March 2026. The purpose of this report is to provide you with an update on the progress of the audit.

Section 1 of this report summarises the delivery of our audit work for each of the Council's most significant classes of transactions, account balances, and disclosures.

Section 2 of this report provides an update on our audit approach.

Section 3 of this report provides an update on our value for money risk assessment.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 07977 261 873.

Yours faithfully,



Suresh Patel

Forvis Mazars LLP

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Status of the audit

Status of our audit

The table below summarises the delivery of our audit work for each of the Authority's most significant classes of transactions, account balances, and disclosures within the scope of this audit.

Financial statement area	Status of work	Significant risk	Comments
Management Override of Controls	🟢	✓	
Property Plant and Equipment	🟡	✓	Valuations: The authority are still awaiting the valuation report for 2024/25 Additions: Complete Depreciation: Complete
Investments	🟢		
Debtors	🟢		
Cash and Cash Equivalent	🟢		
Creditors	🟢		
Borrowings	🟢		Our work is now completed; we identified that borrowings was overstated by £584k, this has been adjusted.
Lease Liabilities	🟢	✓	We have completed our work on IFRS 16 transition of leases in 2024/25 and our standard leases testing for 2025/26.
Income	🟡		Income from Waste: complete Non-waste income: we identified an error relating to LEL invoices that had not been appropriately accrued, we are currently completing additional work to ascertain the extent of the error. Income cut off: complete
Expenditure	🟢		
Contingent Liabilities	🟢		

Key – status of work

- 🔴 Work not started
- 🟡 Work in progress
- 🟢 Work complete subject to final review

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Status of our audit

The table below summarises the delivery of our audit work for each of the Authority's most significant classes of transactions, account balances, and disclosures within the scope of this audit.

Financial statement area	Status of work	Significant risk	Comments
Reserves	🔴		The figures included in the reserves will change once NLWA receive the valuation report and therefore we have not started this work.
Post Balance Sheet Events	🟡		The authority received confirmation from HMRC that there would not be a penalty in relation to inaccuracy of the VAT treatment of payments under one of its contracts. They have disclosed this as a post balance sheet event and updated the contingent liabilities note to reflect this. This work is ongoing and will be outstanding until the day we sign the audit opinion.
Capital Commitments	🟢		
Related Parties	🟢		
Officers' Remuneration	🟢		
Prior Period Adjustent	🟡		We have reviewed the prior period adjustment in relation to leases however NLWA cannot provide a full disclosure until they receive the updated valuation report for 2024/25 from Savill. We will conclude this work once we have received the full disclosure.
Group Audit	🟡		This work in currently in progress.
Rebuilding Assurance	🟡		We have completed our initial risk assessment and are awaiting completion of the internal panel process before we can proceed.

Key – status of work

- 🔴 Work not started
- 🟡 Work in progress
- 🟢 Work complete subject to final review

02

Audit approach

Audit approach

Changes to our audit approach

Set out below are the changes we made to our audit approach we communicated in our Audit Strategy Memorandum, issued to management on 10th June and presented alongside this progress .

Area	Audit approach per the Audit Strategy Memorandum	Updated audit approach	Reasons for the change in approach	Response to increased risk
Fraud in Revenue Recognition – Group	We rebutted the risk of fraud in revenue recognition at both a single entity level and a group level.	We consider there to be a significant risk of fraud in revenue recognition in relation to the manual journals posted to revenue by management at LondonEnergy Ltd (LEL). As journals are manually posted, there is the opportunity to perpetrate fraud. There is an increased incentive to overstate revenue to improve the year end position. We have rebutted the risk of fraud in revenue recognition for North London Waste Authority (single entity) however, we have not been able to rebut this at the group level due to the risk in relation to LEL. As a result of the above, we have isolated the significant risk to manual journals posted to revenue codes in the LEL general ledger.	Following our group planning meeting with the component auditor of LEL, they explained that the risk of fraud in revenue recognition could not be rebutted at the component level for LEL. This therefore this represents a significant risk at the group level as the risk could not be rebutted for all group revenue streams.	We will review the work undertaken by the component auditor which includes: • Understand the key revenue stream processes and controls in place and testing the design and implementation of controls. • Testing the appropriateness of journal entries recorded in the general ledger to revenue related account codes.

We have carried out our review of the component auditor file and the work in response to this risk has been carried out with no issues noted. We will provide a full conclusion of significant risk in our Audit Completion Report.

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Value for Money

Value for Money

Approach to Value for Money

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

We have undertaken our value for money (VFM) work under the 2024 Code of Audit Practice ('the Code'). Our responsibility remains to be satisfied that the Authority has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Authority's arrangements in the Auditor's Annual Report.

The Code requires us to issue our Auditor's Annual Report for the year ending 31st March 2026 to you in draft by the 30th November 2026. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report).

The Code requires us to structure our commentary to report under three specified criteria:

- **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; and
- **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 to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks of significant weaknesses in those 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 significant weaknesses in arrangements exist.

Status of our work

We have provisionally completed our work in respect of the Authority's arrangements for the year ended 31 March 2026 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation to date. As explained above, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues.

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