



North London Waste Authority

Statement of Accounts for the year ended

31 March 2021

(Unaudited)

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE FINANCIAL ADVISER'S RESPONSIBILITIES

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

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

CERTIFICATION BY THE FINANCIAL ADVISER

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

I certify that the statement of accounts gives a true and fair view of the financial position of the Authority and of the Group as at 31 March 2021 and the income and expenditure of the Authority and of the Group for the year then ended.

Jon Rowney

Financial Adviser 30 July 2021

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Auditors Report

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NARRATIVE REPORT

INTRODUCTION

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the Authority's accounts which have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* (The Code) and the *Guidance Notes for Practitioners* (both published by the Chartered Institute of Public Finance and Accountancy). The Code requires that five key statements are provided; they comprise:

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

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

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

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

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

2019/20 Comparative Figures: The audit of the 2019/20 financial statements has not been concluded at the point that these draft statements were published. Therefore all comparative figures are subject to change.

GROUP ACCOUNTS

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

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OPERATING PERFORMANCE

The principal statutory responsibility for the Authority is to receive, treat and/or dispose of waste collected by the seven constituent boroughs, namely the London Boroughs of Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest. The amount of residual (non-recyclable) waste entering the waste stream in 2020/21 decreased by 16,180 tonnes (2.76%) compared with 2019/20 i.e. from 586,574 tonnes to 570,394 tonnes.

Residual Waste by Borough	2019/20 Tonnes	2020/21 Tonnes	Variance Tonnes	Variance %
Barnet	106,584	112,161	5,577	5.23
Camden	75,293	63,204	(12,089)	(16.06)
Enfield	91,057	88,750	(2,307)	(2.53)
Hackney	88,655	85,358	(3,297)	(3.72)
Haringey	73,940	74,643	703	0.95
Islington	79,336	71,165	(8,171)	(10.30)
Waltham Forest	71,709	75,113	3,404	4.75
	<u>586,574</u>	<u>570,394</u>	<u>(16,180)</u>	<u>(2.76)</u>

The Authority continued to provide key recyclable waste treatment services to six of its constituent boroughs. 42,460 tonnes of compostable waste were sent to the Authority for treatment in 2020/21 (44,702 tonnes in 2019/20), a year on year decrease of 2,242 tonnes (5.02%).

Compostable Waste by Borough	2019/20 Tonnes	2020/21 Tonnes	Variance Tonnes	Variance %
Barnet	13,870	10,287	(3,583)	(25.83)
Camden	4,364	4,405	41	0.94
Enfield	-	50	50	-
Hackney	7,428	7,031	(397)	(5.34)
Haringey	5,810	6,536	726	12.50
Islington	4,388	4,130	(258)	(5.88)
Waltham Forest	8,842	10,021	1,179	13.33
	<u>44,702</u>	<u>42,460</u>	<u>(2,242)</u>	<u>(5.02)</u>

Mixed dry recyclable waste processed by the Authority amounted to 117,728 tonnes in 2020/21 compared with 110,585 in 2019/20, an increase of 7,143 tonnes (6.46%). Income from the sale of mixed dry recyclables reduces the levy payable by each borough by offsetting the cost of processing. Sale prices of dry recyclable materials increased in 2020/21 compared with 2019/20. The average price received for the year was £26.99 per tonne compared with £14.96 in 2019/20. Income from recyclates (excluding monies provided by Biffa for the NLWA recycling fund) in 2020/21 was £2,887m. In 2019/20, income was £1.803m.

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Mixed Dry Recyclable Waste by Borough	2019/20 Tonnes	2020/21 Tonnes	Variance Tonnes	Variance %
Barnet	26,535	29,736	3,201	12.06
Camden	16,669	15,248	(1,421)	(8.52)
Enfield	-	-	-	-
Hackney	18,470	19,608	1,138	6.16
Haringey	16,982	19,553	2,571	15.14
Islington	15,973	15,904	(69)	(0.43)
Waltham Forest	15,956	17,679	1,723	10.80
	<u>110,585</u>	<u>117,728</u>	<u>7,143</u>	6.46

Landfill tax continued to rise in line with the Government's stated intention to raise the standard rate of tax in line with inflation. It was £94.15 per tonne in 2020/21, will rise by £2.55 to £96.70 per tonne in 2021/22. The Government has said that it remains committed to ensuring rates are not eroded in real terms. The Authority's Landfill Tax liability was £1.534m in 2020/21 compared to £1.563m in 2019/20.

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

During 2020/21 various site preparation works on NLHPP were carried out including the laydown area where materials will be stored prior to use, a new transport yard, an upgrade of Deephams Farm Road to access the site and sewer diversion enabling works. Enfield-based company Galldris Construction Ltd and Buckingham Group Ltd, carried out these works, whilst Barhale was the contractor appointed to divert the Angel and Chingford sewers beneath the future Resource Recovery Facility (RRF).

The EcoPark South contract (including the RRF, the Reuse & Recycling Centre and EcoPark House) was awarded to Taylor Woodrow and work started on-site in January 2021.

The Authority continued to invest in waste prevention to reduce waste in north London and aims to increase the proportion of waste reused, recycled and composted. In previous years food waste reduction work was delivered through face-to-face engagement with residents, to explain the financial benefits of reducing food waste and therefore encourage people to act. Due to COVID19 restrictions, in 2020/21 no face-to-face presentations or stalls at events were possible. Instead, 21 webinars and 16 live Q&A sessions were delivered during the year; an online clothes swapping project was implemented and a range of digital communications campaigns were delivered too. The campaigns included a very successful repair campaign for London's first Repair Week which resulted in a 40% increase in NLWA's Instagram followers during the week.

The first full year of operation of the mixed dry recycling contract with Biffa resulted in improved performance. 339 tonnes of waste which would previously have been rejected for being too contaminated was instead kept for processing. Progress on this was part of a comprehensive programme of work which the Member Recycling Working Group (MRWG) oversaw.

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

Communications activity including use of social media in the year has resulted in a significant increase in the number of followers of the Authority's Facebook, Instagram and Twitter feeds. A new website www.nlwa.gov.uk was launched in June 2020 together with new social media handles @connectNLWA. Ten digital campaigns were delivered in the year including campaigns to encourage people to repair, reduce Halloween waste and Christmas waste, the correct disposal of single-use face masks and nappies, food

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waste reduction and making the most of the clothes they already own as well as making considered choices when purchasing new items rather than buying and disposing of lots of items whenever fashions change.

The Authority developed a campaign to tackle the problem of recycling contamination by used nappies. The Bin Your Nappy Campaign focussed on national polling that indicated widespread confusion amongst parents about how to dispose of nappies correctly. The campaign generated national newspaper and television as well as local media and trade interest and galvanised action from manufacturers. Uptake of the Authority's reusable nappy scheme resulted in an estimated 1,000 tonnes of disposable nappy waste being avoided,

A number of other operational measures were introduced to stimulate recycling including a new Borough Recycling Fund. Over £93k was awarded to Boroughs to trial interventions aimed at combatting recycling contamination and increasing the capture of dry recyclables. The level of contamination at which a load can be rejected has been raised. This enables waste to be processed which would have been sent for disposal as residual waste under the previous contract. However, despite all this effort overall recycling rates, (recycling, composting, and reuse), fell from 28.9% in 2019/20 to 28.4% in 2020/21.

Further information about the key developments, activities and trends in the Authority's management of north London's waste are available on NLWA website: [Annual Report 2020-21 \(Authority Meeting 24 June 2021\)](#)

FINANCIAL PERFORMANCE

The Authority agreed its 2020/21 budget at a level that needed to be sufficiently robust to meet the costs of its day-to-day statutory waste obligations but also sufficient to fund the costs of the NLHPP. In doing so, the Authority was aware, as in past years, that if favourable circumstances arose during the year some revenue balances might become available to help fund future budgets.

The Authority plans to finance the cost of the NLHPP through borrowing. To date, the Authority has borrowed £100m from the Public Works Loan Board (PWLB), part of HM Treasury, in February 2020 at the Local Infrastructure Rate. In March 2021, the authority secured a further £140m PWLB loan from HM Treasury. In addition, the Authority has also taken a short-term loan from LondonEnergy Ltd of £8m as part of the long-term lease of the EcoPark in November 2020.

In February 2021, the Authority was advised that revenue balances at 31 March 2021 were forecast to be £4.156m. Since then, lower volumes of residual tonnage were delivered during the period of reinstated national Covid-19 restrictions in early 2021, savings on administration costs and non-use of contingency has resulted in revenue balances at 31 March 2021 of £8.043m.

Compared to the unaudited accounts for 2019/20, the net cost of services increased by £2.713m (5.6%). This can largely be attributed to the increased cost of waste disposal and the net cost of recycling.

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ANNUAL GOVERNANCE STATEMENT FOR NORTH LONDON WASTE AUTHORITY

1. Scope of Responsibility

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

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

2. The Purpose of the System of Internal Control

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

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

The governance framework has been in place within the North London Waste Authority for the year ended 31 March 2021 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

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

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

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- The Authority is also able to benefit from the rules and procedures set in place by its Lead Borough. Officer responsibilities and actions are controlled through Schemes of Officer Delegation.
- The effective and efficient use of resources and the securing of continuous improvement are achieved through a range of review processes and are integral to the Joint Waste Strategy, Residual Waste Reduction Plan 2020 to 2022 and the development of the next generation of waste infrastructure and services for north London. A new Joint Waste Strategy is being prepared for consideration by Members along with Constituent Boroughs (Barnet, Camden, Enfield, Hackney, Haringey, Islington, Waltham Forest) which will focus on activities to move all waste up the waste hierarchy.
- The financial management of the Authority is organised through a wide range of well-established processes and procedures which deliver strong financial control arrangements. The Authority has in place a detailed strategic budget planning process which is supported by the London Borough of Camden's comprehensive Financial Standing Orders. Members receive and consider detailed financial information on a regular basis, and this facilitates the political decision making process. The process is further supported by the work of the Members' Finance Working Group.
- Other features of the financial control environment include the annual production and review of a medium-term financial forecast. The Authority also benefits from the Internal Audit Shared Service of the London Boroughs of Camden and Islington which provides assurances to management that the London Borough of Camden's – and therefore the NLWA's – control systems are adequate, effective and operating as intended and investigates identified or suspected cases of fraud/irregularity.
- Performance management within the Authority is considered through a range of review arrangements including external/internal audit reviews and annual reports.

4. Covid-19 Response

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

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

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

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

5. Review of Effectiveness

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

The Public Sector Internal Audit Standards require that the Head of Internal Audit provide an annual audit opinion that can be used by the organisation to inform its governance statement. The wider content of this annual governance statement indicates an adequate level of assurance from the Authority's governance framework. With regard to the annual opinion of the Head of Internal Audit (HIA), the HIA is satisfied that the work undertaken by Internal Audit during 2020/21 has enabled the HIA to form a reasonable conclusion that Camden's – and therefore NLWA's control framework, specifically with regard to key financial systems, is adequate.

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

The Authority was further supported by the work of the Members' Recycling Working Group. The Authority continues to have in place strong and effective working arrangements with its constituent boroughs.

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

6. Significant Governance Issues

A key element of the annual governance review process is to identify any significant internal control issues. The Authority has adopted the approach recommended by the CIPFA, which has identified what may be considered generally as a significant issue. These include:

- The issue has seriously prejudiced or prevented achievement of a principal objective;
- The issue has resulted in a need to seek additional funding to allow it to be resolved;
- The issue has resulted in significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;
- The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Camden and Islington Shared Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

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

- As a result of the lockdown due to Covid-19, in early April 2020, the Authority a number of emergency governance measures in place. These are outlined in section 6 below.
- The Authority registered the Energy Recovery Facility Project (ERF) with the National Joint Council for the Engineering Construction Industry under the National Agreement for the

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Engineering Construction Industry working rule agreement. This provides assurance to the Authority that employment rights will be protected in the delivery of the programme.

- The Members' Finance Working Group reviewed the Authority's risk register, and the conclusions were reported to the Authority in June 2020. A high-level risk register for London Energy Ltd, containing the organisations key risks, was included so that the risks for the company could be taken into account by the Authority as shareholder.
- A review of the relationship between the Authority and LondonEnergy Ltd was undertaken. As a result measures were taken to focus on continuing alignment between the Authority and its wholly owned company as plans evolve for the delivery and operation of new facilities. New board appointments were made to LondonEnergy Ltd, including the chair and vice chairs of the Authority and officers from the Authority and constituent boroughs.
- The Authority completed a review of the 2015 treasury management agreement with the London Borough of Camden to ensure that it still reflects the requirements of both parties. This agreement was updated and signed by both parties in May 2021.
- On 25 June 2020 deputations were made at the North London Waste Authority Meeting concerning the NLHPP. Responses were provided and the Authority continues to engage with the general public, including north London residents to inform them about the case for the project, its costs, benefits and value.

7. Matters for Future Action

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

- Consistent adherence to the governance protocols in place relating to the procurement of the Energy from Waste Construction contract forming part of the NLHPP.
- Keeping under review the governance arrangements for LondonEnergy Ltd.
- Training, where appropriate, to members and officers, and an ongoing review of the over-arching and supporting risk registers so that the Authority will be able to track and accurately manage the identified risks associated with all aspects of its work.
- Implementation of any recommendations proposed by internal audit reviews and the development and completion of a further internal work programme in 2021/22.

8. Signed Agreement

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

Councillor Clyde Loakes
Chair of the Authority

Jenny Rowlands
Clerk to the NLWA

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MOVEMENT IN RESERVES STATEMENT

	General Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
2020/21					
Balance at 31 March 2020 brought forward	8,443	1,439	9,882	91,089	100,971
Movement in reserves during 2020/21					
Total Comprehensive Income and Expenditure	3,719	-	3,719	51,496	55,215
Adjustments between accounting basis & funding basis under regulations	(4,119)	-	(4,119)	4,119	-
Increase/(Decrease) in 2020/21	(400)	-	(400)	55,615	55,215
Balance at 31 March 2021 carried forward	8,043	1,439	9,482	146,704	156,186

MOVEMENT IN RESERVES STATEMENT

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

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure Restated^	2019/20	Net Expenditure		Gross Expenditure	2020/21	Net Expenditure
	Gross Income Restated^				Gross Income	
£'000	£'000	£'000		£'000	£'000	£'000
36,146	-	36,146	Main Waste Disposal Contract	37,847	-	37,847
1,444	-	1,444	Landfill Tax (non RRC)	1,442	-	1,442
1,872	-	1,872	Composting Services	1,810	-	1,810
7,724	-	7,724	Materials Recovery Facility Services	10,061	-	10,061
2,332	-	2,332	Transfer Stations and Other Sites	2,326	(356)	1,970
5,088	(369)	4,719	Reuse and Recycling Centres (incl. Landfill Tax)	4,294	(298)	3,996
2,249	-	2,249	Corporate and Other Support Service Costs	2,189	-	2,189
667	-	667	Operations Team	592	-	592
512	-	512	Waste Prevention Programme – New Initiatives	296	-	296
82	-	82	Communications Campaign – Household Recycling	10	-	10
189	-	189	Other Recycling Initiatives	94	-	94
712	-	712	North London Heat & Power Project	551	-	551
-	(8,007)	(8,007)	Non-Household Waste	-	(6,026)	(6,026)
-	(1,718)	(1,718)	Household Waste	-	(1,201)	(1,201)
-	(1,803)	(1,803)	Sale of Recyclable Material	-	(2,980)	(2,980)
-	(118)	(118)	Rent Receivable	-	(120)	(120)
-	-	-	Other Income	-	(52)	(52)
59,017	(12,015)	47,002		61,512	(11,033)	50,479

^ 2019/20 Gross Expenditure and Gross Income was restated by £369k Dr and £369k Cr respectively due to reclassification of recycling income from Reuse and Recycling centre. This has no impact on the 2019/20 total net expenditure.

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Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
-	(53,181)	(53,181)	Levy	-	(55,229)	(55,229)
-	(53,181)	(53,181)	Other Operating Income	-	(55,229)	(55,229)
-	(85)	(85)	Interest Receivable	-	(136)	(136)
6	-	6	Pension Interest Cost	5	-	5
1,911	-	1,911	Revenue Funding of Capital – Interest	1,147	-	1,147
1,917	(85)	1,832	Financing and Investment (Income) and Expenditure	1,152	(136)	1,016
		(4,347)	(Surplus)/Deficit on Provision of Services			(3,734)
			- (Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets			(51,496)
			(37) Actuarial Loss/(Gain) on Pension Assets			15
			(37) Other Comprehensive Income and Expenditure			(51,481)
		(4,384)	Total Comprehensive Income and Expenditure			(55,215)

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

BALANCE SHEET

	Note	31 Mar 2020 £'000	31 Mar 2021 £'000
Property, Plant and Equipment	5	62,433	182,949
Long Term Investments	7	119,392	119,392
LONG TERM ASSETS		181,825	302,341
<u>Short Term Debtors</u>			
Cash and Cash Equivalents	15	99,452	162,686
LondonEnergy Ltd		330	432
Other Local Authorities		24	480
HM Revenue and Customs		2,980	4,711
Other Entities and Individuals		490	144
CURRENT ASSETS		103,276	168,453
<u>Short Term Creditors</u>			
Short Term Borrowings	8	(20,995)	(9,239)
LondonEnergy Ltd		(9,871)	(7,877)
Other Local Authorities		(2,806)	(6,034)
Other Entities and Individuals		(10,209)	(11,219)
CURRENT LIABILITIES		(43,881)	(34,369)
Long Term Borrowings	8	(140,000)	(280,000)
Other Long Term Liabilities	17	(249)	(239)
LONG TERM LIABILITIES		(140,249)	(280,239)
NET ASSETS		100,971	156,186
<u>Usable Reserves</u>			
General Fund Balance		8,443	8,043
Capital Receipts Reserve	12	1,439	1,439
<u>Unusable Reserves</u>			
Capital Adjustment Account	9	59,994	64,103
Revaluation Account	10	9,638	61,134
Capital Revaluation Account	11	21,706	21,706
Pension Reserve	17	(249)	(239)
TOTAL RESERVES		100,971	156,186

Jon Rowney

Financial Adviser 30 July 2021

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

CASH FLOW STATEMENT

	Note	31 Mar 2020 £'000	31 Mar 2021 £'000
Net surplus on the provision of services		(4,347)	(3,734)
Adjustments to net surplus on the provision of services for non-cash movements	14	(11,226)	(697)
Net cash (inflow) / outflow from operating activities		<u>(15,573)</u>	<u>(4,431)</u>
Investing activities		26,422	69,824
Financing activities		(100,000)	(128,627)
Net decrease / (increase) in cash and cash equivalents	15	<u>(89,151)</u>	<u>(63,234)</u>
Cash and cash equivalents at the beginning of the reporting period		<u>(10,301)</u>	<u>(99,452)</u>
Cash and cash equivalents at the end of the reporting period		<u>(99,452)</u>	<u>(162,686)</u>

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

EXPENDITURE AND FUNDING ANALYSIS

2019/20			2020/21		
Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
36,146	-	36,146	37,847	-	37,847
1,444	-	1,444	1,442	-	1,442
1,872	-	1,872	1,810	-	1,810
7,724	-	7,724	10,061	-	10,061
1,528	804	2,332	1,167	804	1,971
4,719	-	4,719	3,995	-	3,995
2,271	(22)	2,249	2,220	(30)	2,190
667	-	667	592	-	592
512	-	512	296	-	296
82	-	82	9	-	9
189	-	189	94	-	94
712	-	712	551	-	551
6,824	(4,913)	1,911	6,060	(4,913)	1,147

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
(8,007)	-	(8,007)	Non-Household Waste	(6,026)	-	(6,026)
(1,718)	-	(1,718)	Household Waste	(1,201)	-	(1,201)
(1,803)	-	(1,803)	Sale of Recyclable Material	(2,980)	-	(2,980)
(118)	-	(118)	Rent Receivable	(120)	-	(120)
(85)	-	(85)	Interest Received	(136)	-	(136)
-	-	-	Other Income	(52)	-	(52)
-	6	6	Pension Interest	-	5	5
-	(37)	(37)	Pension Asset – Actuarial (Gain)/Loss	-	15	15
52,959	(4,162)	48,797	Net Cost of Services	55,629	(4,119)	51,510
(53,181)	-	(53,181)	Levy	(55,229)	-	(55,229)
(53,181)	-	(53,181)	Other Income and Expenditure	(55,229)	-	(55,229)
(222)	(4,162)	(4,384)	(Surplus) or Deficit	400	(4,119)	(3,719)
8,221			Opening Balance	8,443		
222			Add Surplus/(Deficit) in Year	(400)		
8,443			Closing Balance at 31 March	8,043		

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

ACCOUNTING POLICIES

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which has been developed under the oversight of the Financial Reporting Advisory Board.

Accruals

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

Cash and cash equivalents

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

Capital receipts

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

Leases

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

Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. IFRS requires the Authority to consider accruing for the cost of the leave entitlement earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The Authority has assessed the value of carried forward leave and has concluded that it is not significant and therefore no accrual has been made. However, non-consolidated performance related pay paid to staff in 2021/22 in respect of their work in 2020/21 has been accrued.

Post-employment benefits

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

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

Non-Current Assets

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

Investments and Property

The Authority's investment in LondonEnergy Ltd is held at cost. The land at Pinkham Way was valued at 31 March 2018. The Hornsey Street property was valued at 31 March 2018. The land at EcoPark was valued at 31 March 2021.

Charges to Revenue in respect of Capital Assets

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

- Depreciation attributable to the assets used
- Impairment

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

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

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

Prior Year Adjustments

There is one prior year adjustment in the Authority's own 2020/21 financial statements and in the Group accounts. This relates to the reclassification in 2019/20 of £369k recycling income from Reuse and Recycling centre so that both income and expenditure are shown gross, rather than being offset in the Comprehensive Income and Expenditure Statement. This has no impact on 2019/20 total net expenditure.

Reserves

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

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

Group accounts

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

Members' allowances

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

Value Added Tax

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

Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

Financial Instrument Risk

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

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

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

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

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

Contingent Liabilities

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

All staff currently undertaking work for the Authority are employed by the London Borough of Camden and all related pension assets and liabilities are reflected LB Camden's Balance Sheet. The Authority does however have a liability in respect of pensions for 4 formerly directly employed but now retired staff. Payment of pensions to these individuals is made on the Authority's behalf by the London Pension Fund Authority. An assessment of the assets and liabilities is undertaken annually by Barnett Waddingham who in their calculations must make assumptions about inflation, mortality and returns on pension fund assets.

NOTES TO THE ACCOUNTS

1. EVENTS AFTER THE BALANCE SHEET DATE

This Statement of Accounts was authorised by the Financial Adviser on 30 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

2. ADDITIONAL INFORMATION SUPPORTING THE EXPENDITURE AND FUNDING ANALYSIS

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

Adjustments between accounting basis and funding basis under regulations	2020	2021
	£'000	£'000
Statutory provision for the financing of capital investment – Minimum Revenue Provision	(4,913)	(4,913)
Property, plant and equipment - Depreciation	804	804
Pension asset – Actuarial (gain)/loss	(37)	15
Net interest on defined benefit liability	6	5
Employer's pension contributions paid in year	(22)	(30)
Balance at 31 March	<u>(4,162)</u>	<u>(4,119)</u>

3. NON-HOUSEHOLD AND CHARGEABLE HOUSEHOLD WASTE

The Authority operates separate charging arrangements for non-household waste and certain categories of household waste in accordance with s52 (9) of the Environmental Protection Act 1990. As a consequence, only the cost of treating non chargeable household waste is funded from the levy.

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

Non household waste	31 Mar 2020		31 Mar 2021	
	Tonnes	£'000	Tonnes	£'000
Borough				
Barnet	10,918	880	8,081	657
Camden	21,943	2,023	19,355	1,519
Enfield	9,394	744	6,951	569
Hackney	18,648	1,683	14,826	1,156
Haringey	2,343	214	1,800	142
Islington	27,142	2,364	23,337	1,879
Waltham Forest	1,247	99	1,287	104
	<u>91,635</u>	<u>8,007</u>	<u>75,637</u>	<u>6,026</u>

Chargeable household waste	31 Mar 2020		31 Mar 2021	
	Tonnes	£'000	Tonnes	£'000
Borough				
Barnet	2,280	181	936	77
Camden	5,048	445	3,235	254
Enfield	1,431	113	1,054	86
Hackney	5,501	497	4,851	367
Haringey	2,256	218	2,461	195
Islington	2,145	264	2,825	222
Waltham Forest	5	-	-	-
	<u>18,666</u>	<u>1,718</u>	<u>15,362</u>	<u>1,201</u>

4. LEVY

The levy on constituent boroughs of £55.229m was agreed at the Authority Meeting on 13 February 2020 and represents, after allowance for the use of revenue balances, the net cost of meeting the Authority's statutory responsibility for the disposal of household waste and operating Re-use and Recycling Centres that have been transferred to the Authority. The levy was apportioned in accordance with the menu price based arrangements agreed by constituent councils in January 2016.

	31 Mar 2020		31 Mar 2021	
	%	£'000	%	£'000
Borough				
Barnet	19.50	10,372	22.36	12,351
Camden	10.44	5,554	10.31	5,695
Enfield	13.42	7,135	12.69	7,007
Hackney	13.16	6,998	12.81	7,075
Haringey	15.08	8,021	14.50	8,007
Islington	11.26	5,986	11.52	6,363
Waltham Forest	17.14	9,116	15.81	8,731
	<u>100.00</u>	<u>53,182</u>	<u>100.00</u>	<u>55,229</u>

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings £'000	Assets Under Construction £'000	Total £'000
Movement on balances in 2020/21			
Cost or Valuation			
At 1 April 2020	31,648	32,401	64,049
Additions,	17,532	52,292	69,824
Disposals	-	-	-
Impairment	-	-	-
Revaluation	51,496	-	51,496
Asset Reclassified	32	(32)	-
At 31 March 2021	100,708	84,661	185,369
Depreciation and Impairment			
At 1 April 2020	1,616	-	1,616
Depreciation charge	804	-	804
Revaluation	-	-	-
At 31 March 2021	2,420	-	2,420
Net Book Value at 31 March 2021	98,288	84,661	182,949
Net Book Value at 31 March 2020	30,032	32,401	62,433
Comparative movement on balances in 2019/20			
Cost or Valuation			
At 1 April 2019	31,648	5,978	37,626
Additions,	-	26,423	26,423
Disposals	-	-	-
Impairment	-	-	-
Revaluation	-	-	-
At 31 March 2020	31,648	32,401	64,049
Depreciation and Impairment			
At 1 April 2019	812	-	812
Depreciation charge	804	-	804
Revaluation	-	-	-
At 31 March 2020	1,616	-	1,616
Net Book Value at 31 March 2020	30,032	32,401	62,433
Net Book Value at 31 March 2019	30,836	5,978	36,814

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

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

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

For the years that formal valuations are not undertaken, the Authority conducts a review to determine whether its assets useful lives have changed and that values have been impaired as a result. The review also considers market values where appropriate. The review was undertaken in April 2021; no factors to indicate that asset values have been impaired were identified.

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

In December 2020, the Authority agreed a 999-year lease for 73% of the area of the EcoPark from LondonEnergy Ltd for £17.3m (including stamp duty). The Authority commissioned chartered surveyors Savills to value the lease as at 31 March 2021 and concluded that the fair value was £69.1m. The Authority has an agreement in place with LondonEnergy Ltd to lease the remaining 27% of the land when the existing Energy from Waste facility at Edmonton EcoPark is taken out of service.

6. CAPITAL COMMITMENTS

At 31 March 2021, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years. The major commitments are:

Contract description	£'000
EcoPark South	74,498
Northern Area Clearance - Demolitions Works	4,033
	<u>78,531</u>

7. INVESTMENTS – LONDONENERGY LTD

	31 Mar 2020 £'000	31 Mar 2021 £'000
Balance at 31 March	<u>119,392</u>	<u>119,392</u>

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

Details of the net assets and results of the company are given in Note 2 to the group accounts.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

8. BORROWING

Details of borrowings at 31 March 2021 are set out below:

Short Term and Long Term Creditors

Repayment Date	Sum Borrowed
Public Works Loan Board:	
16-Jul-22	£10,000,000
16-Jul-24	£10,000,000
12-Apr-26	£10,000,000
12-Apr-28	£10,000,000
26-Feb-60	£100,000,000
18-Sep-52	£140,000,000
LondonEnergy Ltd:	
No fixed repayment date	£8,626,913

The fair value of each loan is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used was the new borrowing rate at 31 March 2021. Since the carrying value included in the balance sheet includes accrued interest, this is also included in the fair value calculations, which are as follows:

	31 Mar 20		31 Mar 21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Sum Borrowed - £288,626,913 (2019/20: £160,000,000)	160,995	166,959	289,239	276,695

All seven loans are at a fixed rates. The total fair value is lower than the carrying amount as the overall interest rate payable is lower than rates available for similar loans at the balance sheet date.

9. CAPITAL ADJUSTMENT ACCOUNT

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

	2020 £'000	2021 £'000
Balance brought forward	55,885	59,994
Minimum Revenue Provision (MRP)	4,913	4,913
Depreciation	(804)	(804)
Revaluation	-	-
Balance at 31 March	59,994	64,103

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

10. REVALUATION ACCOUNT

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

	2020 £'000	2021 £'000
Balance brought forward	9,638	9,638
Revaluation	-	51,496
Balance at 31 March	<u>9,638</u>	<u>61,134</u>

11. CAPITAL REVALUATION ACCOUNT

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

	2020 £'000	2021 £'000
Balance at 31 March	<u>21,706</u>	<u>21,706</u>

12. USABLE CAPITAL RECEIPTS RESERVE

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

	2020 £'000	2021 £'000
Balance at 31 March	<u>1,439</u>	<u>1,439</u>

13. RELATED PARTIES

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

Central Government

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

Members

Each of the seven constituent boroughs of the Authority appoints two of their Members to the Authority. Transactions between the Authority and its constituent boroughs, principally the Levy and charges for the treatment of non-household waste, are detailed elsewhere in the accounts. Apart from this dual role, no Member of the Authority has reported that he/she or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2020/21.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

Officers

No officer or member of their family or household, whether working wholly for the Authority or in an advisory role has indicated that they or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2020/21.

Other Public Bodies

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

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

Camden

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

Haringey

Operational support services

Enfield

Environmental adviser

In 2020/21 the Authority paid Camden £2.696m (2019/20: £2.463m) for the provision of lead borough services. On 31 March 2021 Camden held cash and cash equivalents of £162.686m (31 March 2020: £99.452m) on behalf of the Authority.

The London Borough of Haringey provides Operational support services to the Authority. In 2020/21 the Authority paid Haringey £0.153m for these services (2019/20: £0.123m).

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

Entities Controlled by the Authority

At 31 March 2021, the Authority owned 100% (31 March 2020: 100%) of the shares in LondonEnergy Ltd. In 2020/21 the Authority paid LondonEnergy Ltd £45.420m (2019/20: £45.730m) for waste disposal and transport services. The Company paid no dividend to the Authority in 2020/21 (2019/20: £nil). The Authority's accounts include a creditor of £7.877m (2019/20 £9.871m) in respect of the services provided to the Authority by the Company and a debtor of £0.432m (2019/20 £0.330m) in respect of income due to the Authority from the Company.

On 20 January 2021, Cllr Loakes, Cllr Rennison, Cllr Zinkin, and the Authority's Managing Director and Head of Legal and Governance were appointed as non-executive directors on LondonEnergy Ltd board.

Amounts Written Off

No related party debts were written off in 2020/21 (2019/20: £nil) and no provisions for doubtful debts were raised (2019/20: £nil).

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14. ADJUSTMENT TO NET SURPLUS FOR NON-CASH MOVEMENTS

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

	2020	2021
	£'000	£'000
Cash flows from operation activities include:		
Depreciation	(804)	(804)
Movement in pension liability	16	25
(Increase)/decrease in creditors	(10,527)	(1,861)
Increase / (decrease) in debtors	89	1,943
Balance at 31 March	<u>(11,226)</u>	<u>(697)</u>

15 ANALYSIS OF CHANGE IN CASH AND CASH EQUIVALENTS

	At 31 March 2020 £'000	Cash flows £'000	At 31 March 2021 £'000
Cash and cash equivalents held at 31 March	<u>99,452</u>	<u>63,234</u>	<u>162,686</u>

In March 2021, the Authority secured a £140m loan from HM Treasury, via the Public Works Loan Board to fund the works of the capital NLHPP project.

16. FINANCIAL INSTRUMENTS

Cash on Deposit with London Borough of Camden

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

	2020	2021
	£'000	£'000
Cash and Cash Equivalents	28,690	10,449
Short Term Investments	60,087	28,813
Money Market Fund	<u>10,676</u>	<u>123,424</u>
Balance at 31 March	<u>99,452</u>	<u>162,686</u>

17. DEFINED BENEFIT PENSION SCHEME

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

The Authority does however have obligations and liabilities in respect of the added years' element of pensions paid to retired former employees who were directly employed by the Authority prior to the

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

transfer of staff to LondonEnergy Ltd (formerly LondonWaste Ltd) in December 1994. In 2020/21 the Authority paid £30,416 to the London Pension Fund Authority (£34,245 in 2019/20) in respect of these employees. The Authority's future liability as at 31 March 2021 has been calculated by Barnett Waddingham, the actuaries for the LPFA as being £0.239m (£0.249m at 31 March 2020).

The figure is based on the following assumptions:

	2019/20	2020/21
Return on assets discount rate	2.30%	1.70%
Pension increases	1.95%	2.80%
Inflation (RPI)	2.95%	3.50%
Inflation (CPI)	1.95%	2.80%

For 2020/21 the actuary adopted a set of demographic assumptions consistent with those used for the formal funding valuation of the LPFA as at 31 March 2019 (2019/20: valuation as at 31 March 2019). The Authority has recognised this liability in the balance sheet and established a pension reserve of an equal amount which is defrayed by the value of the payments made to the LPFA during the year, i.e. by means of a transfer to the pension reserve.

18. NON-MONETARY CAPITAL RECEIPTS

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

Ashburton Properties Ltd therefore provided the new waste facility at Hornsey Street in exchange for the Authority's land at Ashburton Grove. There has been no capital outlay for the Authority in this respect, however, for the purpose of recognising the new asset in the Authority's accounts, the asset, which was originally valued at £12.440m at completion, is deemed to have been funded by a non-monetary capital receipt. As at 31 March 2021 the property is carried on the balance sheet at £13.515m (£14.310m at 31 March 2020).

19. OFFICERS' REMUNERATION

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

Senior Officers with Remuneration over £150,000

		Salary	Variable Pay	Employers Pension	Total
		£	(Note 1) £	Contribution £	£
Managing Director	2019/20	145,656	7,283	48,312	201,251
(Martin Capstick)	2020/21	149,662	5,986	51,053	206,701

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

		Salary	Variable Pay	Employers Pension	Total
		£	(Note 1) £	Contribution £	£
Programme Director	2019/20	122,174	6,120	40,525	168,819
	2020/21	125,766	5,031	42,902	173,699
Head of Strategy & Services (Note 2)	2019/20	78,540	3,201	25,915	107,656
	2020/21	57,731	-	18,937	76,668
Head of Legal & Governance	2019/20	82,019	1,643	26,750	110,412
	2020/21	84,424	1,688	28,454	114,566
Commercial Lead (Note 3)	2019/20	31,632	1,688	7,367	40,687
	2020/21	86,478	1,688	30,032	118,198
Head of Finance	2019/20	82,164	-	26,484	108,648
	2020/21	84,424	-	28,113	112,537

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

Note 2 – The Head of Strategy and Services resigned on 06 December 2020.

Note 3 – The Commercial lead took up duties on 25 November 2019.

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

Salary range	2019/20	2020/21
£50,000 to £54,999	1	-
£55,000 to £59,999	-	-
£60,000 to £64,999	1	2
£65,000 to £69,999	-	-
£70,000 to £74,999	-	-
£75,000 to £79,999	-	-
£80,000 to £84,999	1	1
Total	3	3

Advisers

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

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		Variable Pay (Note 1) £	Employers Pension Contribution £	Total £
Clerk – Chief Executive (Camden)	2019/20	8,922	2,445	11,367
	2020/21	9,350	3,114	12,464
Financial Adviser – Executive Director of Corporate Services (Camden)	2019/20	8,580	2,351	10,931
	2020/21	8,993	2,995	11,988
Legal Adviser – Borough Solicitor (Camden)	2019/20	7,369	2,019	9,388
	2020/21	7,723	2,572	10,295

20. EXTERNAL AUDIT COSTS

Mazars LLP were appointed auditors to the Authority from 2018/19. The Authority has incurred the following costs in relation to the audit of the statutory accounts. Mazars LLP have not provided any additional services to the authority in either 2019/20 or 2020/21. No other audit fees were incurred in 2019/20 or 2020/21.

	2019/20	2020/21
	£	£
Audit of the Statutory Accounts	<u>14,068</u>	<u>14,068</u>

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

INTRODUCTION TO THE GROUP ACCOUNTS

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

ABOUT LONDONENERGY LTD

LondonEnergy Ltd is a company limited by shares incorporated in England and Wales. The company's origins date back to the late 1960's when the Greater London Council (GLC) built the Edmonton Energy from Waste plant. The plant was operated by the GLC until 1986, when the body was abolished. Between 1986 and 1994 the Edmonton plant was owned and operated by the Authority. In 1994 the plant was transferred to a unique public/private partnership between the Authority and SITA, resulting in the formation of the company. Today LondonEnergy Ltd has returned to NLWA ownership and handled approximately 764,000 tonnes of waste in 2020. The company employs approximately 333 staff offering a wide range of services. The company is committed to providing economic, efficient, and environmentally responsible solutions for disposal and treatment of waste, and ultimately, to help preserve and protect the environment. On 5 September 2017, the company changed its registered name from LondonWaste Ltd to LondonEnergy Ltd.

ABOUT THE GROUP ACCOUNTS

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

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

The Authority's accounting year ends on 31 March and LondonEnergy Ltd has an accounting year end of 31 December. The Code permits the consolidation of accounting statements of different dates so long as the two dates are not more than three months apart and that accounting statements of a date that isn't 31 March are adjusted for the effects of significant transactions and events that occurred between the two dates. No adjustments were found to be necessary to the financial statements of LondonEnergy Ltd at 31 December 2020.

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

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

GROUP MOVEMENT IN RESERVES STATEMENT

	General Balance £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
2020/21					
Balance at 31 March 2020 brought forward	22,097	1,439	23,536	117,988	141,524
Movement in reserves during 2020/21					
Total Comprehensive Income and Expenditure	14,373	-	14,373	8,551	22,924
Adjustments between accounting basis & funding basis under regulations	(4,034)	-	(4,034)	4,034	-
Increase/(Decrease) in 2020/21	10,339	-	10,339	12,585	22,924
Balance at 31 March 2021 carried forward	32,436	1,439	33,875	130,573	164,448
2019/20					
Balance at 31 March 2019 brought forward	23,655	1,439	25,094	118,785	143,879
Movement in reserves during 2019/20					
Total Comprehensive Income and Expenditure	(2,355)	-	(2,355)	-	(2,355)
Adjustments between accounting basis & funding basis under regulations	797	-	797	(797)	-
Increase/(Decrease) in 2019/20	(1,558)	-	(1,558)	(797)	(2,355)
Balance at 31 March 2020 carried forward	22,097	1,439	23,536	117,988	141,524

North London Waste Authority

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GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure Restated^	2019/20	Net Expenditure		Gross Expenditure	2020/21	Net Expenditure
	Gross Income Restated^				Gross Income	
£'000	£'000	£'000		£'000	£'000	£'000
83,581	(34,915)	48,666	Environmental and regulatory services	79,790	(41,579)	38,211
83,581	(34,915)	48,666	Cost of Services	79,790	(41,579)	38,211
		(53,181)	Other Operating (Income) and Expenditure			(55,229)
		1,723	Financing and Investment (Income) and Expenditure			984
		(360)	Taxation and Non-Specific Grant Income			808
		(3,152)	(Surplus)/Deficit on Provision of Services			(15,226)
		(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets				(8,551)
		4,846				
		661	Actuarial (Gain)/Loss on Pension Assets			853
		5,507	Other Comprehensive Income and Expenditure			(7,698)
		2,355	Total Comprehensive Income and Expenditure			(22,924)

^ 2019/20 Gross Expenditure and Gross Income was restated by £369k Dr and £369k Cr respectively due to reclassification of recycling income from Reuse and Recycling centre. This has no impact on the 2019/20 total net expenditure.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

GROUP BALANCE SHEET

	Note	31 Mar 2020 £'000	31 Mar 2021 £'000
Property, Plant and Equipment	4.6, 4.8	156,690	226,440
Long Term Investments	4.6, 4.8	50,213	50,213
LONG TERM ASSETS		206,903	276,653
CURRENT ASSETS	4.9	122,279	203,685
CURRENT LIABILITIES	4.10	(45,531)	(33,574)
Long Term Borrowings		(140,000)	(280,000)
Long Term Liabilities - Pension		(249)	(239)
Deferred Taxation		(1,878)	(2,077)
Other Long Term Liabilities		-	-
LONG TERM LIABILITIES		(142,127)	(282,316)
NET ASSETS		141,524	164,448
<u>Usable Reserves</u>			
General Fund Balance		22,097	32,436
Capital Receipts Reserve		1,439	1,439
<u>Unusable Reserves</u>			
Capital Adjustment Account		60,082	64,104
Revaluation Account		9,638	20,877
Capital Revaluation Account		21,706	21,706
Acquisition Revaluation Reserve		26,811	24,125
Pension Reserve		(249)	(239)
TOTAL RESERVES		141,524	164,448

Jon Rowney

Financial Adviser 30 July 2021

North London Waste Authority

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GROUP CASH FLOW STATEMENT

	2019/20 £'000	2020/21 £'000
Net surplus on the provision of services	(3,152)	(15,226)
Adjustments to net surplus on the provision of services for non-cash movements	<u>(12,929)</u>	<u>6,291</u>
Net cash inflow from operating activities	(16,081)	(8,935)
Investing activities	33,292	67,892
Financing activities	<u>(100,000)</u>	<u>(128,627)</u>
Net (increase)/decrease in cash and cash equivalents	(82,789)	(69,670)
Cash and cash equivalents at the beginning of the reporting period	<u>(29,245)</u>	<u>(112,034)</u>
Cash and cash equivalents at the end of the reporting period	<u>(112,034)</u>	<u>(181,704)</u>

North London Waste Authority

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GROUP EXPENDITURE AND FUNDING ANALYSIS

2019/20			2020/21		
Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
47,869	797	48,666	42,245	(4,034)	38,211
47,869	797	48,666	42,245	(4,034)	38,211
		Environmental and Regulatory Services			
		Net Cost of Services			
(46,311)	-	(46,311)	(52,584)	-	(52,584)
		Other Income and Expenditure			
1,558	797	2,355	(10,339)	(4,034)	(14,373)
		(Surplus) or Deficit			
23,655		Opening Balance	22,097		
(1,558)		Add Surplus/(Deficit) in Year	10,339		
22,097		Closing Balance at 31 March	32,436		

North London Waste Authority

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NOTES TO THE GROUP ACCOUNTS

1. ACCOUNTS OF LONDONENERGY LTD

The 2020 accounts were approved by the Board of LondonEnergy Ltd on 13 May 2021 and received an unqualified audit opinion by BDO LLP (the Company's statutory auditor) on 14 May 2021. LondonEnergy Ltd is not required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 but with effect from 2015 it is required to prepare financial statements in accordance with Financial Reporting Standard 102.

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

2. INVESTMENT IN LONDONENERGY LTD

Summarised balance sheet of LondonEnergy Ltd

		31-Dec-19 £'000	31-Dec-20 £'000
	Note		
LONG TERM ASSETS			
Tangible assets	4.6	43,321	35,499
		<u>43,321</u>	<u>35,499</u>
CURRENT ASSETS			
Stocks		2,953	3,354
Debtors		13,009	28,974
Cash at bank and in hand		12,582	19,018
		<u>28,544</u>	<u>51,346</u>
CREDITORS: amounts falling due within one year		<u>(11,279)</u>	<u>(15,321)</u>
NET CURRENT ASSETS		<u>17,265</u>	<u>36,025</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		60,586	71,524
PROVISIONS FOR LIABILITIES -			
Deferred tax		(1,878)	(2,077)
TOTAL PROVISIONS		<u>(1,878)</u>	<u>(2,077)</u>
NET ASSETS		<u>58,708</u>	<u>69,447</u>
CAPITAL AND RESERVES			
Called up share capital		31,196	31,196
Share premium		1,648	1,648
Profit and loss account		25,864	36,603
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>58,708</u>	<u>69,447</u>

North London Waste Authority

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3. SHARE PREMIUM RESERVE

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

4. NOTES TO THE GROUP ACCOUNTS

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

Accounting Policies

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2021. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the comprehensive income and expenditure statement from the date of acquisition or up to the date of disposal.

4.2 Goodwill

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

4.3 Inventories

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

4.4 Deferred Taxation

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

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

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

4.5 Pensions

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

The pension charge is based on the latest actuarial valuation.

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

- a. The current service cost based on the most recent actuarial valuation is deducted in arriving at operating profit.
- b. The interest cost, based on the present value of the scheme liabilities and the discount rate at the beginning of the year and amended for changes in scheme liabilities during the year, is included as interest.
- c. The expected return on scheme assets, based on the fair value of scheme assets and expected rates of return at the beginning of the year and amended for changes in the scheme assets during the year, is included as interest.

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- d. Actuarial gains and losses, representing differences between the expected return and actual return on scheme assets, differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the movement in reserves statement.
- e. Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately.
- f. Gains and losses arising from settlements or curtailments not covered by actuarial assumptions, are included in operating profit.

4.6 Non-Current Assets and Depreciation

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

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

PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings £'000	Vehicles & Equipment £'000	Assets Under Construction £'000	Total £'000
Movement on balances in 2020/21				
Cost or Valuation				
At 1 April 2020	133,696	8,097	35,762	177,555
Additions,	253	76	58,863	59,192
Disposals	(6,465)	(205)	(625)	(7,295)
Transfer between classes	1,468	729	(2,197)	-
Revaluation	17,283	-	-	17,283
At 31 March 2021	146,235	8,697	91,803	246,735
Depreciation and Impairment				
At 1 April 2020	17,164	3,701	-	20,865
Depreciation Charge	5,083	1,005	-	6,088
Disposals	(6,460)	(198)	-	(6,658)
At 31 March 2021	15,787	4,508	-	20,295
Net Book Value at 31 March 2021	130,448	4,189	91,803	226,440
Net Book Value at 31 March 2020	116,532	4,396	35,762	156,690

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

4.7 Accounting for Capital Grants

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

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

The policy of LondonEnergy Ltd with regard to this grant has been to amortise the grant over the 15 year expected life of the IVC facility. Accordingly, each year, the Company credits its Profit and Loss Account and the un-amortised balance are retained as a creditor. In December 2020, the remaining balance £85k of the IVC grant has been fully amortised.

This accounting treatment is not compliant with the Code. The Authority therefore, as part of the group accounts consolidation process, has changed the accounting treatment of the grant to reflect the provisions of the Code.

4.8 Acquisition Note

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

The 2009 accounts for LondonEnergy Ltd showed that the Company's net assets (EcoPark) were valued at £46.327m at 31 December 2009. The Code of Practice requires the Authority to take into account the estimated fair value of LondonEnergy Ltd at the balance sheet date and therefore in

North London Waste Authority

Statement of Accounts for the year ended 31 March 2021

preparing its 2009/10 accounts the Authority determined this to be £94.577m after a positive adjustment of £48.250m to the Company's non-current assets.

In December 2020, NLWA entered into a 999-year lease with LondonEnergy Ltd for 73% of the area of the EcoPark for £17.3m (including stamp duty).

For the purposes of ensuring that the 2020/21 group accounts were prepared in accordance with International Financial Reporting Standards (IFRS), the Authority commissioned chartered surveyors Savills to value the EcoPark land, buildings and plant and machinery at 31 March 2021. Savills concluded that the fair value of EcoPark was £101.220m (£69.060m NLWA and £32.160m LondonEnergy Ltd) i.e. an increase of £14.720m, compared with £86.500m in 31 March 2020. These adjustments have been reflected in the group balance sheet.

The increase in the net assets on acquisition of LondonEnergy Ltd gave rise to an increase in value which is recorded in an Acquisition Revaluation Reserve in the sum of £24.125m and included in the 2009/10 group accounts. Annual valuations undertaken since then to March 2020 has decrease this reserve by £4.846m to £26.811m. A further valuation at March 2021 has decreased this reserve by £2.686m bringing the balance to £24.125m.

4.9 Analysis of Current Assets

	31 March 2020 £'000	31 March 2021 £'000
HM Revenue and Customs	2,980	4,711
Other debtors	4,312	13,916
Inventories	2,953	3,354
Cash and cash equivalents	112,034	181,704
	<u>122,279</u>	<u>203,685</u>

4.10 Analysis of Current Liabilities

	31 March 2020 £'000	31 March 2021 £'000
Short Term Borrowings	(20,995)	(569)
Other creditors	(23,949)	(28,414)
Central Government	(587)	(4,591)
	<u>(45,531)</u>	<u>(33,574)</u>