

North London Waste Authority

Statement of Accounts for the year ended

31 March 2018

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

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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 2018 and the income and expenditure of the Authority and of the Group for the year then ended.

Mike O'Donnell, CPFA

Financial Adviser 26 July 2018

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH LONDON WASTE AUTHORITY REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of North London Waste Authority ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, Cash Flow Statements, and the related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Financial Advisor is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

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Financial Advisor's responsibilities

As explained more fully in the statement set out on page 3, the Financial Advisor is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; 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; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using 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.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;

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- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of North London Waste Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Neil Hewitson
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
31 July 2018

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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 2017/18* (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:

Expenditure and Funding Analysis: This 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.

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.

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 (formerly LondonWaste 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 2017/18 decreased by 3,438 tonnes (0.59%) compared with 2016/17 i.e. from 586,235 tonnes to 582,797 tonnes.

Residual Waste by Borough	2016/17 Tonnes	2017/18 Tonnes	Variance Tonnes	Variance %
Barnet	102,436	101,059	(1,377)	(1.34)
Camden	82,872	77,514	(5,358)	(6.47)
Enfield	85,885	87,279	1,394	1.62
Hackney	91,798	91,155	(643)	(0.70)
Haringey	73,729	73,441	(288)	(0.39)
Islington	78,769	80,670	1,901	2.41
Waltham Forest	70,746	71,679	933	1.32
	<u>586,235</u>	<u>582,797</u>	<u>(3,438)</u>	<u>(0.59)</u>

The Authority continued to provide key recyclable waste treatment services to six of its constituent boroughs. 50,101 tonnes of compostable waste was sent to the Authority for treatment in 2017/18 (54,784 tonnes in 2016/17), a year on year decrease of 4,683 tonnes (8.55%).

Compostable Waste by Borough	2016/17 Tonnes	2017/18 Tonnes	Variance Tonnes	Variance %
Barnet	21,873	19,374	(2,499)	(11.43)
Camden	4,285	3,943	(342)	(7.98)
Enfield	-	-	-	-
Hackney	6,648	6,869	221	3.32
Haringey	7,869	6,820	(1,049)	(13.33)
Islington	4,037	4,091	54	1.34
Waltham Forest	10,072	9,004	(1,068)	(10.60)
	<u>54,784</u>	<u>50,101</u>	<u>(4,683)</u>	<u>(8.55)</u>

Mixed dry recyclable waste processed by the Authority amounted to 110,996 tonnes in 2017/18 compared with 114,558 in 2016/17, a reduction of 3,562 tonnes (3.11%). Income from the sale of mixed dry recyclables reduces the levy payable by each borough by offsetting the cost of processing dry recyclables. Sale prices of dry recyclable materials fell in the latter months 2017/18 due to Chinese restrictions on certain imported materials as well as more stringent contamination limits. The average price received for the year was £23.85 per tonne compared with £29.62 in 2016/17. Income in 2017/18 was £2.647m. (January – March 2018 is provisional). In 2016/17, income was £3.364m.

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Mixed Dry Recyclable Waste by Borough	2016/17 Tonnes	2017/18 Tonnes	Variance Tonnes	Variance %
Barnet	27,719	27,096	(623)	(2.25)
Camden	17,539	18,753	1,214	6.92
Enfield	-	-	-	-
Hackney	17,641	17,310	(331)	(1.88)
Haringey	18,227	16,581	(1,646)	(9.03)
Islington	14,624	14,070	(554)	(3.79)
Waltham Forest	18,808	17,186	(1,622)	(8.63)
	<u>114,558</u>	<u>110,996</u>	<u>(3,562)</u>	<u>(3.11)</u>

Landfill tax continued to rise in line with the Government's stated intention to raise the standard rate of tax in line with inflation. It was £86.10 per tonne in 2017/18, will rise by £2.85 to £88.95 per tonne in 2018/19. The Government has said that it remains committed to ensuring rates are not eroded in real terms. The majority of the residual waste delivered to Hendon is transferred by rail to a third party Energy from Waste facility in Buckinghamshire. In the past, this was sent to landfill. The Authority's Landfill Tax liability was £1.526m in 2017/18 compared to £1.583m in 2016/17.

Work continued to support the development of North London Heat & Power Project, the aim of which is to construct a replacement Energy Recovery Facility at the EcoPark in Edmonton. In April 2017, the Authority paid £1.650m to purchase a parcel of land at the northern edge of the EcoPark, which will be used as an additional access point to the site.

The Authority continued to invest in waste prevention and reduction. Work in 2017/18 focussed on food waste reduction, furniture and textile re-use, mending and upcycling initiatives. Food waste reduction work was delivered through face to face engagement with residents through information stands and workshops in a range of settings including festivals and fairs, libraries, community centres, leisure centres, universities and offices. In the year, food waste events led to direct engagement with 9,662 residents and as a result, it is estimated that 7,031 tonnes of food waste were diverted from recycling and disposal.

Furniture reuse was promoted with an Upcycling Show and Upcycling competition. In addition to upcycling, 14 Give and Take days were held in early 2018.

Textile reuse was promoted by delivering seven 'swishing' (clothing exchange) events across North London. At each swishing event there were also free courses and workshops on sewing, clothing repairs and upcycling to support this activity.

Communications activity included an increased use of social media in the year, primarily through the Authority's 'Wise Up To Waste' brand. The Twitter account gained 414 new followers (2,100 in total) with just over 800,000 impressions, over double the number in 2016/17 (A tweet impression refers to the number of Twitter streams where Wise Up To Waste tweets have been displayed).

The Authority continued its household recycling communications campaign which is targeted at 18-34 year olds in north London. The second year of a three-year programme was delivered through social media, display advertising and television/on-demand advertising. The advert directed viewers to the saveourstuff.co.uk website. The advert was viewed 3,103,000 times. The campaign won the #Do Different Regional award at the Marketing Agencies Association #Do Different Creative Awards

North London's reuse shop, 'Second Time Around' completed its second full year of trading. The shop is located within the Kings Road RRC in Chingford and sells items that have been donated by local residents or rescued from RRCs across North London. In the summer of 2017, a second 'pop-up' shop opened at the Summers Lane RRC in Barnet. Between them, the shops diverted over 67 tonnes from disposal and achieved a trading profit of almost £13,000. The Summers Lane shop is currently closed pending improved facilities.

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To support efforts to divert waste from disposal, the Authority operates a third party reuse and recycling credit scheme. This rewards registered charities that repair or recycle donated goods within the constituent boroughs. In 2017/18, the scheme diverted some 2,513 tonnes from disposal.

Events After the Accounting Period

In May 2018, after the end of the accounting period covered by these statements, a contractor working for LondonEnergy Ltd struck an underground electrical cable at the EcoPark and power was lost at the site. When power was restored, one of the four turbines could not be restarted due to damage. An investigation is underway to establish whether the turbine can be repaired or whether it should be replaced. It is unlikely that the turbine will be operational until the spring of 2019.

FINANCIAL PERFORMANCE

The Authority agreed its 2017/18 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 North London Heat and Power project. 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.

In February 2018, the Authority was advised that revenue balances at 31 March 2018 were forecast to be £8.019m. Since then, Residual waste tonnage has been lower than forecast, generating further savings. In addition, electricity income received by LondonEnergy Ltd has improved which reduces the contribution that the Authority makes. In addition, there have been savings generated by lower prices in a new food waste recycling contract. Lower volumes of mixed dry recycling has been received although the saving from this had been offset by reduced income and reduction in the sale prices of these materials. There have been further savings in corporate support service costs, replanning of North London Heat and Power project costs into 2018/19 and no call on the contingency. This has resulted in revenue balances at 31 March 2018 of £11.962m.

Compared to 2016/17, the net cost of services decreased by £0.427m (1.0%). This can largely be attributed to a number of key areas: Higher wholesale electricity prices, leading the Authority to pay less through its contract with LondonEnergy Ltd were partially offset by higher costs of residual waste disposal. In addition, the income received per tonne for dry recycled materials decreased over the course of the year and lower tonnage received also led to reduced income. This more than offset the saving from the processing of recyclable material.

Early Accounts Closure

The Accounts and Audit Regulations 2015 require all local government bodies to have their 2017/18 annual accounts signed by their Responsible Finance Officer by 31 May 2018 i.e. one month earlier than was previously required.

The 2015 Regulations also bring forward the date by which the audit certificate for the 2017/18 annual accounts should be issued from 30 September to 31 July i.e. two months earlier than previously required.

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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 2018 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

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

- The Authority has a clearly defined set of objectives in terms of service delivery and these are reflected in its contract with LondonEnergy Ltd. and other contracts.
- Policy and decision-making are managed and controlled within a strong well-established framework. The Authority's standing orders set out in detail how the Authority operates, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability. Political and management control is exercised through Authority Members and Advisers who work to defined and established processes.
- Compliance with policies, laws and regulations is dealt with through a range of written rules and procedures which are regularly reviewed and updated. These include Standing Orders relating to the Authority, Standing Orders relating to Committees, Financial Standing Orders, and Contract Standing Orders.
- 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.
- 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.

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

4. Review of Effectiveness

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

The Public Sector Internal Audit Standards require that the Head of Internal Audit provide an annual audit opinion that can be used by the organisation to inform its governance statement. The wider content of this annual governance statement indicates an adequate level of assurance from the Authority's governance framework. With regard to the annual opinion of the Head of Internal Audit (HIA), the HIA is satisfied that the work undertaken by the audit function during 2017/18 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 Members' Finance Working Group provides an effective means of enabling detailed review and examination by Members of the Authority's financial and risk management issues.

The Authority is further supported by the work of the Members' Recycling Working Group and a Member Project Steering 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.

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

5. Significant Governance Issues

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

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- The Members' Finance Working Group reviewed the Authority's risk register and the conclusions were reported to the Authority in September 2017. A high level risk register for LondonEnergy Ltd. was included so that the risks for the company could be taken into account by the Authority as shareholder.
- In December 2015, the Authority agreed that the Statement of Arrangements between the Authority and the London Boroughs of Camden and Haringey should be revised to reflect current arrangements. Between them, the two boroughs provide the Authority with staff and a number of services including financial matters, IT and legal support. Both Statements of Arrangements were finalised and completed during 2017/18.
- The importance of the North London Heat and Power Project to the Authority was reflected in a change to the Member engagement arrangements. At the meeting on 5 April 2017, it was agreed that a specific project steering group would be set up to allow for Member engagement in the project, and this Member Project Steering Group has met during the year to consider aspects of the project.
- At its meeting on 8 February December 2018, the Authority agreed to changes to Standing Orders to reflect the name change of the Authority's subsidiary company, LondonWaste Ltd to LondonEnergy Ltd. In addition, it extended the list of officers who can fix the Authority's seal to documents, to include the Head of Legal and Governance
- Standing Orders will be reviewed specifically in the light of the North London Heat and Power Project to ensure that the authorisations granted and the provisions of the Contract Standing Orders are fit for the purpose of delivery of a significant and complex project and this will be kept under review as the implementation of the project starts.
- The Authority has prepared policies, procedures, process notes and other measures to comply with the General Data Protection Regulations (GDPR) when it comes into force in May 2018. The Authority has also been liaising with the London Boroughs of Haringey (as the provider of IT) and the London Borough of Camden (as the provider of HR services) with regard to the policies that the Authority will need to review and follow to meet the requirements of GDPR.

6. Matters for Future Action

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

- Training, where appropriate, to members and officers, and an ongoing review of the over-arching and supporting risk registers so that the Authority will be able to track and accurately manage the identified risks associated with all aspects of its work.
- Implementation of any recommendations proposed by the internal audit reviews and the development and completion of a further internal work programme in 2018/19.
- Keeping under review the governance arrangements for LondonEnergy Ltd.

7. 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 Andy Hull
Chair of the NLWA
Audit Committee

Mike Cooke
Clerk to the NLWA

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EXPENDITURE AND FUNDING ANALYSIS

2016/17			2017/18		
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
33,295	-	33,295	32,354	-	32,354
1,099	-	1,099	1,080	-	1,080
1,583	-	1,583	1,526	-	1,526
2,405	-	2,405	2,128	-	2,128
6,165	-	6,165	6,270	-	6,270
1,468	1,689	3,157	1,474	1,698	3,172
3,271	-	3,271	3,567	-	3,567
1,761	(32)	1,729	1,849	(33)	1,816
468	-	468	419	-	419
323	-	323	323	-	323
412	-	412	350	-	350
316	-	316	294	-	294
240	-	240	230	-	230
1,649	-	1,649	1,622	-	1,622

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

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
6,760	(4,873)	1,887	Revenue Funding of Capital Programme	6,749	(4,873)	1,876
(7,646)	-	(7,646)	Non-Household Waste	(7,654)	-	(7,654)
(1,454)	-	(1,454)	Household Waste	(1,524)	-	(1,524)
(3,364)	-	(3,364)	Sale of Recyclable Material	(2,647)	-	(2,647)
(108)	-	(108)	Rent Receivable	(111)	-	(111)
(127)	-	(127)	Interest Received	(70)	-	(70)
(67)	-	(67)	Other Income	(169)	-	(169)
-	9	9	Pension Interest		6	6
	26	26	Pension Asset – Actuarial (Gain)/Loss		(12)	(12)
48,449	(3,181)	45,268	Net Cost Of Services	48,060	(3,214)	44,846
(46,649)	-	(46,649)	Levy	(47,948)	-	(47,948)
(46,649)	-	(46,649)	Other Income and Expenditure	(47,948)		(47,948)
1,800	(3,181)	(1,381)	(Surplus) or Deficit	112	(3,214)	(3,102)
13,874			Opening Balance	12,074		
(1,800)			Less (Deficit) in Year	(112)		
12,074			Closing Balance at 31 March	11,962		

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

MOVEMENT IN RESERVES STATEMENT

	General Balance	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2017/18	£000	£000	£000	£000	£000
Balance at 31 March 2017 brought forward	12,074	1,439	13,513	70,812	84,325
Movement in reserves during 2017/18					
Total Comprehensive Income and Expenditure	3,102	-	3,102	8,767	11,869
Adjustments between accounting basis & funding basis under regulations	(3,214)	-	(3,214)	3,214	-
Increase/(Decrease) in 2017/18	(112)	-	(112)	11,981	11,869
Balance at 31 March 2018 carried forward	11,962	1,439	13,401	82,793	96,194
2016/17					
Balance at 31 March 2016 brought forward	13,874	1,439	15,313	67,631	82,944
Movement in reserves during 2016/17					
Total Comprehensive Income and Expenditure	1,381	-	1,381	-	1,381
Adjustments between accounting basis & funding basis under regulations	(3,181)	-	(3,181)	3,181	-
Increase/(Decrease) in 2016/17	(1,800)	-	(1,800)	3,181	1,381
Balance at 31 March 2017 carried forward	12,074	1,439	13,513	70,812	84,325

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17				2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
33,295	-	33,295	Main Waste Disposal Contract	32,354	-	32,354
1,099	-	1,099	Civic Amenity Waste (Residual Waste Element)	1,080	-	1,080
1,583	-	1,583	Landfill Tax	1,526	-	1,526
2,405	-	2,405	Composting Services	2,128	-	2,128
6,165	-	6,165	Materials Recovery Facility Services	6,270	-	6,270
3,157	-	3,157	Transfer Stations and Other Sites	3,172	-	3,172
3,271	-	3,271	Reuse and Recycling Centres	3,567	-	3,567
1,729	-	1,729	Corporate and Other Support Service Costs	1,816	-	1,816
468	-	468	Operations Team	419	-	419
323	-	323	Waste Prevention Programme – New Initiatives	323	-	323
412	-	412	Technical and Planning Team	350	-	350
316	-	316	Communications Campaign – Household Recycling	294	-	294
240	-	240	Other Recycling Initiatives	230	-	230
1,649	-	1,649	North London Heat & Power Project	1,622	-	1,622
-	(7,646)	(7,646)	Non-Household Waste	-	(7,654)	(7,654)
-	(1,454)	(1,454)	Household Waste	-	(1,524)	(1,524)
-	(3,364)	(3,364)	Sale of Recyclable Material	-	(2,647)	(2,647)
-	(108)	(108)	Rent Receivable	-	(111)	(111)
-	(67)	(67)	Other Income	-	(169)	(169)
56,112	(12,639)	43,473	Cost Of Services	55,151	(12,105)	43,046

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
-	(46,649)	(46,649)	Levy	-	(47,948)	(47,948)
-	(46,649)	(46,649)	Other Operating Income	-	(47,948)	(47,948)
-	(127)	(127)	Interest Receivable	-	(70)	(70)
9	-	9	Pension Interest Cost	6	-	6
1,887	-	1,887	Revenue Funding of Capital – Interest	1,876	-	1,876
1,896	(127)	1,769	Financing and Investment (Income) and Expenditure	1,882	(70)	1,812
		(1,407)	(Surplus)/Deficit on Provision of Services			(3,090)
		26	Actuarial Loss/(Gain) on Pension Assets			(12)
		26	Other Comprehensive Income and Expenditure			(12)
		(1,381)	Total Comprehensive Income and Expenditure			(3,102)

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

BALANCE SHEET

	Note	31 March 2017 £'000	31 March 2018 £'000
Property, Plant and Equipment	5	22,966	31,856
Long Term Investments	7	119,392	119,392
LONG TERM ASSETS		142,358	151,248
<u>Short Term Debtors</u>			
Cash and Cash Equivalents	17	6,626	11,296
LondonEnergy Ltd		3,895	1,330
HM Revenue and Customs		1,134	1,673
Other debtors		2,556	1,229
CURRENT ASSETS		14,211	15,528
<u>Short Term Creditors</u>			
Short Term Borrowings		(731)	(731)
LondonEnergy Ltd		(8,978)	(6,470)
Other Local Authorities		(795)	(1,200)
Other Entities and Individuals		(1,375)	(1,855)
CURRENT LIABILITIES		(11,879)	(10,256)
Long Term Borrowings	8	(60,000)	(60,000)
Other Long Term Liabilities	18	(365)	(326)
LONG TERM LIABILITIES		(60,365)	(60,326)
NET ASSETS		84,325	96,194
<u>Usable Reserves</u>			
General Fund Balance		12,074	11,962
Capital Receipts Reserve	12	1,439	1,439
<u>Unusable Reserves</u>			
Capital Adjustment Account	9	43,533	51,775
Revaluation Account	10	5,938	9,638
Capital Revaluation Account	11	21,706	21,706
Pension Reserve	18	(365)	(326)
TOTAL RESERVES		84,325	96,194

Mike O'Donnell CPFA

Financial Adviser 26 July 2018

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

CASH FLOW STATEMENT

	Note	2016/17 £'000	2017/18 £'000
Net surplus on the provision of services		(1,407)	(3,090)
Adjustments to net surplus on the provision of services for non-cash movements	15	2,482	(3,401)
Adjustments for items included in the net surplus on the provision of services that are investing activities		-	-
		<hr/>	<hr/>
Net cash (inflow)/outflow from operating activities		1,075	(6,491)
Investing activities		-	1,821
Financing Activities	16	5,000	-
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		6,075	(4,670)
Cash and cash equivalents at the beginning of the reporting period		(12,701)	(6,626)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period		(6,626)	(11,296)

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 2018

ACCOUNTING POLICIES

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, 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 2018/19 in respect of their work in 2017/18 has been accrued.

Post-employment benefits

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

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

Non Current Assets

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

Investments and Property

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

Charges to Revenue in respect of Capital Assets

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

- Depreciation attributable to the assets used
- Impairment

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

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

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

Prior Year Adjustments

There are no prior year adjustments in the Authority's own 2017/18 financial statements or in the Group accounts.

Reserves

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

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

Group accounts

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

Members' allowances

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

Value Added Tax

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

Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

Financial Instrument Risk

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

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

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

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

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

Contingent Liabilities

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

1. EVENTS AFTER THE BALANCE SHEET DATE

This draft Statement of Accounts was authorised by the Financial Adviser on 30 May 2018. 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 2018, 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	2016/17	2017/18
	£'000	£'000
Statutory provision for the financing of capital investment – Minimum Revenue Provision	(4,873)	(4,873)
Property, plant and equipment - Depreciation	1,689	1,698
Pension asset – Actuarial (gain)/loss	26	(12)
Net interest on defined benefit liability	9	6
Employer’s pension contributions paid in year	(32)	(33)
	<hr/>	<hr/>
Total Funding Basis Adjustments	(3,181)	(3,214)
	<hr/> <hr/>	<hr/> <hr/>

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 2018

Non household waste	2016/17		2017/18	
	Tonnes	£	Tonnes	£
Barnet	11,232	856,362	11,101	829,337
Camden	30,657	2,188,452	28,814	2,023,496
Enfield	8,957	682,843	9,339	698,300
Hackney	21,704	1,545,562	22,540	1,583,849
Haringey	4,076	293,180	3,820	274,516
Islington	26,938	1,974,529	29,800	2,143,443
Waltham Forest	1,377	105,014	1,356	101,424
	<u>104,941</u>	<u>7,645,942</u>	<u>106,770</u>	<u>7,654,365</u>

Chargeable household waste	2016/17		2017/18	
	Tonnes	£	Tonnes	£
Barnet	2,280	173,827	2,280	170,487
Camden	4,430	311,417	5,028	358,771
Enfield	1,431	109,099	1,431	107,003
Hackney	5,720	408,031	6,590	455,395
Haringey	2,865	192,533	2,878	194,994
Islington	3,835	259,287	3,495	237,303
Waltham Forest	-	-	-	-
	<u>20,561</u>	<u>1,454,194</u>	<u>21,702</u>	<u>1,523,953</u>

4. LEVY

The levy on constituent boroughs of £47.948m was agreed at the Authority Meeting on 9 February 2017 and represents, after allowance for the use of revenue balances, the net cost of meeting the Authority's statutory responsibility for the disposal of household waste and operating Re-use and Recycling Centres that have been transferred to the Authority. The levy was apportioned in accordance with the menu price based arrangements agreed by constituent councils in January 2016.

Borough	2016/17	2017/18	2016/17	2017/18
	%	%	£'000	£'000
Barnet	20.92	19.23	9,762	9,220
Camden	11.40	10.86	5,317	5,208
Enfield	12.53	11.85	5,843	5,680
Hackney	13.79	14.29	6,435	6,854
Haringey	14.73	16.42	6,871	7,875
Islington	11.22	11.06	5,234	5,301
Waltham Forest	15.41	16.29	7,187	7,810
	<u>100.00</u>	<u>100.00</u>	<u>46,649</u>	<u>47,948</u>

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings £'000	Assets Under Construction £'000	Total £'000
Movement on balances in 2017/18			
Cost or Valuation			
At 1 April 2017	26,300	44	26,344
Additions,	1,648	173	1,821
Disposals	-	-	-
Impairment	-	-	-
Revaluation	3700	-	3,700
	<hr/>	<hr/>	<hr/>
At 31 March 2018	31,648	217	31,865
Depreciation and Impairment			
At 1 April 2017	3,378	-	3,378
Depreciation charge	1,698	-	1,698
Revaluation	(5,067)	-	(5,067)
	<hr/>	<hr/>	<hr/>
At 31 March 2018	9	-	9
Net Book Value at 31 March 2018	31,639	217	31,856
Net Book Value at 31 March 2017	22,922	44	22,966
<hr/>			
Comparative movement on balances in 2016/17			
Cost or Valuation			
At 1 April 2016	26,300	44	26,344
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2017	26,300	44	26,344
Depreciation and Impairment			
At 1 April 2016	1,689	-	1,689
Depreciation Charge	1,689	-	1,689
	<hr/>	<hr/>	<hr/>
At 31 March 2017	3,378	-	3,378
Net Book Value at 31 March 2017	22,922	44	22,966
Net Book Value at 31 March 2016	24,611	44	24,655

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.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

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 2018; 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 revalued at £14.1m, an increase of £3.0m. As a result of the re-valuation, the plant and Buildings at Hornsey Street will be depreciated over 20 years (from 1 April 2018) and all historic depreciation at 31 March 2018 has been removed, matched by a corresponding change to the Capital Adjustment Account (note 9).

6. CAPITAL COMMITMENTS

The Authority intends to enter into a lease agreement for land at Lower Hall Lane, Edmonton at a cost of £0.576m. The land will be used as the laydown area for the North London Heat and Power Project.

7. INVESTMENTS – LONDONENERGY LTD

	2017 £'000	2018 £'000
Balance at 31 March	119,392	119,392

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.

8. BORROWING

Details of borrowings at 31 March 2018, all of which is borrowed from the Public Works Loan Board, are set out below:

Sum Borrowed	Repayment Date
Long Term – Long Term Creditor	
£20,000,000	12 April 2020
£10,000,000	16 July 2022
£10,000,000	16 July 2024
£10,000,000	12 April 2026
£10,000,000	12 April 2028

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

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 2018. 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 March 2017		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Sum Borrowed - £60,000,000 (2016/17: £60,000,000)	60,731	64,830	60,731	62,928

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

9. CAPITAL ADJUSTMENT ACCOUNT

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

	2017	2018
	£'000	£'000
Balance brought forward	40,349	43,533
Minimum Revenue Provision (MRP)	4,873	4,873
Depreciation	(1,689)	(1,698)
Revaluation	-	5,067
Balance at 31 March	<u>43,533</u>	<u>51,775</u>

10. REVALUATION ACCOUNT

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

	2017	2018
	£'000	£'000
Balance brought forward	5,938	5,938
Revaluation	-	3,700
Balance at 31 March	<u>5,938</u>	<u>9,638</u>

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

11. CAPITAL REVALUATION ACCOUNT

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

	2017	2018
	£'000	£'000
Balance at 31 March	<u>21,706</u>	<u>21,706</u>

12. USABLE CAPITAL RECEIPTS RESERVE

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

	2017	2018
	£'000	£'000
Balance at 31 March	<u>1,439</u>	<u>1,439</u>

13. RELATED PARTIES

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

Central Government

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

Members

Each of the seven constituent boroughs of the Authority appoints two of their Members to the Authority. Transactions between the Authority and its constituent boroughs, principally the Levy and charges for the treatment of non-household waste, are detailed elsewhere in the accounts. Apart from this dual role, no Member of the Authority has reported that he/she or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2017/18.

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 2017/18.

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.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

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

Technical Adviser (until 24 May 2017)

In 2017/18 the Authority paid Camden £1.890m (2016/17: £1.993m) for the provision of lead borough services. On 31 March 2018 Camden held cash and cash equivalents of £11.296m (31 March 2017: £4.976m) on behalf of the Authority.

The London Borough of Haringey provides Operational support services to the Authority. In 2017/18 The Authority paid Haringey £0.114m for these services (2016/17: £0.110m).

In 2017/18 the Authority paid London Borough of Enfield £0.002m (2016/17: £0.009m) for the honoraria paid to the Authority's Technical Adviser. On 24 May 2017 the Technical Adviser stepped down from this role upon his appointment to the post of Chief Executive at London Borough of Enfield. The role remained vacant for the remainder of the year.

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 20.

Entities Controlled by the Authority

At 31 March 2018 the Authority owned 100% (31 March 2017: 100%) of the shares in LondonEnergy Ltd (formerly LondonWaste Ltd). In 2017/18 the Authority paid LondonEnergy Ltd £40.021m (2016/17: £42.979m) for waste disposal and transport services. The Company paid no dividend to the Authority in 2017/18 (2016/17: £nil). The Authority's accounts include a creditor of £6.470m (2016/17 £8.978m) in respect of the services provided to the Authority by the Company and a debtor of £1.330m (2016/17 £3.895m) in respect of income due to the Authority from the Company.

Amounts Written Off

No related party debts were written off in 2017/18 (2016/17: £nil) and no provisions for doubtful debts were raised (2016/17: £nil).

14. LEASING AND HIRE PURCHASE

Included within operating expenditure for both 2017/18 and 2016/17 is rent payable in respect of the Hendon Solid Waste Transfer Station, Brent Terrace.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

15. 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

	2016/17 £'000	2017/18 £'000
Cash flows from operating activities include:		
Depreciation	(1,689)	(1,698)
Movement in pension liability	23	27
(Increase)/decrease in creditors	1,012	(3,353)
Increase/(decrease) in debtors	3,136	1,623
	<u>2,482</u>	<u>(3,401)</u>

16. CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from Financing activities represent the changes to the Authority's borrowing requirements

	2016/17 £'000	2017/18 £'000
Cash flows from financing activities include		
Repayment of borrowings from Public Works Loans Board (Net)	5,000	0
	<u>5,000</u>	<u>0</u>

17. ANALYSIS OF CHANGE IN CASH AND CASH EQUIVALENTS

	At 31 March 2017 £'000	Cash flows £'000	At 31 March 2018 £'000
Cash and cash equivalents held at 31 March	6,626	4,670	11,296

18. DEFINED BENEFIT PENSION SCHEME

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

The Authority does however have obligations and liabilities in respect of the added years' element of pensions paid to retired former employees who were directly employed by the Authority prior to the transfer of staff to LondonEnergy Ltd (formerly LondonWaste Ltd) in December 1994. In 2017/18 the Authority paid £32,765 to the London Pension Fund Authority (£32,400 in 2016/17) in respect of these employees. The Authority's future liability as at 31 March 2018 has been calculated by Barnett Waddingham, the actuaries for the LPFA as being £0.362m (£0.365m at 31 March 2017).

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

The figure is based on the following assumptions:

	2017/18	2016/17
Return on assets discount rate	2.40%	2.8%
Pension increases	2.35%	2.2%
Inflation (RPI)	3.35%	3.1%
Inflation (CPI)	2.35%	2.2%

For 2017/18 the actuary adopted a set of demographic assumptions consistent with those used for the formal funding valuation of the LPFA as at 31 March 2016 (2016/17: valuation as at 31 March 2016). The Authority has recognised this liability in the balance sheet and established a pension reserve of an equal amount which is defrayed by the value of the payments made to the LPFA during the year, i.e. by means of a transfer to the pension reserve.

19. 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 2018 the property is carried on the balance sheet at £15.900m (£13.511m at 31 March 2017).

20. 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.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

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

		Salary	Variable Pay (note 1)	Employers Pension Contribution	Total
		£	£	£	£
Managing Director (note 2)	2017/18	43,574	-	13,421	56,995
	2016/17	107,681	-	32,801	140,482
Head of Operations (Note 3)	2017/18	103,897	-	32,000	135,897
	2016/17	90,861	1,667	27,397	119,925
Head of Legal & Governance (Note 3)	2017/18	100,244	1,556	30,875	132,675
	2016/17	84,089	1,512	25,334	110,935
Head of Finance	2017/18	78,972	790	24,324	104,086
	2016/17	76,854	1,543	23,228	101,625

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

Note 2 – The Managing Director took up his duties on 6 December 2017. Prior to this date the post had been vacant following the retirement of the previous Managing Director on 31 December 2016.

Note 3 – Until the appointment of the Managing Director the Heads of Operations and Legal and Governance undertook the duties of this post.

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	2016/17	2017/18
£50,000 to £54,999	1	1
£55,000 to £59,999	3	2
£60,000 to £65,000	-	1
£75,000 to £79,999	1	1
Total	5	5

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

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:

		Honorarium	Employers pension contributions	Total
		£	£	£
Clerk – Chief Executive (Camden)	2017/18	8,747	2,263	11,010
	2016/17	8,747	2,563	11,310
Financial Adviser – Executive Director of Corporate Services (Camden)	2017/18	8,246	2,499	10,745
	2016/17	8,165	2,391	10,556
Legal Adviser – Borough Solicitor (Camden)	2017/18	7,083	1,519	8,602
	2016/17	7,012	2,055	9,067
Technical Adviser – Director of Environment (Enfield)#	2017/18	1,034	-	1,034
	2016/17	6,996	1,462	8,458
# This appointment is outside the Lead Borough arrangement.				

Upon appointment to the post of Chief Executive at the London Borough of Enfield, the Technical Adviser stepped down from this role on 24 May 2017; the post remained vacant for the remainder of 2017/18.

21. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the statutory accounts. The auditor, KPMG LLP did not provide any additional services to the authority in either 2017/18 or 2016/17. No other audit fees were incurred in 2017/18 or 2016/17

	2016/17 £	2017/18 £
Audit of the statutory accounts	18,270	18,270

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

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 780,000 tonnes of waste in 2017. The company employs approximately 270 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 2017.

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.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

GROUP EXPENDITURE AND FUNDING ANALYSIS

2016/17				2017/18		
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
46,538	(5,165)	41,373	Environmental and Regulatory Services	47,794	(4,651)	43,143
46,538	(5,165)	41,373	Net Cost Of Services	47,794	(4,651)	43,143
(46,649)	-	(46,649)	Other Income and Expenditure	(47,952)	-	(47,952)
(111)	(5,165)	(5,276)	(Surplus) or Deficit	(158)	(4,651)	(4,809)
26,106			Opening Balance	26,217		
111			Add Surplus in Year	158		
26,217			Closing Balance at 31 March	26,375		

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

GROUP MOVEMENT IN RESERVES STATEMENT

	General Balance	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2017/18	£000	£000	£000	£000	£000
Balance at 31 March 2017 brought forward	26,217	1,439	27,656	100,128	127,784
Movement in reserves during 2017/18					
Total Comprehensive Income and Expenditure	4,809	-	4,809	8,767	13,576
Adjustments between accounting basis & funding basis under regulations	(4,651)	-	(4,651)	4,651	-
Increase/(Decrease) in 2017/18	158	-	158	13,418	13,576
Balance at 31 March 2018 carried forward	26,375	1,439	27,814	113,546	141,360
2016/17	£000	£000	£000	£000	£000
Balance at 31 March 2016 brought forward	26,106	1,439	27,545	94,963	122,508
Movement in reserves during 2016/17					
Total Comprehensive Income and Expenditure	5,276	-	5,276	-	5,276
Adjustments between accounting basis & funding basis under regulations	(5,165)	-	(5,165)	5,165	-
Increase/(Decrease) in 2016/17	111	-	111	5,165	5,276
Balance at 31 March 2017 carried forward	26,217	1,439	27,656	100,128	127,784

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17				2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
73,254	(32,300)	40,954	Environmental and regulatory services	75,525	(32,382)	43,143
73,254	(32,300)	40,954	Cost Of Services	75,525	(32,382)	43,143
		(46,649)	Other Operating (Income) and Expenditure			(47,948)
		1,635	Financing and Investment (Income) and Expenditure			1,760
		537	Taxation and Non-Specific Grant Income			(359)
		(3,523)	Surplus on Provision of Services			(3,404)
		(2,097)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets			(1,550)
		344	Actuarial (Gain)/Loss on Pension Assets			145
		(1,753)	Other Comprehensive Income and Expenditure			(1,405)
		(5,276)	Total Comprehensive Income and Expenditure			(4,809)

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

GROUP BALANCE SHEET

	Note	31 March 2017	31 March 2018
		£'000	£'000
Property, Plant and Equipment	7.6, 7.8	115,313	128,157
Intangible Assets – Goodwill	7.6, 7.8	50,213	50,213
LONG TERM ASSETS		165,526	178,370
CURRENT ASSETS	7.9	39,706	42,824
CURRENT LIABILITIES	7.7, 7.10	(13,858)	(16,783)
Long Term Borrowings		(60,000)	(60,000)
Long Term Liabilities - Pension		(365)	(326)
Deferred Taxation		(2,702)	(1,975)
Other Long Term Liabilities		(523)	(750)
LONG TERM LIABILITIES		(63,590)	(63,051)
NET ASSETS		127,784	141,360
<u>Usable Reserves</u>			
General Fund Balance		26,217	26,375
Usable Capital Receipts Reserve		1,439	1,439
<u>Unusable Reserves</u>			
Capital Adjustment Account	7.7	43,960	52,088
Revaluation Account		5,938	9,639
Capital Revaluation Account		21,706	21,706
Acquisition Revaluation Reserve		28,889	30,439
Pension Reserve		(365)	(326)
TOTAL RESERVES		127,784	141,360

Mike O'Donnell CPFA

Financial Adviser 26 July 2018

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

GROUP CASHFLOW STATEMENT

	2016/17	2017/18
	£'000	£'000
Net surplus on the provision of services	(3,523)	(3,404)
Adjustments to net surplus on the provision of services for non-cash movements	(6,637)	(6,118)
Net cash inflow from operating activities	<u>(10,160)</u>	<u>(9,522)</u>
Investing activities	5,929	9,070
Financing activities	5,000	-
Net (increase)/decrease in cash and cash equivalents	<u>769</u>	<u>(452)</u>
Cash and cash equivalents at the beginning of the reporting period	<u>(34,247)</u>	<u>(33,478)</u>
Cash and cash equivalents at the end of the reporting period	<u><u>(33,478)</u></u>	<u><u>(33,930)</u></u>

NOTES TO THE GROUP ACCOUNTS

1. ACCOUNTS OF LONDONENERGY LTD

The 2017 accounts were approved by the Board of LondonEnergy Ltd on 22 March 2018 and received an unqualified audit opinion by Moore Stephens LLP (the Company's statutory auditor) on 8 May 2018. LondonEnergy Ltd is not required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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. CHANGE OF COMPANY NAME

On 1 November 2016, LondonWaste Ltd. (company number 02732548) registered a dormant subsidiary company (company no. 10456213) in the name of LondonEnergy Ltd. On 5 September 2017, LondonWaste Ltd changed its registered name to LondonEnergy Ltd. and on the same day changed the name of the subsidiary company from LondonEnergy Ltd to LondonWaste Ltd. The subsidiary company, now called LondonWaste Ltd remains dormant.

3. EVENTS AFTER THE REPORTING PERIOD

The group financial statements and notes have not been adjusted for the following event which took place after 31 March 2018 as it provides information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date

On 4 May 2018, a contractor working for LondonEnergy Ltd at the EcoPark struck an underground electrical cable, causing a power spike and a loss of power to the plant and a shutdown of all boilers and turbines. One of the four turbines suffered damage and could not be brought back into operation. An investigation is under way to determine whether the turbine can be repaired or has to be replaced but it is not expected to return to partial operational use until the spring of 2019. This will decrease LondonEnergy's capacity to process waste and generate electricity at the EcoPark and might decrease profits by £7.2 million in the period to March 2019. LondonEnergy Ltd is insured and is taking action to protect its position and recover these costs.

The North London Waste Authority's costs will increase by £0.6m in the period to March 2019. Additional Tonnages will be sent to third party facilities, however this cost will be partially offset by lower electricity income claims and landfill tax charges.

4. CONSOLIDATION ADJUSTMENT

The consolidated balance sheet has been adjusted for items of income and expenditure that are in dispute between the North London Waste Authority and LondonEnergy Ltd. Both parties are working to resolve these items but discussions were ongoing when the accounts were approved.

These balances relate to both income and expenditure from prior years for Reuse and Recycling Centres. The Amount for Debtors in the Authority's balance sheet includes £875,416 and Creditors falling due within 1 year includes £663,007. These amounts are not included in the LondonEnergy Ltd. financial statements.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

5. INVESTMENT IN LONDONENERGY LTD

Summarised balance sheet of LondonEnergy Ltd

	Note	31 December 2016 £'000	31 December 2017 £'000
LONG TERM ASSETS			
Tangible assets	7.6	39,333	41,737
		<hr/>	<hr/>
		39,333	41,737
CURRENT ASSETS			
Stocks		1,822	1,931
Debtors		9,694	8,993
Cash at bank and in hand		26,852	22,634
		<hr/>	<hr/>
		38,368	33,558
CREDITORS: amounts falling due within one year		(15,279)	(13,103)
		<hr/>	<hr/>
NET CURRENT ASSETS		23,089	20,455
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		62,422	62,192
PROVISIONS FOR LIABILITIES -			
Deferred tax		(2,702)	(1,975)
Provision		(523)	(750)
		<hr/>	<hr/>
TOTAL PROVISIONS		(3,225)	(2,725)
		<hr/>	<hr/>
NET ASSETS		59,197	59,467
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital		31,196	31,196
Share premium		1,648	1,648
Profit and loss account		26,353	26,623
		<hr/>	<hr/>
TOTAL EQUITY SHAREHOLDERS' FUNDS		59,197	59,467
		<hr/>	<hr/>

6. SHARE PREMIUM RESERVE

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

7. 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

7.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2018. 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.

Statement of Accounts for the year ended 31 March 2018

7.2 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.

7.3 Inventories

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

7.4 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.

7.5 Pensions

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

The pension charge is based on the latest actuarial valuation.

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

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2018

7.6 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 one depreciable asset – a waste transfer station and yard at Hornsey Street in the London Borough of Islington. For this asset depreciation is calculated on a straight line basis over the remaining years of the contract the Authority has with LondonEnergy Ltd for the occupancy and operation of the facility. The contract ends in 2025. The Authority also has a land holding at Pinkham Way in the London Borough of Haringey. Land is not depreciated. Both assets are valued on a five-year cycle and impairment reviews are undertaken in the interim years.

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PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings £'000	Vehicles & Equipment £'000	Assets Under Construction £'000	Total £'000
Movement on balances in 2017/18				
Cost or Valuation				
At 1 April 2017	122,960	9,365	2,039	134,364
Additions,	1,648	267	7,155	9,070
Disposals	-	(22)	-	(22)
Transfer between classes	7,940	109	(8,049)	-
Prior Year Adjustment	-	-	-	-
Revaluation	5,250	-	-	5,250
At 31 March 2018	137,798	9,719	1,145	148,662
Depreciation and Impairment				
At 1 April 2017	10,738	8,313	-	19,051
Depreciation Charge	1,021	455	-	1,476
Disposals	-	(22)	-	(22)
At 31 March 2018	11,759	8,746	-	20,505
Net Book Value at 31 March 2018	126,039	973	1,145	128,157
Net Book Value at 31 March 2017	112,222	1,052	2,039	115,313

Comparative movement on balances in 2016/17

Cost or Valuation				
At 1 April 2016	116,476	9,036	993	126,505
Additions,	45	213	5,719	5,977
Disposals	-	(167)	-	(167)
Transfer between classes	4,342	301	(4,643)	-
Prior Year Adjustment	-	(18)	(30)	(48)
Revaluation	2,097	-	-	2,097
At 31 March 2017	122,960	9,365	2,039	134,364
Depreciation and Impairment				
At 1 April 2016	5,165	7,977	-	13,142
Depreciation Charge	5,573	503	-	6,076
Disposals	-	(167)	-	(167)
At 31 March 2017	10,738	8,313	-	19,051
Net Book Value at 31 March 2017	112,222	1,052	2,039	115,313
Net Book Value at 31 March 2016	111,311	1,059	993	113,363

North London Waste Authority

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7.7 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 with £0.113m; with the un-amortised balance being retained as a creditor. This accounting treatment is not compliant with the Code.

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

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

For the purposes of ensuring that the 2017/18 group accounts were prepared in accordance with International Financial Reporting Standards (IFRS), the Authority commissioned chartered surveyors Savills to value the company's land, buildings and plant and machinery at 31 March 2018. Savills concluded that the fair value of these assets at that date was £95.000m, i.e. an increase of £55.164m over the figure of £39.836m included in the company's balance sheet as at 31 December 2017. 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 2017 increased this reserve by £4.764m to £28.889m. A further valuation at March 2018 has increased this reserve by £1.550m bringing the balance to £30.439m.

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7.9 Analysis of Current Assets

	31 March 2017 £'000	31 March 2018 £'000
HM Revenue and Customs	1,134	1,673
Other debtors	3,272	5,290
Inventories	1,822	1,931
Cash and cash equivalents	33,478	33,930
	<hr/>	<hr/>
	39,706	42,824
	<hr/> <hr/>	<hr/> <hr/>

7.10 Analysis of Current Liabilities

	31 March 2017 £'000	31 March 2018 £'000
Short Term Borrowings	(731)	(731)
Other creditors	(12,034)	(15,799)
Central Government	(1,093)	(253)
	<hr/>	<hr/>
	(13,858)	(16,783)
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