

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:
2016/17 STATEMENT OF ACCOUNTS

REPORT OF:
FINANCIAL ADVISER

FOR SUBMISSION TO:
AUTHORITY MEETING

DATE:
28 September 2017

SUMMARY OF REPORT:

The 2016/17 draft Statement of Accounts was signed by the Financial Adviser on 2 June 2017 in accordance with the Accounts and Audit Regulation requirements and submitted to KPMG, the Authority's external auditor. The auditor is required to report to Members in advance of issuing a formal audit opinion on the Authority's accounts. The Report to those Charged with Governance (ISA 260 report) advises that subject to completing some outstanding items of audit work for 2016/17, Members are asked to consider the findings and to approve the Authority's 2016/17 letter of management representation so that he may issue his opinion on the Authority's 2016/17 accounts.

The accounts must be published by 30 September 2017. KPMG LLP will be in attendance at the meeting.

This report summarises the auditor's findings and invites Members to authorise signature of the Authority's letter of management representation. The report presents the audited 2016/17 Statement of Accounts including the Authority's Annual Governance Statement for approval.

The report has the following Appendices:

Appendix A: The ISA 260 report;

Appendix B: Authority's letter of management representation;

Appendix C: Audited 2016/17 Statement of Accounts including the Authority's Annual Governance Statement

RECOMMENDATIONS:

The Authority is recommended to:

- (i) Note the Report to those Charged with Governance (ISA 260 report)
- (ii) Authorise the Financial Adviser to sign the 2016/17 letter of management representation.
- (iii) Approve the Authority's 2016/17 Statement of Accounts and Annual Governance Statement and authorise the Chair (or in his absence the Vice Chair) and Clerk to sign these documents.

Signed by the Financial Adviser

DATE: 18 September 2017

1 **Introduction**

- 1.1 The 2016/17 outturn was reported to the June Authority meeting. The report concluded that the Authority ended the year in good financial health with revenue balances of £12.074m at 31 March 2017 – an improvement of £4.857m compared with the February forecast.
- 1.2 The Authority's final outturn and revenue balance position is unchanged from the position reported in June.
- 1.3 These statements are prepared in accordance with International Financial Reporting Standards and provide an important means by which the Authority accounts for its stewardship of public funds. The Accounts and Audit Regulations 2015 require the Financial Adviser, as the Authority's responsible financial officer, to sign the accounts before audit. The draft statement was duly signed on 2 June 2017 and passed to the external auditor.
- 1.4 The audit has been undertaken by KPMG. For the 2016/17 year end there was a rotation of audit partner. KPMG also provide the external audit for LB Camden who provide the Authority with financial systems, treasury management as well as accounts payable and receivable support.
- 1.5 The draft audited Statement of Accounts was considered by the Members' Finance Working Group on 8 September 2017 which provided Members with an opportunity to examine in some detail the draft statement, the annual governance statement and to consider the external auditor's findings.
- 1.6 At the time of writing the audit is largely complete. However, as indicated in the Draft ISA260, there are some areas of audit work which are yet to be completed. It is expected that all outstanding matters will have been completed by the time of the Authority meeting
- 1.7 The Statement of Accounts includes Group accounts for the Authority and LondonEnergy Ltd (LEL). It should be noted that the financial year for LEL is a calendar year, whereas the Authority's year end is 31 March.
- 1.8 As the responsible financial officer, the Financial Adviser is required to report to the Authority on any material amendments made as a result of the audit. Similarly, auditing standards placed on the auditor requires that he presents a Report to those Charged with Governance to the Authority at this time setting out the key issues that Members should consider before the audit is completed and before the auditor issues a formal opinion on the Authority's accounts. The Report to those Charged with Governance (ISA 260) is attached at Appendix A.

2 **Key Messages**

2.1 **Key Issues and Recommendations**

- 2.1.1 The ISA 260 report identifies six key issues and recommendations. One of the recommendations is classified as priority 1; issues that are fundamental and material to the system of internal control. Four recommendations are priority 2; issues that have an important effect on internal control but do not need immediate action. One recommendation is priority 3; issues that would, if corrected, improve the internal control in general but are not vital to the overall system.

2.1.2 Audit trail to support completeness and accuracy of general ledger (priority 1)

A limited number of balance sheet transactions such as fixed asset accounting and depreciation are maintained outside the ledger system on spreadsheets. The auditors have commented in their recommendation that the use of spreadsheets to create the balance sheet increases the risk of error and makes it difficult for the Authority to evidence that all transactions are appropriately included in the ledger. In conjunction with LB Camden, a new Oracle Fusion accounting system is already being developed, and is planned to 'go live' in April 2018. The Authority will be a separate entity in the new system which will address these issues.

2.1.3 Accounting for Property, Plant and Equipment (Priority 2)

The group accounting policies were not disclosed in line with the 2016/17 CIPFA code guidance, and explaining the difference between LondonEnergy's and the Authority's accounting policies, was felt to potentially confuse the intended message for readers of the Accounts. These disclosures were amended in the final accounts included at Appendix C for approval.

2.1.4 Approach to Journal Authorisation (Priority 2)

When reviewing the process for inputting journals, it was noted that although the Head of Finance reviewed and signed all paperwork, there was no review of the entries once they had been entered into the accounting system. The Head of Finance will now review all entries for completeness.

2.1.5 Separate Bank Account (Priority 2)

The NLWA does not have its own bank account and all income and expenditure passes through LB Camden. This increases the risk of cash being misstated or incorrectly allocated between the two parties. Officers are in discussion with their counterparts at LB Camden to identify how this risk might be eliminated.

2.1.6 Management of Contract with LB Camden (Priority 2)

An incorrect journal was identified during the course of the audit that was posted by LB Camden for £323 and had no significant impact on the financial statements. The Authority's Finance staff had spotted the error and were trying to resolve it at year end. The Authority will review its processes and controls with LB Camden to ensure that there is no repeat issue.

2.1.7 Preparedness for faster closedown (Priority 3)

From 2017/18, the Authority will be required to submit financial statements to the Auditors by 31 May and approve the audited statements by 31 July. The Authority achieved the 31 May deadline for 2016/17 but will review its working papers and financial statements to streamline the year end process to be fully confident that deadlines are met.

2.2 **Audit differences**

2.2.1 Two audit differences were identified. Subsequent to the preparation of the draft statements in May, in the balance sheet debtors, the Authority's cash balance held by LB Camden has been renamed cash and cash equivalents. In addition, at the year end the Authority was in the process of purchasing land surrounding the EcoPark and funds had been deposited with the Authority's solicitor (the transaction was completed on 3 April 2017). After initial discussion with the Auditor, this was included as a debtor on

the balance sheet but after further discussions during the audit, it has been amended in the final statements to cash and cash equivalents.

2.2.2 These changes have no impact on the previously reported outturn for the year or retained balances at 31 March 2017. These changes were also adjusted in the group accounts.

2.3 **Value for Money conclusion**

2.3.1 As part of their audit work, KPMG have considered whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The auditor has concluded that "...we are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017".

2.4 **Certificate**

2.4.1 KPMG anticipates issuing an unqualified audit opinion by 30 September 2017 once the Authority provides the letter of management representation and approves the Statement of Accounts. The Authority is recommended to authorise the Financial Adviser to sign the 2016/17 letter of management representation. The draft letter is included at Appendix B of this report.

2.4.2 The draft 2016/17 statement of accounts is attached at Appendix C.

3 **Comments of the Legal Adviser**

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

Local Government Act 1972 - Section 100 as amended

Documents used in the preparation of this report: -
Accounts and Audit Regulations 2015 (SI 2015/184)
KPMG External Audit Report 2016/17 – North London Waste Authority

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External Audit Report 2016/17 DRAFT

North London Waste Authority

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August 2017

Content

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This report is addressed to North London Waste Authority (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner or all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Important notice

This report is presented in accordance with our PSAA engagement. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to North London Waste Authority (the Authority) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Authority. External auditors do not act as a substitute for the Authority's own responsibility for putting in place proper arrangements to ensure that public 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.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

Purpose of this report: This Report is made to the Authority's Board in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland) and other matters coming to our attention during our audit work that we consider might be of interest and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report or for the opinions we have formed in respect of this Report.

Limitations on work performed: This Report is separate from our audit opinion and does not provide an additional opinion on the Authority's financial statements nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Authority Board meeting. The following work is ongoing:

- Audit procedures over the updated Property, Plant and Equipment note in line with CIPFA Code requirements; and
- Audit of consolidation adjustments on preparation of the group accounts.

Financial statements audit – see section 2 for further details

Subject to all outstanding queries and procedures being satisfactorily resolved we intend to issue an unqualified audit opinion on the Authority's financial statements for the deadline of 30 September 2017, following the Authority Board adopting them and receipt of the management representations letter.

We have almost completed our audit of the financial statements. We have read the Narrative Report and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences, explained in section 2 and Appendix 2.
- We agreed presentational changes to the accounts with Finance, mainly related to compliance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- We also agree two audit adjustments that were made to the financial statements. These have been detailed in Appendix 3 and relate to re-classification of cash held by LB Camden (£4,976k) from debtors to cash, and a reclassification of cash held by NLWA's solicitor as cash instead of a debtor.
- In addition to our routine requests we are asking for management representations over the completeness and accuracy of ledger transactions used to produce the financial statements, the appropriateness of the Useful Economic Lives used in depreciating the Group's assets and the appropriateness of the valuation of land and buildings, which are explained in section 2.
- We will report that your AGS complies with delivering Good Governance guidance issued by CIPFA in April 2016.
- We reviewed the narrative report and have no matters to raise with you.
- We did not receive any queries or objections from local electors this year.
- We are now in the final fieldwork stage of the audit and anticipate issuing our completion certificate on 28 September 2017. We also intend to issue our 2016/17 Annual Audit Letter later in the year.

Value for money – see section 3 for further details

Based on the findings of our work, we have concluded that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion for the deadline of 30 September 2017.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances, etc.).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2016/17 financial statements.

There were no prior year recommendations for follow up. We have made six new recommendations as a result of our 2016/17 work. All recommendations are shown in Appendix 1.

Section Two

Financial statements audit

We audit your financial statements by undertaking the following:

| Work Performed | Accounts production stage | | |
|--|---------------------------|--------|-------|
| | Before | During | After |
| 1. Business understanding: review your operations | ✓ | ✓ | – |
| 2. Controls: assess the control framework | ✓ | – | – |
| 3. Prepared by Client Request (PBC): issue our prepared by client request | ✓ | – | – |
| 4. Accounting standards: agree the impact of any new accounting standards | ✓ | ✓ | – |
| 5. Accounts production: review the accounts production process | ✓ | ✓ | ✓ |
| 6. Testing: test and confirm material or significant balances and disclosures | – | ✓ | ✓ |
| 7. Representations and opinions: seek and provide representations before issuing our opinions | ✓ | ✓ | ✓ |

We have completed the first six stages and report our key findings below:

| | |
|--|---|
| 1. Business understanding | In our 2016/17 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We provide an update on each of the risks identified later in this section. |
| 2. Assessment of the control environment | We assessed the effectiveness of key financial system controls that prevent and detect material fraud and error. We found the financial controls on which we seek to place reliance are operating effectively. We have made six recommendations mainly relating to the production of the accounts and the processes supporting this. We believe that these recommendations (see Appendix 1) will strengthen your control environment. We reviewed work undertaken by your internal auditors, in accordance with ISA 610 and used the findings to inform our work. We have chosen not to place direct reliance on their work due to the approach we adopted for the financial statements audit. |
| 3. Prepared by client request (PBC) | We produced the PBC to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Head of Finance and this was issued as a final document to Finance. We received the majority of the working papers on time for the start of the audit, however we experienced difficulties in receiving good quality working papers in a number of instances either due to human error (the working paper not supporting the disclosures in the accounts) or due to system limitations (resulting in difficulties producing complete listings and a trial balance). We recommend that next year's audit papers undergo quality control to ensure accuracy and completeness. The Authority should ensure that the basis of working papers are checked so that they agree to the draft accounts (see appendix 1). |

Section Two

Financial statements audit

| | |
|-------------------------|--|
| 4. Accounting standards | <p>We work with you to understand changes to accounting standards and other technical issues. For 2016/17 these changes related to:</p> <ul style="list-style-type: none"> • Updates to the presentation of the Comprehensive Income and Expenditure Statement (CIES) and the Movements in Reserves Statement (MIRS) and the introduction of the new Expenditure and Funding Analysis (EFA): this resulted in the restatement of 2015/16 CIES and MIRS and a new presentation of the CIES. • Amended guidance on the Annual Governance Statement: this had little impact on the presentation of the AGS. |
| 5. Accounts Production | <p>We received complete draft accounts on 6 June 2017 in accordance with the deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We will debrief with Finance to share views on the final accounts audit which hopefully will lead to further efficiencies in the 2017/18 audit process. The Authority has strengthened its financial reporting by finalising the accounts in a shorter timescale. There is scope to further improve the process by putting in place additional reviews of working papers to ensure they are complete and support the balances in the financial statements and by reducing the burden on the finance team of tracking and agreeing cash transactions with LB Camden by maintaining a separate NLWA bank account. See recommendations in Appendix 1.</p> <p>We thank Finance for their cooperation throughout the visit which allowed the audit to progress and hope to complete within the allocated timeframe.</p> |
| 6. Testing | <p>We have summarised the findings from our testing of significant risks and areas of judgement in the financial statements on the following pages. During the audit we have identified presentational changes to the accounts along with audit adjustments to Cash, Debtors and the Revaluation Reserve which we have presented in Appendix 3.</p> |
| 7. Representations | <p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Financial Adviser on 8 September 2017. We draw attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us.</p> <p>We are asking Management to provide specific representations on:</p> <ul style="list-style-type: none"> • The completeness and accuracy of the ledger transactions used to produce the financial statements; • The appropriateness of the Useful Economic Lives used in depreciating the Group's Property, Plant and Equipment; and • The valuation of land and buildings. |

Section Two

Financial statements audit

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with Management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, opening balances, public interest reporting, questions/objections, etc.).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2016/17 financial statements.

To ensure that we provide a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over the Valuation of Land and Buildings which was identified as a significant risk within our audit plan and which will form a part of our audit opinion; and
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control.

Section Two

Financial statements audit

| Significant audit risk | Account balances effected | Summary of findings |
|---|-------------------------------|--|
| <p>Valuation of Land and Buildings</p> <p>North London Waste Authority hold a significant balance of land and buildings, held at an estimated value based on management's judgement on useful economic lives, impairment reviews and assessment of value. These are subjective judgements open to error and manipulation. Due to the accounting policies in place within the Group, for 2016/17 no revaluation of the Authority's assets is planned, however valuation of LondonWaste Ltd site (EcoPark) will be performed by the Authority for inclusion in the group accounts. This valuation is not completed by LondonWaste Ltd as the company's accounting policy is to hold fixed assets under the historic cost model rather than valuation model. As this is not in line with IFRS, the Authority requires a valuation of the site for the purposes of the IFRS consolidated accounts.</p> | <p>£89.3m (PY:£86.7m)</p> | <p>Our audit was focused on the approach to and the output of the valuation of the Group's PPE, specifically considering in detail the valuation of the EcoPark.</p> <ul style="list-style-type: none"> • We gained an understanding of the Authority's approach to valuation, the instructions issued by the Authority to its valuer's, Saville's, the qualifications and competence of Saville's and the judgements made by the Authority in respect to the 2016/17 valuation. KPMG reviewed the approach adopted by the Authority and have assessed the reasonableness of the outcomes from Saville. We identified no issues. • We assessed the completeness and accuracy of the valuation disclosed in the Authority and Group financial statements and PPE disclosure notes and identified no issues. • We tested a sample of assets to confirm their existence at 31 March and the Authority's rights over these assets and identified no issues. <p>We have raised a recommendations with regards to the Useful Economic Lives used in depreciating the Authority's assets and the completeness of the disclosures made in the financial statements for PPE. See Appendix 1.</p> |

Section Two

Financial statements audit

Other areas of audit focus

We identified one other area of audit focus. This is not considered to be a significant risk as it is less likely to give rise to a material error. Nonetheless this is an area of importance where we carry out audit procedures to ensure that there is no material misstatement.

| Other areas of audit focus | Account balances effected | Summary of findings |
|---|---|---|
| <p>New format of the core financial statements (Authority only)</p> <p>CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The objective is to make Local Government accounts more understandable and transparent to the reader in terms of how Authorities are funded and how they use the funding to serve the local population. The project resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (Code) as follows:</p> <ul style="list-style-type: none"> Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the previous segmental reporting note. <p>As a result of these changes retrospective restatement of CIES (cost of services), EFA and MIRS was required from 1 April 2016 in the Statement of Accounts.</p> <p>New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.</p> | <p>Expenditure: £56.1m;</p> <p>Income: £12.6m.</p> <p>(PY Expenditure: £58.1m;</p> <p>Income: £14.4m)</p> | <p>Our audit work focused on the appropriateness of the new disclosures. Our testing included:</p> <ul style="list-style-type: none"> We confirmed the presentation of the new EFA in line with CIPFA requirements. We agreed the figures provided in the EFA for both 2015/16 and 2016/17 to underlying working papers, internal reporting and the CIES. We confirmed the restatement of the CIES is in line with internal reporting, as required by CIPFA. We checked that the updates to the CIES resulted in the appropriate restatements to the MIRS. <p>Having completed our consideration we have no matters to report to the Authority.</p> |

Section Two

Financial statements audit

| Risks that ISAs require us to assess in all cases | Why | Our findings from the audit |
|---|---|--|
| Fraud risk from revenue recognition | <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our External Audit Plan 2016/17 we reported that we do not consider this to be a significant risk for the Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> | <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p> |
| Fraud risk from management override of controls | <p>Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> | <p>We have raised one recommendation to improve the control environment in raising journals at NLWA to ensure that the agreed information is transferred correctly into the ledger (see Appendix 1 for recommendations).</p> <p>There are no other matters arising from this work that we need to bring to your attention.</p> |

Section Two

Financial statements audit

Group audit

To gain assurance over the Authority's group accounts, we placed reliance on the work completed by Moore Stephens LLP on the financial statements of the Authority's subsidiary, LondonWaste Limited. There are no other specific matters to report pertaining to the group audit.

Narrative report of the Authority

We reviewed the narrative report and confirmed that it is consistent with the financial statements and our understanding of the Authority.

Queries from local electors

We did not receive any questions or objections from members of the public this year.

Audit certificate

We have completed all our responsibilities in relation to the audit of the accounts for the year end 31 March 2017 and anticipate issuing our audit certificate with our audit opinion.

Whole of Government Accounts (WGA)

We reviewed your WGA consolidation pack and there are no issues to report. We anticipate issuing an unqualified consistency report.

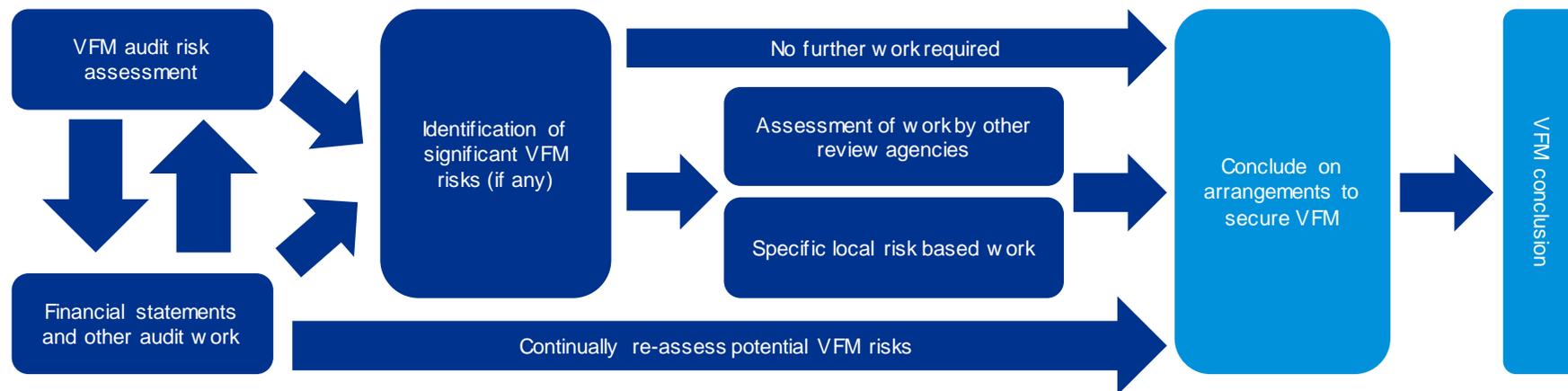
Audit fees

Our fee for the Authority's audit was £18,270 excluding VAT (£18,270 excluding VAT in 2015/16) This fee was in line with that highlighted in our audit plan approved by the Authority Board on 26 April 2017.

Section Three

Value for money

For 2016/17 our value for money (VFM) work follows the NAO's guidance. It is risk based and targets audit effort on the areas of greatest audit risk. Our methodology is summarised below. We did not identify any significant VFM risks and provide a summary below of the other areas of audit focus arising from our VFM work.



In line with the risk-based approach set out above, and in our External Audit Plan we have:

- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- Considered the results of relevant work by the Authority, review agencies and inspectorates in relation to these risk areas.

We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.

Recommendations raised

Recommendations raised as a result of our work in the current year are as follows:

| Priority rating for recommendations | | | | | |
|-------------------------------------|---|----------|---|----------|--|
| 1 | Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk. | 2 | Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. | 3 | Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. |

| # | Risk | Recommendation | Management Response / Officer / Due Date |
|---|----------|--|---|
| 1 | 1 | <p>Audit trail to support completeness and accuracy of general ledger</p> <p>The accounts are prepared using a mix of downloads from the ledger and manual calculations or workings in spreadsheets. This is because there are no separate balance sheet codes in the ledger, so the balance sheet has to be prepared manually and entries are entered into LB Camden's ledger. This gives rise to the opportunity for error in the accounts and is time consuming. This makes it difficult for the Authority to evidence that all transactions are appropriately included in the ledger and are correctly feeding into the accounts as a trial balance can not be produced.</p> <p>We recommend the Authority updates its processes, and systems where necessary, to ensure that a ledger is maintained that contains all transactions in appropriately disaggregated codes. Doing so should allow a trial balance to be prepared to evidence the completeness and accuracy of the accounts.</p> | <p>Management Response: The Authority uses the LB Camden ledger system and a new accounting system is planned to go live in April 2018. The Authority will be a separate entity in the new ledger system and it will contain all balance sheet information.</p> <p>Officer: Head of Finance</p> <p>Due Date: 30 April 2017</p> |

Recommendations raised

| # | Risk | Recommendation | Management Response / Officer / Due Date |
|---|------|--|--|
| 2 | 2 | <p>Accounting policies for Property, Plant and Equipment</p> <p>The Authority has historically been depreciating one building asset, Hornsey Street, over 10 years. This is not in line with the accounting policy set out for the group which only stated freehold buildings are depreciated at 5-7% on cost. Also an accounting policy for NLWA's own depreciation was not disclosed in the draft financial statements.</p> <p>The Group accounting policy disclosures for Property, Plant and Equipment were not in line with CIPFA code guidance, for example the disclosure of approach and timing of revaluations.</p> <p>We have considered the application of the 10 year UEL to Hornsey and do not consider it to be unreasonable given the future uncertainty of its use and valuation. We also recognise that depending on future decisions made, a change in accounting policy may be appropriate.</p> <p>We recommend that the Authority clarifies and codifies the accounting policies for PPE for both the Group and the Authority. We recommend that the accounting policies disclosed in the financial statements are reviewed to ensure they are complete in line with the CIPFA code. The Authority need to then apply these codified accounting policies appropriately.</p> | <p>Management Response: The Group accounting policy disclosure has been amended to avoid confusion between LondonEnergy Ltd.'s policy and the policy adopted for the group accounts. In addition, the disclosure now complies with the CIPFA code. The accounting treatment used for Hornsey street will be reviewed annually for appropriateness.</p> <p>Officer: Head of Finance</p> <p>Due Date: 31 October 2017</p> |
| 3 | 2 | <p>Approach to journal authorisation</p> <p>Our testing of the preparation and review process for manual journals identified that appropriate review of supporting documentation was completed, however there was no review of the journal entries in the ledger to check these had been entered appropriately. The lack of this review increases the risk of incorrect journals being posted.</p> <p>We recommend that the Authority includes consideration of the appropriateness of general ledger entries as part of the review process for manual journals.</p> | <p>Management Response: Journals entries are now being reviewed on the ledger for completeness</p> <p>Officer: Head of Finance</p> <p>Due Date: 30 September 2017</p> |
| 4 | 2 | <p>Separate bank account</p> <p>NLWA does not have its own bank account. Cash is held by LB Camden acting in agent capacity for NLWA. As a consequence NLWA does not have a formal process in place to undertake cash reconciliations to ensure its balance is correct. NLWA instead monitors cash through its budget monitoring activities and through manual spreadsheets and agreement with LB Camden. The lack of a separate bank account increases the risk of cash being misstated or incorrectly allocated between LB Camden and NLWA. It also increases the time spent reconciling receipts and payments made by the two finance teams.</p> <p>NLWA should have a bank account so that ownership and control over cash can be better established.</p> | <p>Management Response: NLWA officers are liaising with their counterparts at LB Camden to understand the requirements and costs involved with opening a separate bank account.</p> <p>Officer: Head of Finance</p> <p>Due Date: 30 November 2017</p> |

Recommendations raised

| # | Risk | Recommendation | Management Response / Officer / Due Date |
|---|------|---|---|
| 5 | 2 | <p>Management of contract with Camden</p> <p>We identified a journal that was incorrectly duplicated in the ledger. The Authority's finance team confirmed to us that this journal was duplicated a number of times and that it was entered by LB Camden. This issue was identified by NLWA which is in discussions with LB Camden to resolve the issue. At year end this had not been resolved. The amount is £323.19 which is trivial and therefore has no significant impact on the financial statements.</p> <p>We recommend that the Authority considers the service delivery provided by LB Camden to ensure they are receiving a timely resolution process to issues that are identified. NLWA should also look to understand why the duplication occurred in order to implement processes and controls to ensure this is not made possible</p> | <p>Management Response:</p> <p>Officers review the few transactions that are not posted by Authority officers for completeness. We are discussing this issue with LB Camden officers.</p> <p>Officer: Head of Finance</p> <p>Due Date: 31 October 2017</p> |
| 6 | 3 | <p>Preparedness for faster closedown</p> <p>From 2017/18 the Authority will be required to complete and submit the audited financial statements by 31 July. In preparation for this the Authority brought forward the accounts preparation deadline this year. Doing so has allowed the Authority to identify areas for improvement.</p> <p>We recommend that the Authority undertakes a debrief of the 2016/17 accounts process to inform its 2017/18 accounts preparation plan. This should focus on ensuring that sufficient time is made available for preparation and quality control review of documentation to support the balances in the draft accounts. The Authority should look to provide working papers supported by calculations and formulas that are driven by general ledger transactions rather than hand written papers as this will speed up the audit process. The Authority could also consider streamlining the financial statements to further reduce their production time by removing notes that are not required nor supporting the main financial statements for example tonnage statistics and budget vs actual information.</p> | <p>Management Response:</p> <p>Authority officers will review the presentation of papers to speed up the audit process next year</p> <p>Officer: Head of Finance</p> <p>Due Date: 31 December 2017</p> |

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects:

- Material errors by **value** are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements;
- Errors which are material by **nature** may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff; and
- Errors that are material by **context** are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in March 2017.

Materiality for the Authority's accounts was set at £1.1 million, which equates to around 1.8% of gross expenditure, and £1.4 million for the Group, around 1.9% of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Authority Board

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Authority Board any misstatements of lesser amounts to the extent that these are identified by our audit work. Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. *ISA 450* requires us to request that uncorrected misstatements are corrected.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £55,000 for the Authority and £70,000 for the Group.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Authority Board to assist it in fulfilling its governance responsibilities.

Appendix 3

Audit differences

Unadjusted audit differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Authority Board with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate.

We have not identified any misstatements which have not been adjusted for.

Adjusted audit differences

To assist the Authority Board in fulfilling its governance responsibilities we present in the tables below a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

- Due to the changes in the CIPFA code, the CIES and Movement in Reserves Statement were updated to reflect that the 2015/16 figures in this year's financial statements are "Restated".
- The Cash Flow Statement was re-presented so that it reflected NLWA's cash position and not a proxy for cash held by LB Camden.
- The Property Plant and Equipment note was represented so that it included all disclosures required by the CIPFA Code.
- A small number of notes updated to ensure clarity of each note's relationship with the main financial statements.
- Some minor disclosure points to ensure the accuracy of the statements made.

See overleaf for amendments made to the underlying accounting records.

Appendix 3

Audit differences

Adjusted audit differences

| Authority adjusted audit differences (£'000) | | | | | | |
|--|----------------------------------|--------------------------------|-------------------|----------------------|----------|--|
| # | Income and expenditure statement | Movement in reserves statement | Assets | Liabilities | Reserves | Comments |
| 1 | | | Dr Cash £1,650 | Cr Debtors £1,650 | | At year end the Authority was in the process of making a capital purchase which did not go through in the expected timing. At 31 March 2017 the cash was still in the ownership of the Authority but had been recorded as a debtor. This was adjusted to reflect that the cash was still available to and owned by the Authority at 31 March 2017. |
| 2 | | | Dr Cash £4,976 | Cr Debtors £4,976 | | The Authority's cash held by LB Camden was recognised as a debtor, however the cash is owned by NLWA, is accessible by NLWA and NLWA receive all interest relating to this cash. LB Camden are therefore acting as an agent only in holding NLWA's cash amount and therefore this was amended to be reflected as cash in NLWA's accounts. |
| | | | Dr £6,626 | Cr £6,626 | | Total impact of corrected audit differences |

Appendix 4

Audit independence

This Appendix communicates all significant facts and matters that bear on KPMG LLP's independence and objectivity and informs you of the requirements of *ISA 260 (UK and Ireland) Communication of Audit Matters to Those Charged with Governance*.

Integrity, objectivity and independence

We are required to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and audit team. We have considered the fees paid to us by the Authority for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies all KPMG LLP audit partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews. We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed.

Audit matters

We are required to comply with *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* when carrying out the audit. ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff;
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements;
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Authority's financial statements;
- The potential effect on the accounts of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements;
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the Authority's financial statements;
- Material uncertainties related to events and conditions that may cast significant doubt on the Authority's ability to continue as a going concern;
- Disagreements with Management about matters that, individually or in aggregate, could be significant to the Authority's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter;
- Expected modifications to the auditor's report;

Appendix 4

Audit independence

- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management; and
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at Authority commentary and reporting and, in the case of uncorrected misstatements, through our request for management representations.

Auditor declaration

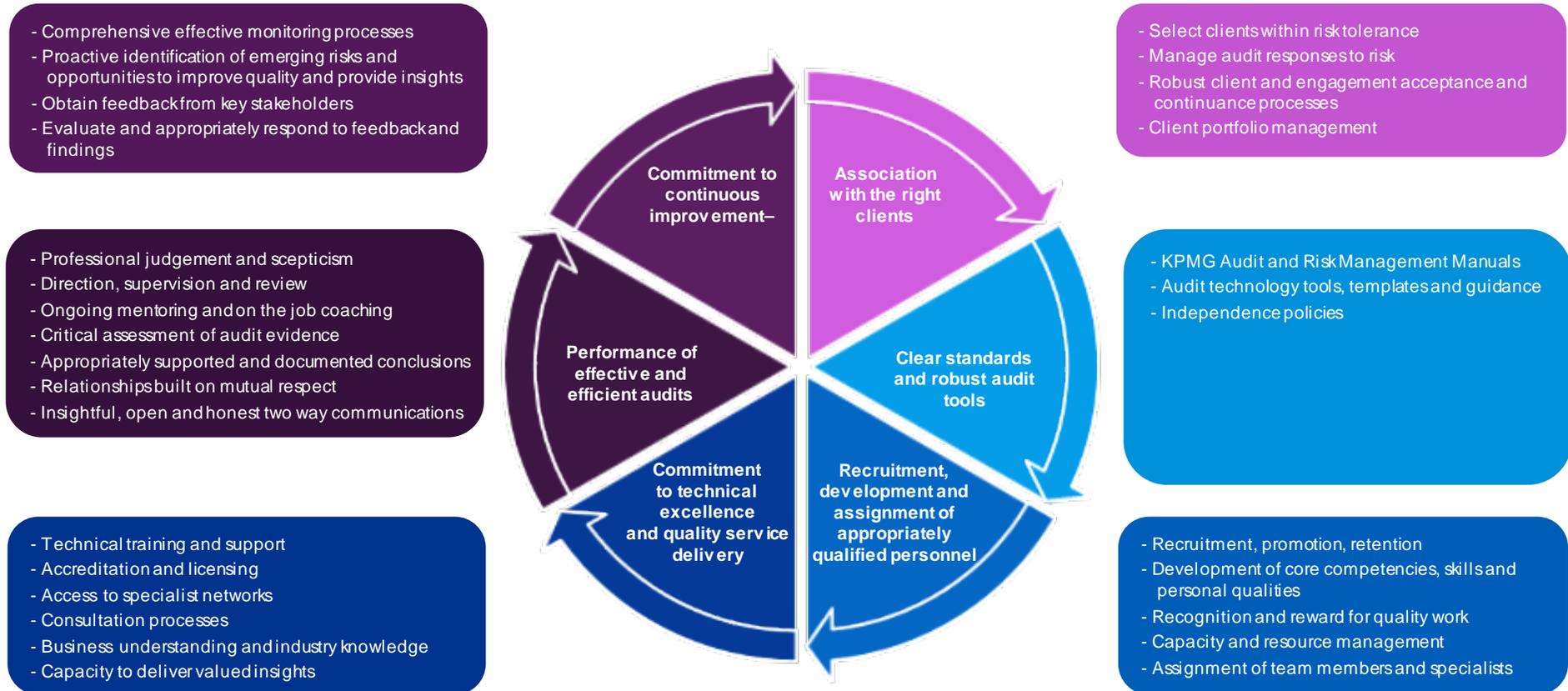
In relation to the audit of the financial statements of North London Waste Authority for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and North London Waste Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have not undertaken any non-audit services for the Authority.

Appendix 5

Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework





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Neil Hewitson
Director
KPMG LLP
15 Canada Square
London
E14 5GL

28 September 2017

Dear Neil,

This representation letter is provided in connection with your audit of the financial statements of North London Waste Authority (“the Authority”), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
- ii. whether, the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Expenditure and Funding Analysis, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority and the Group’s expenditure and income for the year then ended; and

- ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the

Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
10. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

12. The Authority provides the following specific representations:

- a) The Group has included in its financial statements Property, Plant and Equipment (PPE) of £115.3m, of which £112.2m relates to land and buildings. The Group undertook a revaluation of LondonWaste Ltd land and buildings (£89.3m) as at 31 March 2017, to comply with IFRS requirements. The Authority's land and buildings (£22.9m) were not revalued in year in line with the

Authority's accounting policies. The Authority is satisfied that the valuation of land and buildings included in the 2016/17 Group financial statements is appropriate and adequately reflects the factors that may impact on valuation.

- b) The Authority is satisfied that the Useful Economic Lives used to calculate depreciation for the Group's Property Plant and Equipment are appropriate.
- c) The Authority is satisfied that all ledger transactions underlying the financial statements are completely and accurately reflected in the financial statements.
- d) The Authority is satisfied that the company, London Energy Limited, set up in November 2016 by the Group's subsidiary, London Waste Limited, is dormant and does not require consolidation into the group financial statements.

This letter was tabled and agreed at the meeting of the Authority on 28 September 2017.

Yours faithfully,

Mike O'Donnell
Financial Adviser

North London Waste Authority

Statement of Accounts for the year ended

31 March 2017

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

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North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE FINANCIAL ADVISER'S RESPONSIBILITIES

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in business; and
- complied with the Code of Practice.

The Financial Adviser has also:

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

CERTIFICATION BY THE FINANCIAL ADVISER

The accounts which follow have been prepared in accordance with the requirements of Regulation 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 2017 and the income and expenditure of the Authority and of the Group for the year then ended.

Mike O'Donnell, CPFA

Financial Adviser 28 September 2017

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

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

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North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

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Statement of Accounts for the year ended 31 March 2017

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North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

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 2016/17* (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 are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

GROUP ACCOUNTS

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

OPERATING PERFORMANCE

The principal statutory responsibility for the Authority is to receive, treat and/or dispose of waste collected by the seven constituent boroughs; the London Boroughs of Barnet, Camden, Enfield, Hackney, Haringey,

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

Islington and Waltham Forest. The amount of residual waste entering the waste stream in 2016/17 decreased by 2,137 tonnes (0.36%) compared with 2015/16 i.e. from 588,372 tonnes to 586,235 tonnes.

The Authority continued to provide key recyclable waste treatment services to six of its constituent boroughs. 54,784 tonnes of compostable waste was sent to the Authority for treatment in 2016/17 (52,740 tonnes in 2015/16), a year on year increase of 2,044 tonnes. 114,559 tonnes of dry recyclable waste were processed by the Authority compared with 118,042 in 2015/16. The menu price based levy apportionment model adopted in 2016/17 includes different arrangements for the income the Authority receives from the sale of dry recyclable material; instead of paying this income directly to the boroughs under the Commingled Income Payment Scheme (CIPS), the income is now retained by the Authority and used to reduce the levy by offsetting the cost of processing dry recyclables. Sale prices of dry recyclable materials increased in the latter months 2016/17 and the average for the year was £29.62 per tonne compared with £21.21 in 2015/16. Income in 2016/17 was £3.364m. (January – March 2017 is provisional). In 2015/16 income was £2.503m.

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 £84.40 per tonne in 2016/17, will rise by £1.70 to £86.10 per tonne in 2017/18 and will continue to rise in line with the retail price index to £88.95 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 which opened in 2016. This has been a key element in reducing the Authority's Landfill Tax liability to £1.583m in 2016/17 from £7.883m in 2015/16.

North London's reuse shop, 'Second Time Around' completed its first 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. The shop diverted 58 tonnes from disposal and achieved a better than budgeted trading profit of almost £5,000.

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. An application for a Development Consent order was submitted in October 2015 and was subsequently accepted for examination by the Planning Inspectorate. The examination took place from February to August 2016 and the decision approving the decision to approve the application was issued by the Secretary of State by 24 February 2017.

The Authority continued to invest in waste prevention and reduction. Work in 2016/17 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 shopping centres, libraries, universities and community centres. In total, 180 food waste reduction outreach events were delivered in the year, directly engaging with 13,077 residents. For the second year for example, the Authority worked with environmental charity, Hubbub, to deliver the North London Pumpkin Rescue Festival. A number of events including two pumpkin feasts and pumpkin cookery sessions were held and the festival diverted an estimated 2.8 tonnes from disposal and reached 10.445 million people with the pumpkin waste prevention message as a result of the Festival's activities, social and print media coverage which resulted. Furniture reuse was promoted with an Upcycling Show and Upcycling competition in which residents were provided with items of old furniture to upcycle. Textile reuse was promoted by delivering 'swishing' (clothing exchange) events across North London. At each swishing event there were also free training sessions on sewing, clothing repairs and upcycling to support this activity. Communications activity included 20 waste prevention press releases and 520 Tweets resulting in 352,307 tweet impressions. (A tweet impression refers to the number of Twitter streams where Wise Up To Waste tweets have been displayed). 485 new Twitter followers were gained in the year and there were 147,886 unique page views of the Authority's Wise Up To Waste website pages on waste prevention, approximately six times higher than the previous year's total of 24,547 unique views.

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 2016/17, the scheme diverted some 2,521 tonnes from disposal.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

FINANCIAL PERFORMANCE

The Authority agreed its 2016/17 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 and the acquisition of sites for the development of its future waste treatment facilities. In doing so the Authority was aware, as in past years, that if favourable circumstances arose during the year some revenue balances may become available to help fund future budgets.

In February 2017 the Authority was advised that revenue balances at 31 March 2017 were forecast to be £7.217m. Since then, landfill tax and electricity income claims have been settled at a lower cost than anticipated. In addition, there have been savings in corporate support service costs, replanning of North London Heat and Power project costs into 2017/18 and no call on the contingency. This has resulted in revenue balances at 31 March 2017 of £12.074m.

Compared to 2015/16, the net cost of services decreased by £0.309m (0.7%). This can largely be attributed to a number of key areas: Timing of the North London Heat & Power Project meant that there was a year on year drop in expenditure. In addition, there was a net saving on landfill tax after taking the cost of sending the waste to a third party Energy from waste facility into account. The income received per tonne for dry recycled materials improved over the course of the year. These were partially offset by low wholesale electricity prices (although there were signs of price improvement by the end of the year) leading the Authority to pay more through its contract with LondonEnergy Ltd. RRC costs were higher, largely due to the impact of the first full year of the Authority's management of the Summers Lane RRC in Barnet.

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 is currently required. In preparation for 2017/18 the Authority took the opportunity to ensure that its staff, systems and processes are able to meet the earlier deadline by completing its 2016/17 annual accounts within the new requirement. The 2016/17 draft annual accounts were completed by 31 May 2017 and were signed by the Responsible Finance Officer on 2 June.

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 currently required.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

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 2017 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.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

- The Authority is also able to benefit from the rules and procedures set in place by its Lead Borough. Officer responsibilities and actions are controlled through Schemes of Officer Delegation.
- The effective and efficient use of resources and the securing of continuous improvement are achieved through a range of review processes and are integral to 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 Authority has agreed a plan of action to review the past audit review recommendations and further audit work which will be completed in the year ahead. The work of internal audit is to co-ordinate with that 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 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 the work of the Members' Recycling Working Group and a Member/Officer 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 issue have been identified during the year. Work has been undertaken however to ensure that the Authority's governance arrangements continue to follow best practice:

- In May 2016, a revised Inter Authority Agreement (IAA) between the Authority and the boroughs was executed. This formalises the duties and powers of the parties for the next forty

North London Waste Authority

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years as well as cementing the change to the way that the Levy and charges from the Authority to the boroughs are calculated, as of April 2016. This revised apportionment of the levy and charges is known as 'menu pricing' and the levy is now calculated in a way that will incentivise waste prevention and recycling.

- The Authority's risk register was reviewed by the Members' Finance Working Group and the conclusions were reported to the Authority in September 2016. 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.
- At its meeting on 7 December 2016 the Authority agreed to changes to Standing Orders to reflect the fact that the Managing Director would retire on 31 December 2016, and that pending the appointment of a replacement, his role, duties and authorisations under Standing Orders and in the management of the Authority's work would be shared between the Head of Operations and the Head of Legal and Governance.
- 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. This work is ongoing.
- The management procedures of the Main Waste Contract with LondonEnergy Ltd (LEL) were reviewed by LB Camden's internal audit team in 2016, who found "controls were operating effectively" and the level of monitoring was "both appropriate and proportionate considering the nature of the relationship between NLWA and LEL."
- 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.
- 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.

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 2017/18.
- 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 Feryal Demirci
Vice Chair of the NLWA

Mike Cooke
Clerk to the NLWA

North London Waste Authority

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EXPENDITURE AND FUNDING ANALYSIS

| 2015/16 | | | 2016/17 | | | |
|--|--|---|---------|--|--|---|
| Net Expenditure Chargeable to Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | Note | 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 |
| 25,625 | - | 25,625 | 3(a) | 33,295 | - | 33,295 |
| 1,286 | - | 1,286 | 3(a) | 1,099 | - | 1,099 |
| 7,883 | - | 7,883 | | 1,583 | - | 1,583 |
| 2,277 | - | 2,277 | 3(b) | 2,405 | - | 2,405 |
| 6,299 | - | 6,299 | 3(c) | 6,165 | - | 6,165 |
| 1,443 | 1,689 | 3,132 | | 1,468 | 1,689 | 3,157 |
| 2,801 | - | 2,801 | | 3,271 | - | 3,271 |
| 1,858 | (30) | 1,828 | 14 | 1,761 | (32) | 1,729 |
| 482 | - | 482 | | 468 | - | 468 |
| 293 | - | 293 | | 323 | - | 323 |
| 246 | - | 246 | | 412 | - | 412 |
| - | - | - | | 316 | - | 316 |
| 237 | - | 237 | | 240 | - | 240 |
| 2,503 | - | 2,503 | 21 | - | - | - |
| 3,282 | - | 3,282 | | 1,649 | - | 1,649 |

North London Waste Authority

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| Net Expenditure Chargeable to Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | Note | 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 |
| 7,002 | (4,873) | 2,129 | Revenue Funding of Capital Programme | 6,760 | (4,873) | 1,887 |
| (9,690) | - | (9,690) | Non-Household Waste | (7,646) | - | (7,646) |
| (1,920) | - | (1,920) | Household Waste | (1,454) | - | (1,454) |
| (2,503) | - | (2,503) | Sale of Recyclable Material | (3,364) | - | (3,364) |
| (108) | - | (108) | Rent Receivable | (108) | - | (108) |
| (125) | - | (125) | Interest Received | (127) | - | (127) |
| (1,000) | - | (1,000) | Dividend | - | - | - |
| (171) | - | (171) | Other Income | (67) | - | (67) |
| - | 9 | 9 | Pension Interest | - | 9 | 9 |
| | (2) | (2) | Pension Asset – Actuarial (Gain)/Loss | | 26 | 26 |
| 48,000 | (3,207) | 44,793 | Net Cost Of Services | 48,449 | (3,181) | 45,268 |
| (46,452) | - | (46,452) | Levy | (46,649) | - | (46,649) |
| (46,452) | - | (46,452) | Other Income and Expenditure | (46,649) | - | (46,649) |
| 1,548 | (3,207) | (1,659) | (Surplus) or Deficit | 1,800 | (3,181) | (1,381) |
| 15,422 | | | Opening Balance | 13,874 | | |
| (1,548) | | | Less (Deficit) in Year | (1,800) | | |
| 13,874 | | | Closing Balance at 31 March | 12,074 | | |

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

MOVEMENT IN RESERVES STATEMENT

| | General Balance | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|--------------------|--------------------------------|-----------------------------|----------------------|--------------------------------|
| 2016/17 | £000 | £000 | £000 | £000 | £000 |
| 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 |
| 2015/16 | | | | | |
| Balance at 31 March 2015 brought forward | 15,422 | 1,439 | 16,861 | 64,424 | 81,285 |
| Movement in reserves during 2015/16 | | | | | |
| Total Comprehensive Income and Expenditure | 1,659 | - | 1,659 | - | 1,659 |
| Adjustments between accounting basis & funding basis under regulations | (3,207) | - | (3,207) | 3,207 | - |
| Increase/(Decrease) in 2015/16 | (1,548) | - | (1,548) | 3,207 | 1,659 |
| Balance at 31 March 2016 carried forward | 13,874 | 1,439 | 15,313 | 67,631 | 82,944 |

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED

| 2015/16 | | | | 2016/17 | | | |
|-------------------|-----------------|-----------------|---|-------------------|---------------|-----------------|---------------|
| Gross Expenditure | Gross Income | Net Expenditure | Note | Gross Expenditure | Gross Income | Net Expenditure | |
| £000 | £000 | £000 | | £000 | £000 | £000 | |
| 25,625 | - | 25,625 | Main Waste Disposal Contract | 3(a) | 33,295 | - | 33,295 |
| 1,286 | - | 1,286 | Civic Amenity Waste (Residual Waste Element) | 3(a) | 1,099 | - | 1,099 |
| 7,883 | - | 7,883 | Landfill Tax | | 1,583 | - | 1,583 |
| 2,277 | - | 2,277 | Composting Services | 3(b) | 2,405 | - | 2,405 |
| 6,299 | - | 6,299 | Materials Recovery Facility Services | 3(c) | 6,165 | - | 6,165 |
| 3,132 | - | 3,132 | Transfer Stations and Other Sites | | 3,157 | - | 3,157 |
| 2,801 | - | 2,801 | Reuse and Recycling Centres | | 3,271 | - | 3,271 |
| 1,828 | - | 1,828 | Corporate and Other Support Service Costs | 14 | 1,729 | - | 1,729 |
| 482 | - | 482 | Operations Team | | 468 | - | 468 |
| 293 | - | 293 | Waste Prevention Programme – New Initiatives | | 323 | - | 323 |
| 246 | - | 246 | Technical and Planning Team | | 412 | - | 412 |
| - | - | - | Communications Campaign – Household Recycling | | 316 | - | 316 |
| 237 | - | 237 | Other Recycling Initiatives | | 240 | - | 240 |
| 2,503 | - | 2,503 | Commingled Income Payment Scheme | 21 | - | - | - |
| 3,282 | - | 3,282 | Sites and Planning Process | | 1649 | - | 1649 |
| - | (9,690) | (9,690) | Non-Household Waste | 4 | - | (7,646) | (7,646) |
| - | (1,920) | (1,920) | Household Waste | 4 | - | (1,454) | (1,454) |
| - | (2,503) | (2,503) | Sale of Recyclable Material | 21 | - | (3,364) | (3,364) |
| - | (108) | (108) | Rent Receivable | | - | (108) | (108) |
| - | (171) | (171) | Other Income | | - | (67) | (67) |
| 58,174 | (14,392) | 43,782 | Cost Of Services | | 56,112 | (12,639) | 43,473 |

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Note | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
|---------------------------|----------------------|-------------------------|--|---------------------------|----------------------|-------------------------|
| - | (46,452) | (46,452) | 5 | - | (46,649) | (46,649) |
| - | (46,452) | (46,452) | Other Operating Income | - | (46,649) | (46,649) |
| - | (125) | (125) | Interest Receivable | - | (127) | (127) |
| 9 | - | 9 | Pension Interest Cost | 9 | - | 9 |
| - | (1,000) | (1,000) | LondonEnergy Ltd Dividend | 14 | - | - |
| 2,129 | - | 2,129 | Revenue Funding of Capital – Interest | 9 | - | 1,887 |
| 2,138 | (1,125) | 1,013 | Financing and Investment (Income) and Expenditure | 1,896 | (127) | 1,769 |
| | | (1,657) | (Surplus)/Deficit on Provision of Services | | | (1,407) |
| | (2) | | Actuarial Loss/(Gain) on Pension Assets | | | 26 |
| | (2) | | Other Comprehensive Income and Expenditure | | | 26 |
| | | (1,659) | Total Comprehensive Income and Expenditure | | | (1,381) |

2015/16 Restatement.

The 2016/17 Code requires local authorities to present the Comprehensive Income and Expenditure Statement (CIES) in the format as they report internally. The Authority has complied with the requirements of the Code for 2016/17 and is presenting its 2015/16 CIES in the same format.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

BALANCE SHEET

| | Note | 31 March 2016 £'000 | 31 March 2017 £'000 |
|--------------------------------|------|---------------------------|---------------------------|
| Property, Plant and Equipment | 6 | 24,655 | 22,966 |
| Long Term Investments | 8 | 119,392 | 119,392 |
| LONG TERM ASSETS | | 144,047 | 142,358 |
| <u>Short Term Debtors</u> | | | |
| Cash and Cash Equivalents | 18 | 12,701 | 6,626 |
| LondonEnergy Ltd | | 2,068 | 3,895 |
| HM Revenue and Customs | | 1,249 | 1,134 |
| Other debtors | | 1,132 | 2,556 |
| CURRENT ASSETS | | 17,150 | 14,211 |
| <u>Short Term Creditors</u> | | | |
| Short Term Borrowings | 9 | (25,903) | (731) |
| LondonEnergy Ltd | | (8,053) | (8,978) |
| Other Local Authorities | | (2,484) | (795) |
| Other Entities and Individuals | | (1,451) | (1,375) |
| CURRENT LIABILITIES | | (37,891) | (11,879) |
| Long Term Borrowings | 9 | (40,000) | (60,000) |
| Other Long Term Liabilities | 19 | (362) | (365) |
| LONG TERM LIABILITIES | | (40,362) | (60,365) |
| NET ASSETS | | 82,944 | 84,325 |
| <u>Usable Reserves</u> | | | |
| General Fund Balance | | 13,874 | 12,074 |
| Capital Receipts Reserve | 13 | 1,439 | 1,439 |
| <u>Unusable Reserves</u> | | | |
| Capital Adjustment Account | 10 | 40,349 | 43,533 |
| Revaluation Account | 11 | 5,938 | 5,938 |
| Capital Revaluation Account | 12 | 21,706 | 21,706 |
| Pension Reserve | 19 | (362) | (365) |
| TOTAL RESERVES | | 82,944 | 84,325 |

Mike O'Donnell CPFA

Financial Adviser 28 September 2017

CASH FLOW STATEMENT

| | Note | 2015/16 £'000 | 2016/17 £'000 |
|--|------|------------------------|-----------------------|
| Net surplus on the provision of services | | (1,657) | (1,407) |
| Adjustments to net surplus on the provision of services for non-cash movements | 16 | (3,056) | 2,482 |
| Adjustments for items included in the net surplus on the provision of services that are investing activities | | - | - |
| Net cash (inflow)/outflow from operating activities | | <u>(4,713)</u> | <u>1,075</u> |
| Investing activities | | - | - |
| Financing Activities | 17 | 5,000 | 5,000 |
| Net decrease in cash and cash equivalents | | <u>287</u> | <u>6,075</u> |
| Cash and cash equivalents at the beginning of the reporting period | | <u>(12,988)</u> | <u>(12,701)</u> |
| Cash and cash equivalents at the end of the reporting period | | <u><u>(12,701)</u></u> | <u><u>(6,626)</u></u> |

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

ACCOUNTING POLICIES

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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 2017/18 in respect of their work in 2016/17 has been accrued for.

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 2017

Investments and Property

The Authority's investment in LondonEnergy Ltd is held at cost. The land at Pinkham Way was valued at 31 March 2014. The Hornsey Street property was valued at 31 March 2015.

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 2016/17 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 2017

Value Added Tax

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

Financial Instrument Risk

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

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

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

Its main sources of income are its constituent boroughs which are required to pay a levy and charges for the management of non-household 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.

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

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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.

DRAFT

NOTES TO THE ACCOUNTS

1. EVENTS AFTER THE BALANCE SHEET DATE

This draft Statement of Accounts was authorised by the Financial Adviser on 2 June 2017. 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 2017, 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 | Note | 2015/16 | 2016/17 |
|---|------|----------------|----------------|
| | | £'000 | £'000 |
| Statutory provision for the financing of capital investment – Minimum Revenue Provision | 12 | (4,873) | (4,873) |
| Property, plant and equipment - Depreciation | | 1,689 | 1,689 |
| Pension asset – Actuarial (gain)/loss | | (2) | 26 |
| Net interest on defined benefit liability | | 9 | 9 |
| Employer's pension contributions paid in year | | (30) | (32) |
| Total Funding Basis Adjustments | | (3,207) | (3,181) |

3. WASTE STREAM TONNAGE STATISTICS

Much of the Authority's expenditure is determined by the amount of waste delivered to it by its constituent councils. The following tables provide details of the residual and separated recyclable wastes entering the waste stream:

(a) Residual Waste

| Borough | 2015/16 | 2016/17 | Variance | |
|----------------|----------------|----------------|-----------------|----------|
| | Tonnes | Tonnes | Tonnes | % |
| Barnet | 103,156 | 102,436 | (720) | (0.70) |
| Camden | 85,507 | 82,872 | (2,635) | (3.08) |
| Enfield | 88,186 | 85,885 | (2,301) | (2.61) |
| Hackney | 90,964 | 91,798 | 834 | 0.92 |
| Haringey | 72,556 | 73,729 | 1,173 | 1.62 |
| Islington | 77,107 | 78,769 | 1,662 | 2.16 |
| Waltham Forest | 70,896 | 70,746 | (150) | (0.21) |

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| | 588,372 | 586,235 | (2,137) | (0.36) |
|---------------------------------------|---------------------------|---------------------------|----------------------------|-------------|
| (b) <u>Composting Services</u> | | | | |
| Borough | 2015/16 Tonnes | 2016/17 Tonnes | Variance Tonnes | % |
| Barnet | 20,225 | 21,873 | 1,648 | 8.15 |
| Camden | 4,122 | 4,285 | 163 | 3.95 |
| Enfield* | - | - | - | - |
| Hackney | 6,035 | 6,648 | 613 | 10.16 |
| Haringey | 7,792 | 7,869 | 77 | 0.99 |
| Islington | 4,197 | 4,037 | (160) | (3.81) |
| Waltham Forest | 10,369 | 10,072 | (297) | (2.86) |
| | <u>52,740</u> | <u>54,784</u> | <u>2,044</u> | <u>3.88</u> |

(c) Dry Recyclable Service

| Borough | 2015/16 Tonnes | 2016/17 Tonnes | Variance Tonnes | % |
|----------------|---------------------------|---------------------------|----------------------------|---------------|
| Barnet | 27,519 | 27,719 | 200 | 0.73 |
| Camden | 18,757 | 17,539 | (1,218) | (6.49) |
| Enfield * | - | - | - | - |
| Hackney | 17,373 | 17,641 | 268 | 1.54 |
| Haringey | 20,123 | 18,227 | (1,896) | (9.42) |
| Islington | 14,643 | 14,624 | (19) | (0.13) |
| Waltham Forest | 19,627 | 18,808 | (819) | (4.17) |
| | <u>118,042</u> | <u>114,558</u> | <u>(3,484)</u> | <u>(2.95)</u> |

* Enfield makes separate arrangements for the treatment of its compostable and dry-recyclable wastes.

4. 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 non chargeable household waste and the fixed costs of meeting the Authority's waste disposal obligations are funded from the levy.

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

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

| Non household waste | 2016/17 Budget | | 2016/17 Actual | |
|----------------------------|---------------------------|----------|---------------------------|----------|
| Borough | Tonnes | £ | Tonnes | £ |

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Statement of Accounts for the year ended 31 March 2017

| | | | | |
|----------------|----------------|------------------|---------------|------------------|
| Barnet | 10,917 | 891,259 | 11,232 | 856,362 |
| Camden | 30,557 | 2,372,121 | 27,113 | 2,188,452 |
| Enfield | 9,331 | 761,779 | 8,957 | 682,843 |
| Hackney | 20,730 | 1,602,471 | 18,572 | 1,545,562 |
| Haringey | 3,597 | 278,608 | 3,658 | 293,180 |
| Islington | 25,049 | 1,976,929 | 24,729 | 1,974,529 |
| Waltham Forest | 1,511 | 123,357 | 1,377 | 105,014 |
| | <u>101,692</u> | <u>8,006,524</u> | <u>95,638</u> | <u>7,645,942</u> |

Chargeable household waste

| Borough | 2016/17 Budget | | 2016/17 Actual | |
|----------------|-------------------|------------------|-------------------|------------------|
| | Tonnes | £ | Tonnes | £ |
| Barnet | 2,475 | 202,058 | 2,280 | 173,827 |
| Camden | 4,590 | 348,103 | 3,803 | 311,418 |
| Enfield | 1,431 | 116,826 | 1,431 | 109,099 |
| Hackney | 5,738 | 441,977 | 4,745 | 408,030 |
| Haringey | 2,954 | 215,243 | 2,249 | 192,533 |
| Islington | 3,670 | 273,733 | 2,672 | 259,287 |
| Waltham Forest | - | - | - | - |
| | <u>20,858</u> | <u>1,597,940</u> | <u>17,180</u> | <u>1,454,194</u> |

5. LEVY

The levy on constituent boroughs of £46.649m was agreed at the Authority Meeting on 11 February 2016 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, the Re-use and Recycling Centres that have been transferred to the Authority and the core costs of operating the Authority. The levy was apportioned in accordance with the menu price based arrangements agreed by constituent councils in January 2016.

| Borough | 2015/16 % | 2016/17 % | 2015/16 £'000 | 2016/17 £'000 |
|----------------|---------------|---------------|------------------|------------------|
| Barnet | 20.37 | 20.92 | 9,462 | 9,762 |
| Camden | 11.98 | 11.40 | 5,566 | 5,317 |
| Enfield | 11.18 | 12.53 | 5,191 | 5,843 |
| Hackney | 12.63 | 13.79 | 5,868 | 6,435 |
| Haringey | 15.46 | 14.73 | 7,182 | 6,871 |
| Islington | 11.68 | 11.22 | 5,426 | 5,234 |
| Waltham Forest | 16.70 | 15.41 | 7,757 | 7,187 |
| | <u>100.00</u> | <u>100.00</u> | <u>46,452</u> | <u>46,649</u> |

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6. PROPERTY, PLANT AND EQUIPMENT

| | Land and Buildings £'000 | Assets Under Construction £'000 | Total £'000 |
|--|--------------------------------|---------------------------------------|----------------|
| 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 |
| <hr/> | | | |
| Comparative movement on balances in 2015/16 | | | |
| Cost or Valuation | | | |
| At 1 April 2015 | 26,300 | 44 | 26,344 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Impairment | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2016 | 26,300 | 44 | 26,344 |
| Depreciation and Impairment | | | |
| At 1 April 2015 | - | - | - |
| Depreciation Charge | 1,689 | - | 1,689 |
| | <hr/> | <hr/> | <hr/> |
| | 1,689 | - | 1,689 |
| Net Book Value at 31 March 2016 | 24,611 | 44 | 24,655 |
| Net Book Value at 31 March 2015 | 26,300 | 44 | 26,344 |

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.

The Authority has one depreciable asset – a waste transfer station and yard at Hornsey Street in 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.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

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 March 2017; no factors to indicate that asset values have been impaired were identified.

7. CAPITAL COMMITMENTS

At 31 March 2017 the Authority had committed capital expenditure of £1.650m for the purchase of land surrounding the Edmonton EcoPark.

8. INVESTMENTS – LONDONENERGY LTD

| | 2016 £'000 | 2017 £'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.

9. BORROWING

Details of borrowings at 31 March 2017, 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 |

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 2017. 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 2016 | | 31 March 2017 | |
|--|--------------------|---------------|--------------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £'000 | £'000 | £'000 | £'000 |
| Sum Borrowed - £60,000,000 (2015/16: £65,000,000) | 65,903 | 69,144 | 60,731 | 64,830 |

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

10. 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.

| | 2016 | 2017 |
|---------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Balance brought forward | 37,165 | 40,349 |
| Minimum Revenue Provision (MRP) | 4,873 | 4,873 |
| Depreciation | (1,689) | (1,689) |
| | <u>40,349</u> | <u>43,533</u> |
| Balance at 31 March | <u>40,349</u> | <u>43,533</u> |

11. REVALUATION ACCOUNT

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

| | 2016 | 2017 |
|---------------------|--------------|--------------|
| | £'000 | £'000 |
| Balance at 31 March | <u>5,938</u> | <u>5,938</u> |

12. CAPITAL REVALUATION ACCOUNT

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

| | 2016 | 2017 |
|---------------------|---------------|---------------|
| | £'000 | £'000 |
| Balance at 31 March | <u>21,706</u> | <u>21,706</u> |

13. 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.

| | 2016 | 2017 |
|---------------------|--------------|--------------|
| | £'000 | £'000 |
| Balance at 31 March | <u>1,439</u> | <u>1,439</u> |

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14. 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 2016/17.

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 2016/17.

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, 4, and 5.

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

Camden

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

Haringey

Operational support services

Enfield

Technical Adviser

In 2016/17 the Authority paid Camden £1.993m (2015/16: £1.889m) for the provision of lead borough services. On 31 March 2017 Camden held cash and cash equivalents of £4.976m (31 March 2016: £12.701m) on behalf of the Authority.

The London Borough of Haringey provides Operational support services to the Authority. In 2016/17 The Authority paid Haringey £0.110m for these services (2015/16: £0.097m).

In 2016/17 the Authority paid Enfield £0.009m (2015/16: £0.009m) for the honoraria paid to the Authority's Technical Adviser.

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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 23.

Entities Controlled by the Authority

At 31 March 2017 the Authority owned 100% (31 March 2016: 100%) of the shares in LondonEnergy Ltd (formerly LondonWaste Ltd). In 2016/17 the Authority paid LondonEnergy Ltd £42.979m (2015/16: £38.085m for waste disposal and transport services. The Company paid no dividend to the Authority in 2016/17 (2015/16: £1.000m). The Authority's accounts include a creditor of £8.978m (2015/16 £8.053m) in respect of the services provided to the Authority by the Company and a debtor of £3.895m (2015/16 £2.068m) in respect of income due to the Authority from the Company.

Amounts Written Off

No related party debts were written off in 2016/17 (2015/16: £nil) and no provisions for doubtful debts were raised (2015/16: £nil).

15. LEASING AND HIRE PURCHASE

Included within operating expenditure for both 2015/16 and 2016/17 is rent payable in respect of the Hendon Solid Waste Transfer Station, Brent Terrace.

16. 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

| | 2015/16 £'000 | 2016/17 £'000 |
|--|-----------------------|---------------------|
| Cash flows from operating activities include: | | |
| Depreciation | (1,689) | (1,689) |
| Movement in pension liability | 21 | 23 |
| (Increase)/decrease in creditors | (1,427) | 1,012 |
| Increase/(decrease) in debtors | 39 | 3,136 |
| | <u>(3,056)</u> | <u>2,482</u> |

17. CASH FLOWS FROM FINANCING ACTIVITIES

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

Cash flows from financing activities include

| | | |
|---|---------------------|---------------------|
| Repayment of borrowings from Public Works Loans Board (Net) | 5,000 | 5,000 |
| | <u>5,000</u> | <u>5,000</u> |

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18 ANALYSIS OF CHANGE IN CASH AND CASH EQUIVALENTS

| | At 31 March 2016 £'000 | Cash flows £'000 | At 31 March 2017 £'000 |
|--|---------------------------------|------------------------|---------------------------------|
| Cash and cash equivalents held at 31 March | 12,701 | (6,075) | 6,626 |

19. 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 2016/17 the Authority paid £32,400 to the London Pension Fund Authority (£32,400 in 2015/16) in respect of these employees. The Authority's future liability as at 31 March 2017 has been calculated by Barnett Waddingham, the actuaries for the LPFA as being £0.365m (£0.362m at 31 March 2016).

The figure is based on the following assumptions:

| | 2017 | 2016 |
|--------------------------------|------|------|
| Return on assets discount rate | 2.8% | 2.5% |
| Pension increases | 2.2% | 1.6% |
| Inflation (RPI) | 3.1% | 2.5% |
| Inflation (CPI) | 2.2% | 1.6% |

For 2016/17 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 (2015/16: valuation as at 31 March 2013). 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.

20. 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 2017 the property is carried on the balance sheet at £13.511m (£13.511m at 31 March 2016).

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21. INCOME FROM THE SALE OF DRY RECYCLABLE MATERIAL

The Authority has contractual arrangements with its recycling providers which provide it with an income from the sale of dry recyclable material. Following the adoption of a menu priced based levy apportionment model in 2016/17 this income is no longer paid on to the boroughs under the Commingled Income Payment Scheme (CIPS) but is instead taken into account in the calculation of the Levy. Income in 2016/17 was £3.364m (income for January to March 2017 is provisional). (2015/16: £2.503m)

22. 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 is shown below.

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) | 2016/17 | 107,681 | - | 32,801 | 140,482 |
| | 2015/16 | 140,760 | 4,223 | 41,726 | 186,709 |
| Head of Operations (Note 3) | 2016/17 | 90,861 | 1,667 | 27,397 | 119,925 |
| | 2015/16 | 83,330 | 1,667 | 24,482 | 109,479 |
| Head of Legal & Governance (Note 3) | 2016/17 | 84,089 | 1,512 | 25,334 | 110,935 |
| | 2015/16 | 73,435 | 1,469 | 21,181 | 96,085 |
| Head of Finance | 2016/17 | 76,854 | 1,543 | 23,228 | 101,625 |
| | 2015/16 | 75,000 | 1,500 | 21,225 | 97,725 |

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

Note 2 – The Managing Director retired on 31 December 2016. The post remained vacant for the remainder of 2016/17.

Note 3 – From the retirement of the Managing Director until 31 March 2017 the Heads of Operations and Legal and Governance undertook the duties of this post.

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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 | 2015/16 | 2016/17 |
|--------------------|---------|---------|
| £50,000 to £54,999 | 1 | 1 |
| £55,000 to £59,999 | 2 | 3 |
| £75,000 to £79,999 | 1 | 1 |
| Total | 4 | 5 |

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) | 2016/17 | 8,747 | 2,563 | 11,310 |
| | 2015/16 | 8,747 | 2,475 | 11,222 |
| Financial Adviser – Executive Director of Corporate Services (Camden) | 2016/17 | 8,165 | 2,391 | 10,556 |
| | 2015/16 | 8,165 | 2,311 | 10,476 |
| Legal Adviser – Borough Solicitor (Camden) | 2016/17 | 7,012 | 2,055 | 9,067 |
| | 2015/16 | 7,012 | 1,985 | 8,997 |
| Technical Adviser – Director of Environment (Enfield)# | 2016/17 | 6,996 | 1,462 | 8,458 |
| | 2015/16 | 6,999 | 1,462 | 8,461 |
| # This appointment is outside the Lead Borough arrangement. | | | | |

23. 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 2016/17 or 2015/16. No other audit fees were incurred in 2016/17 or 2015/16

| | 2015/16 £ | 2016/17 £ |
|---------------------------------|--------------|--------------|
| Audit of the statutory accounts | 18,270 | 18,270 |

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 2016. 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 2016.

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 2017

GROUP EXPENDITURE AND FUNDING ANALYSIS

| 2015/16 | | | | 2016/17 | | |
|--|--|---|---------------------------------------|--|--|---|
| 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 |
| 45,381 | (7,189) | 38,192 | Environmental and Regulatory Services | 46,538 | (5,165) | 41,373 |
| 45,381 | (7,189) | 38,192 | Net Cost Of Services | 46,538 | (5,165) | 41,373 |
| (46,452) | - | (46,452) | Other Income and Expenditure | (46,649) | - | (46,649) |
| (1,071) | (7,189) | (8,260) | (Surplus) or Deficit | (111) | (5,165) | (5,276) |
| 25,035 | | | Opening Balance | 26,106 | | |
| 1,071 | | | Add Surplus in Year | 111 | | |
| 26,106 | | | Closing Balance at 31 March | 26,217 | | |

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

GROUP MOVEMENT IN RESERVES STATEMENT

| | General Balance | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|--------------------|--------------------------------|-----------------------------|----------------------|--------------------------------|
| 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 |
| 2015/16 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2015 brought forward | 25,035 | 1,439 | 26,474 | 87,774 | 114,248 |
| Movement in reserves during 2015/16 | | | | | |
| Total Comprehensive Income and Expenditure | 8,260 | - | 8,260 | - | 8,260 |
| Adjustments between accounting basis & funding basis under regulations | (7,189) | - | (7,189) | 7,189 | - |
| Increase/(Decrease) in 2015/16 | 1,071 | - | 1,071 | 7,189 | 8,260 |
| Balance at 31 March 2016 carried forward | 26,106 | 1,439 | 27,545 | 94,963 | 122,508 |

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2015/16 | | | | 2016/17 | | |
|---------------------------|----------------------|-------------------------|--|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 73,277 | (33,354) | 39,923 | Environmental and regulatory services | 73,254 | (32,300) | 40,954 |
| 73,277 | (33,354) | 39,923 | Cost Of Services | 73,254 | (32,300) | 40,954 |
| | | (46,452) | Other Operating (Income) and Expenditure | | | (46,649) |
| | | 1,969 | Financing and Investment (Income) and Expenditure | | | 1,635 |
| | | 732 | Taxation and Non-Specific Grant Income | | | 537 |
| | | (3,828) | Surplus on Provision of Services | | | (3,523) |
| | | (4,095) | (Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets | | | (2,097) |
| | | (337) | Actuarial (Gain)/Loss on Pension Assets | | | 344 |
| | | (4,432) | Other Comprehensive Income and Expenditure | | | (1,753) |
| | | (8,260) | Total Comprehensive Income and Expenditure | | | (5,276) |

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

GROUP BALANCE SHEET

| | Note | 31 March 2016 | 31 March 2017 |
|---------------------------------|-----------|------------------|------------------|
| | | £'000 | £'000 |
| Property, Plant and Equipment | 5.6, 5.8 | 113,363 | 115,313 |
| Intangible Assets – Goodwill | 5.6, 5.8 | 50,213 | 50,213 |
| LONG TERM ASSETS | | 163,576 | 165,526 |
| CURRENT ASSETS | 5.9 | 39,035 | 39,706 |
| CURRENT LIABILITIES | 5.7, 5.10 | (36,807) | (13,858) |
| Long Term Borrowings | | (40,000) | (60,000) |
| Long Term Liabilities - Pension | | (362) | (365) |
| Deferred Taxation | | (2,934) | (2,702) |
| Other Long Term Liabilities | | - | (523) |
| LONG TERM LIABILITIES | | (43,296) | (63,590) |
| NET ASSETS | | 122,508 | 127,784 |
| <u>Usable Reserves</u> | | | |
| General Fund Balance | | 26,106 | 26,217 |
| Usable Capital Receipts Reserve | | 1,439 | 1,439 |
| <u>Unusable Reserves</u> | | | |
| Capital Adjustment Account | 5.7 | 40,889 | 43,960 |
| Revaluation Account | | 5,938 | 5,938 |
| Capital Revaluation Account | | 21,706 | 21,706 |
| Acquisition Revaluation Reserve | | 26,792 | 28,889 |
| Pension Reserve | | (362) | (365) |
| TOTAL RESERVES | | 122,508 | 127,784 |

Mike O'Donnell CPFA

Financial Adviser 28 September 2017

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

GROUP CASHFLOW STATEMENT

| | 2015/16 | 2016/17 |
|--|------------------------|------------------------|
| | £'000 | £'000 |
| Net surplus on the provision of services | (3,828) | (3,523) |
| Adjustments to net surplus on the provision of services for non-cash movements | (6,850) | (6,637) |
| Net cash inflow from operating activities | <u>(10,678)</u> | <u>(10,160)</u> |
| Investing activities | 3,876 | 5,929 |
| Financing activities | 5,000 | 5,000 |
| Net (increase)/decrease in cash and cash equivalents | <u>(1,802)</u> | <u>769</u> |
| Cash and cash equivalents at the beginning of the reporting period | <u>(32,445)</u> | <u>(34,247)</u> |
| Cash and cash equivalents at the end of the reporting period | <u><u>(34,247)</u></u> | <u><u>(33,478)</u></u> |

NOTES TO THE GROUP ACCOUNTS

1. ACCOUNTS OF LONDONENERGY LTD

The 2016 accounts were approved by the Board of LondonEnergy Ltd on 23 March 2017 and received an unqualified audit opinion by BDO LLP (the Company's statutory auditor) on 29 March 2017. 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. POST BALANCE SHEET EVENTS

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. INVESTMENT IN LONDONENERGY LTD

Summarised balance sheet of LondonEnergy Ltd

| | Note | 31 December 2015 £'000 | 31 December 2016 £'000 |
|---|------|------------------------------|------------------------------|
| LONG TERM ASSETS | | | |
| Tangible assets | 5.6 | 37,791 | 39,333 |
| | | <hr/> 37,791 | <hr/> 39,333 |
| CURRENT ASSETS | | | |
| Stocks | | 1,644 | 1,822 |
| Debtors | | 8,816 | 9,694 |
| Cash at bank and in hand | | 21,546 | 26,852 |
| | | <hr/> 32,006 | <hr/> 38,368 |
| CREDITORS: amounts falling due within one year | | (9,577) | (15,279) |
| | | <hr/> 22,429 | <hr/> 23,089 |
| NET CURRENT ASSETS | | 22,429 | 23,089 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 60,220 | 62,422 |
| PROVISIONS FOR LIABILITIES - | | | |
| Deferred tax | | (2,934) | (2,702) |
| Provision | | - | (523) |
| | | <hr/> (2,934) | <hr/> (3,225) |
| TOTAL PROVISIONS | | (2,934) | (3,225) |
| | | <hr/> 57,286 | <hr/> 59,197 |
| NET ASSETS | | 57,286 | 59,197 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | | 31,196 | 31,196 |
| Share premium | | 1,648 | 1,648 |
| Profit and loss account | | 24,442 | 26,353 |
| | | <hr/> 57,286 | <hr/> 59,197 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | 57,286 | 59,197 |

Statement of Accounts for the year ended 31 March 2017

4. SHARE PREMIUM RESERVE

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

5. NOTES TO THE GROUP ACCOUNTS

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

Accounting Policies

5.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2016. 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.

5.2 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.

5.3 Inventories

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

5.4 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.

5.5 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.

Statement of Accounts for the year ended 31 March 2017

- 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.

5.6 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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North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

PROPERTY, PLANT AND EQUIPMENT

| | Land and Buildings £'000 | Vehicles & Equipment £'000 | Assets Under Construction £'000 | Total £'000 |
|--|-----------------------------|-------------------------------|------------------------------------|----------------|
| 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 |
| Comparative movement on balances in 2015/16 | | | | |
| Cost or Valuation | | | | |
| At 1 April 2015 | 109,200 | 8,726 | 659 | 118,585 |
| Additions | 789 | 173 | 2,914 | 3,876 |
| Disposals | - | (51) | - | (51) |
| Transfers between classes | 2,392 | 188 | (2,580) | - |
| Revaluation | 4,095 | - | - | 4,095 |
| At 31 March 2016 | 116,476 | 9,036 | 993 | 126,505 |
| Depreciation and Impairment | | | | |
| At 1 April 2015 | - | 7,554 | - | 7,554 |
| Depreciation Charge | 5,165 | 474 | - | 5,639 |
| Disposals | - | (51) | - | (51) |
| At 31 March 2016 | 5,165 | 7,977 | - | 13,142 |
| Net Book Value at 31 March 2016 | 111,311 | 1,059 | 993 | 113,363 |
| Net Book Value at 31 March 2015 | 109,200 | 1,172 | 659 | 111,031 |

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

5.7 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.

5.8 Acquisition Note

On 22 December 2009, the Authority acquired the remaining 50% of its joint venture, LondonEnergy Limited (formerly LondonWaste 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 2016/17 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 2017. Savills concluded that the fair value of these assets at that date was £89.300m, i.e. an increase of £53.014m over the figure of £36.286m included in the company's balance sheet as at 31 December 2016. 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 2016 increased this reserve by £2.667m to £26.792m. A further valuation at March 2017 has increased this reserve by £2.097m bringing the balance to £28.889m.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2017

5.9 Analysis of Current Assets

| | 31 March 2016 £'000 | 31 March 2017 £'000 |
|---------------------------|------------------------------------|------------------------------------|
| HM Revenue and Customs | 1,249 | 1,134 |
| Other debtors | 1,895 | 3,272 |
| Inventories | 1,644 | 1,822 |
| Cash and cash equivalents | 34,247 | 33,478 |
| | <u>39,035</u> | <u>39,706</u> |

5.10 Analysis of Current Liabilities

| | 31 March 2016 £'000 | 31 March 2017 £'000 |
|-----------------------|------------------------------------|------------------------------------|
| Short Term Borrowings | (25,903) | (731) |
| Other creditors | (9,455) | (12,034) |
| Central Government | (1,449) | (1,093) |
| | <u>(36,807)</u> | <u>(13,858)</u> |