

APPENDIX B

North London Waste Authority

Statement of Accounts for the year ended

31 March 2013

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North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

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North London Waste Authority

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE FINANCIAL ADVISER'S RESPONSIBILITIES

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- 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 8 of the Accounts and Audit Regulations 2011 issued under the Audit Commission Act 1998 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 2013 and the income and expenditure of the Authority and of the Group for the year then ended.

Mike O'Donnell, CPFA

Financial Adviser 12 September 2013

CHAIR'S APPROVAL OF STATEMENT OF ACCOUNTS

This Statement of Accounts was presented to the North London Waste Authority at its meeting on 26 September 2013, and was approved by resolution of the Authority.

Councillor Clyde Loakes

Chair of the North London Waste Authority 26 September 2013

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

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

We have audited the financial statements of North London Waste Authority (the "Authority") for the year ended 31 March 2013 on pages 10 to 41. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Financial Adviser and auditor

As explained more fully in the Statement of the Financial Adviser's Responsibilities, the Financial Adviser is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Financial Adviser; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2013 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

North London Waste Authority

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Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 8 to 10 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

WE HAVE NOTHING TO REPORT IN RESPECT OF THESE MATTERS.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO CONCLUDE

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement; and
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities.

As a result, we have concluded that there are no matters to report.

Delay in certification of completion of the audit

Due to work on matters raised by local government electors not being completed by the 30 September 2013

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to consider matters raised with us by local government electors. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Philip Johnstone

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

Date:

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

EXPLANATORY FOREWORD BY THE FINANCIAL ADVISER

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 2012/13* (The Code) and the *Guidance Notes for Practitioners* (both published by the Chartered Institute of Public Finance and Accountancy). The Code requires local government financial statements to be presented in a format that meets International Financial Reporting Standards (IFRS). The Code requires that four key statements are provided; they comprise:

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

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

Balance Sheet: This shows the value at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves 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 LondonWaste Ltd.

REVIEW OF THE YEAR AND CURRENT DEVELOPMENTS

The Authority agreed its 2012/13 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 procurement process and the acquisition of sites for the development of its future waste treatment facilities. Reductions in the waste stream, lower capital financing costs – due partly to slippage in the acquisition programme but also the temporary use of internal funds in place of borrowing together with continued good performance by LondonWaste Ltd in 2012 all have contributed to the improvement in the Authority's financial health.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

At the time of the 2013/14 budget and levy meeting in February 2013 I was able to advise the Authority that it should have revenue balances of at least £14.253m available at year-end to assist with the funding of the Authority's 2013/14 budget. This enabled the Authority to limit the 2013/14 levy increase to 2.99%. For the reasons previously stated, actual balances at 31 March 2013 are £18.032m, i.e. an improvement of £3.779m. Subject to the 2013/14 budget remaining sufficiently robust to fund its in-year activities the additional balances should provide the Authority with some flexibility when considering its funding options for the 2014/15 budget.

The amount of residual waste entering the waste stream in 2012/13 has reduced by a 32,421 tonnes (5.19%) compared with 2011/12 tonnage levels, i.e. a reduction from 624,493 tonnes to 592,072 tonnes. Although in February there was an indication that the reduction in waste stream was beginning to reverse the outturn figures indicate this was partially reversed in the closing months of the year. The 2013/14 budget allows for a net reduction in residual tonnages (after increased borough recycling activity).

The Authority continued to provide recyclable waste treatment services to its constituent boroughs. Although at 40,316 tonnes a lower level of compostable waste was sent to the Authority for treatment in 2012/13 (59,166 tonnes in 2011/12), greater use was made of the Authority's materials recovery service at 67,037 tonnes (56,471 tonnes in 2011/12). The Commingled Income Payment Scheme (CIPS) continued to be a success. The scheme was originally introduced in October 2009 makes contributions towards the costs incurred by constituent boroughs in collection and delivering dry recyclable materials to the Authority. This is funded by the income that the Authority receives from the sale of recyclable materials. As the level of payments (and therefore the cost of scheme) is set to match the income that the Authority receives from the sale of recyclates there is no net cost to the Authority but is beneficial to those boroughs in receipt of the CIPS payments. The Authority expects to pay a total of £2.235m to participating boroughs in 2012/13 (£2.362m in 2011/12).

Landfill tax continues to rise in line with the Government's stated intention to raise the standard rate of tax (£64 in 2012/13) by £8 per tonne until a figure of £80 is reached in 2014/15. The tax has a significant impact on the Authority's budget and therefore the cost to constituent boroughs and is a major driver for diverting waste from landfill and reinforces the need for the Authority to secure new and additional waste treatment facilities.

2012/13 saw the Authority take over on a phased basis the management of seven Household Waste Recycling Centres (HWRCs) which had hitherto been the responsibility of individual boroughs. Officers liaised closely with their boroughs' counterparts in calculating budgets for each of the centres and these budgets were approved as part of the Authority's 2012/13 budget. An underpinning principle was that each borough would continue to bear only the operating costs of the centre(s) located within its borough boundary. This required the formal agreement of all boroughs and resulted in new arrangements for apportioning the levy from 2012/13. As the Levy is set before the start of the year, variances from budgeted expenditure are retained by the Authority but ring-fenced to the relevant borough. In 2012/13 the Authority achieved savings of some £409,000 and will be returned to the relevant boroughs through the 2014/15 Levy calculation.

The Authority approved a budget of £250,000 to fund a further 'Love Food Hate Waste' campaign and to increase the levels of furniture re-use. Food waste reduction work focused primarily on direct engagement with residents and during the year officers were involved in some 200 events in the North London area. The Authority worked with a number of partners in the voluntary and social housing sectors to increase the re-use of furniture and other bulky items.

Resulting from discussions with constituent boroughs and a desire to promote joint working across North London, the Authority approved a budget of £350,000 to assist boroughs in increasing residents' understanding of the waste challenge facing the area, promote the Authority's waste prevention work and to work with the boroughs to achieve the 50% recycling target by 2020.

The procurement process for the development of new waste facilities and services is now well advanced such that decisions on the procurement project are expected to be made in 2013/14.

2012/13 OUTTURN

North London Waste Authority

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Outturn compared with original and revised estimate:

	Original budget 2012/13 £'000	Revised budget 2012/13 £'000	Outturn 2012/13 £'000
Gross expenditure	<u>64,412</u>	<u>58,015</u>	<u>54,674</u>
Non-household waste	(9,981)	(9,521)	(9,488)
Rents	(99)	(99)	(99)
Sale of recyclates	(2,231)	(1,986)	(2,330)
LATS grant	(1,650)	0	0
LWL Dividend	<u>(2,500)</u>	<u>(7,000)</u>	<u>(7,000)</u>
Gross income	<u>(16,461)</u>	<u>(18,606)</u>	<u>(18,917)</u>
Net cost of services	47,951	39,409	35,757
Interest receivable	<u>(150)</u>	<u>(850)</u>	<u>(967)</u>
Net operating expenditure	47,801	38,559	34,790
Transfer to pension reserve	30	30	30
Revenue funding of capital expenditure	9,606	7,932	7,922
Levy on constituent authorities	<u>(40,614)</u>	<u>(40,614)</u>	<u>(40,614)</u>
Deficit/(surplus) for the year	<u>16,823</u>	<u>5,907</u>	<u>2,128</u>
General fund balance			
Opening balance	(16,823)	(20,160)	(20,160)
Deficit/(surplus) for the year	<u>16,823</u>	<u>5,907</u>	<u>2,128</u>
Closing balance	<u>-</u>	<u>(14,253)</u>	<u>(18,032)</u>

A fuller explanation of the more significant variances can be found in the notes to the accounts.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

1. Scope of Responsibility

The 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 North London Waste 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 North London Waste Authority is also responsible for putting in place proper arrangements for governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The governance framework comprises the systems and processes, and 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 North London Waste 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 2013 and up to the date of approval of the annual report and statement of accounts. The Authority formally agreed its approach to strategic risk management in April 2005 and has subsequently undertaken regular reviews. This included agreement of the Authority's Risk Register and an action plan to achieve delivery of a risk aware culture within the Authority and to embed the new approach within the Authority's planning processes and its control systems. As part of its ongoing review of risk the Authority decided to strengthen its risk management regime with the addition of a new high level risk register for dealing with key matters of risk management.

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 this is reflected in its contract with LondonWaste Ltd.
- The Authority and its constituent councils have been working in partnership to develop and implement the North London Joint Waste Strategy. The procurement process for the provision of new facilities and waste services is now well underway. Under the lead of a Project Sponsor and Procurement Director the Authority has established an in-house team of experienced people to work with external advisers with a view to securing appropriate cost effective waste management services over the next 25 to 35 years. Working in partnership with its constituent councils the partners have established key working groups of senior officers and Members to ensure that well informed decisions are made at key stages of the procurement process.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

- 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 the Authority and the 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.
- In 2012/13 the Authority requested Camden's Head of Internal Audit, Investigations and Risk Management to review the Authority's arrangements to ensure compliance with the Bribery Act 2010. This resulted in a number of recommendations and officers are taking steps to strengthen its arrangements. This has included fraud awareness training for all staff. The training focussed on fraud identification and the procedures that should be followed when a potential fraud is identified. It also provided a briefing on the implications of the Bribery Act, the Regulation of Investigatory Powers Act and Camden's whistle-blowing policy.
- The Authority is also able to benefit from the rules and procedures set in place by its Lead Boroughs. Officer responsibilities and actions are controlled through Schemes of Officer Delegation.
- The effective and efficient use of resources and the securing of continuous improvement is achieved through a range of review processes and is integral to both the short-term implementation of the Joint Waste Strategy and the procurement 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 activities of the London Borough of Camden's Internal Audit Division which provides assurances to management that the Council'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 Council. 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 of the Council's – and the Authority's – external auditor.
- Performance management within the Authority is considered through a range of review arrangements including external/internal audit reviews, annual reports and the detailed reporting of national and local performance indicators. In recent years this has been strengthened with the appointment of the NLWA Managing Director with responsibility for overseeing the work and direction of the Authority including a review of its support arrangements to ensure that these are fit for purpose. Additionally, all staff are now employed by London Borough of Camden thereby strengthening reporting lines. The Head of Finance is now also based at the NLWA offices in Haringey (previously Camden) and the in-house finance team has been strengthened by the appointment of a Deputy Head of Finance. The Authority has agreed to further strengthen the in-house finance team to ensure that it is able to effectively deal with financial aspects of the procurement process.

4. Review of Effectiveness

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

The 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, the procurement process and the Authority's financial health.

The Members' Finance Working Group has provided an effective means of enabling detailed review and examination by Members of the Authority's financial and risk management issues.

As services are provided through the Lead Boroughs of Camden and 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 Authority has in place an action plan to deliver the strategic approach to managing strategic risk particularly in relation to implementation of the procurement project.

The Authority is a signatory to the Nottingham declaration on climate change and has committed itself to review and manage its services in such a way as to minimise its climate change impacts.

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

5. 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 2013/14.
- Keeping under review the governance arrangements for LondonWaste Ltd.

6. Signed Agreement

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

Councillor Clyde Loakes

Chair of the NLWA

Mike Cooke

Clerk to the NLWA

North London Waste Authority

MOVEMENT IN RESERVES STATEMENT For the Year ended 31 March 2013

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	15,362	1,000	621	16,983	47,918	64,901
Movement in reserves during 2011/12						
Surplus or (deficit) on provision of services	9,548	-	-	9,548	-	9,548
Other Comprehensive Expenditure and Income	(851)	-	-	(851)	-	(851)
Total Comprehensive Income and Expenditure	8,697	-	-	8,697	-	8,697
Adjustments between accounting basis & funding basis under regulations	(3,899)	-	-	(3,899)	3,889	-
Net Increase/(Decrease) in 2011/12	4,798	-	-	4,798	3,899	8,697
Balance at 31 March 2012 carried forward	20,160	1,000	621	21,781	51,817	73,598

North London Waste Authority

MOVEMENT IN RESERVES STATEMENT For the Year ended 31 March 2013

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012 brought forward	20,160	1,000	621	21,781	51,817	73,598
Movement in reserves during 2012/13						
Surplus or (deficit) on provision of services	3,610	-	-	3,610	-	3,610
Other Comprehensive Expenditure and Income	(415)	-	-	(415)	-	(415)
Total Comprehensive Income and Expenditure	3,195	-	-	3,195	-	3,195
Adjustments between accounting basis & funding basis under regulations	(5,323)	-	818	(4,505)	4,505	-
Net Increase/(Decrease) in 2012/13	(2,128)	-	818	(1,310)	4,505	3,195
Balance at 31 March 2013 carried forward	18,032	1,000	1,439	20,471	56,322	76,793

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2011/12		Further details of the Authority's Income and Expenditure can be found at Note 1.	2012/13	
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure		Gross Income	Net Expenditure
£000	£000	£000	£000		£000	£000
48,592	(11,864)	36,728	Environmental and regulatory services	54,674	(11,818)	42,856
48,592	(11,864)	36,728	Cost Of Services	54,674	(11,818)	42,856
		(43,478)	Other Operating (Income) and Expenditure			(41,433)
		(2,798)	Financing and Investment (Income) and Expenditure			(5,033)
		(9,548)	Surplus on Provision of Services			(3,610)
		820	Deficit on revaluation of Property, Plant and Equipment Assets			350
		31	Actuarial Loss on Pension Assets			65
		851	Other Comprehensive Income and Expenditure			415
		(8,697)	Total Comprehensive Income and Expenditure			(3,195)

North London Waste Authority

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BALANCE SHEET

	Note	2013 £'000	2012 £'000
Property, Plant and Equipment	8	11,400	11,750
Investment Property	8	16,600	16,566
Long Term Investments	9	119,392	119,392
LONG TERM ASSETS		147,392	147,708
<u>Short Term Debtors</u>			
Balance held with LB Camden	20	29,714	28,444
LondonWaste Ltd		790	64
HM Revenue and Customs		1,153	1,004
Other debtors –revenue		1,364	1,302
CURRENT ASSETS		33,021	30,814
<u>Short Term Creditors</u>			
LondonWaste Ltd		(2,857)	(3,698)
Other Short Term Creditors	16	(3,887)	(4,402)
CURRENT LIABILITIES		(6,744)	(8,100)
Long Term Borrowings	10	(96,433)	(96,433)
Other Long Term Liabilities	21	(443)	(391)
LONG TERM LIABILITIES		(96,876)	(96,824)
NET ASSETS		76,793	73,598
<u>Usable Reserves</u>			
General Fund Balance		18,032	20,160
Earmarked Reserve	15	1,000	1,000
Usable Capital Receipts Reserve	14	1,439	621
<u>Unusable Reserves</u>			
Capital Adjustment Account	11	32,070	27,196
Revaluation Account	12	2,989	3,306
Capital Revaluation Account	13	21,706	21,706
Pension Reserve	21	(443)	(391)
TOTAL RESERVES		76,793	73,598

Mike O'Donnell CPFA

Financial Adviser 12 September 2013

These financial statements replace the unaudited statements certified by Mike O'Donnell on 27 June 2013

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

CASH FLOW STATEMENT

	Note	2013 £'000	2012 £'000
Net surplus on the provision of services		(3,610)	(9,548)
Adjustments to net surplus on the provision of services for non-cash movements		2,340	2,845
Adjustments for items included in the net surplus on the provision of services that are investing activities		818	-
Net cash inflow from operating activities	19	(452)	(6,703)
Investing activities	19	(818)	-
Net increase in cash and cash equivalents		(1,270)	(6,703)
Cash and cash equivalents at the beginning of the reporting period		(28,444)	(21,741)
Cash and cash equivalents at the end of the reporting period		(29,714)	(28,444)

The Authority's cash balances are held and managed on its behalf by the London Borough of Camden and are reflected in Camden's accounting statements. The Authority therefore holds no cash or cash equivalents on its own account – instead, an inter company account is maintained, the balance of which is a proxy for the Authority's cash position. In order to provide a more meaningful picture of the Authority's liquidity, for the purposes of the Cash Flow Statement the inter-company account balance is treated as cash and cash equivalents.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

ACCOUNTING POLICIES

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, 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 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 sufficient to be material and therefore no accrual has been made. However, bonuses payable to senior employees in 2013/14 in respect of their work in 2012/13 have been accrued for.

Post employment benefits

In December 1994 all of the staff of the Authority transferred to 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.

Investments and Property

The Authority's investment in LondonWaste Ltd is held at cost. The land at Pinkham way was revalued at 31 March 2013.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

ACCOUNTING POLICIES

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Reserves

The Authority sets 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.

An earmarked reserve has been established to fund future recycling initiatives.

Group accounts

The Authority has prepared group accounts to provide greater transparency and understanding of the Authority's shareholding in LondonWaste 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.

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

ACCOUNTING POLICIES

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 waste. Accordingly, the risk of non-payment is considered to be extremely low and no provision for bad or doubtful debts is required.

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

1. ADDITIONAL INFORMATION SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The analysis below presents the Authority's Income and Expenditure in a format that is intended to aid the understanding of its activities and financial performance.

EXPENDITURE	Note	2012/13 £'000	2011/12 £'000
Main Waste Disposal Contract	3 (a)	24,730	21,229
Civic Amenity Waste	3 (a)	1,293	1,421
Landfill Tax		11,478	10,801
Composting Services	3 (b)	2,608	3,061
Materials Recovery Facility Services	3 (c)	3,394	2,855
Hendon Transfer Station		516	524
Hornsey Street Transfer Station		543	90
Other Sites		31	25
Household Waste Recycling Centres	4	1,606	-
Corporate and Other Support Service Costs	2, 17	1,173	1,004
Waste Strategy and Contracts Team		674	734
Waste Reduction Programme – New Initiatives		295	-
Joint Communications Initiative		227	-
Recycling and Reuse Credit Scheme		150	139
Other Recycling Initiatives		48	45
BMW Diversion Incentive Scheme		-	(28)
Commingled Income Payment Scheme	25	2,235	2,362
Waste Contract – Procurement Costs		3,330	3,915
Waste Contract – Sites and Planning Costs		343	415
Gross expenditure		54,674	48,592
Non-household waste	5	(9,488)	(9,346)
Sale of recyclates	24	(2,235)	(2,362)
Sale of Waste Electrical and Electronic Equipment	25	(95)	(156)
Gross income		(11,818)	(11,864)
Cost of Services		42,856	36,728
Levy	7	(40,614)	(43,512)
Gain on disposal of interest in non-current assets	14	(819)	-
LATS allowances written down	23	-	34
Other Operating Expenditure		(41,433)	(43,478)
Investment Property – Rent Receivable	6	(99)	(94)
Investment Property – Change in Fair Value		(34)	99
Interest receivable		(969)	(373)
Pension Interest Cost		17	20
LondonWaste Ltd Dividend		(7,000)	(5,500)
Revenue Funding of capital - interest		3,050	3,050
Other Interest Payable		2	-
Financing and Investment		(5,033)	(2,798)

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

Surplus on Provision of Services	(3,610)	(9,548)
Deficit on Revaluation of Non Current Assets	350	820
Pension Asset – Actuarial Loss	65	31
Other Comprehensive Income and Expenditure	415	851
Total Comprehensive Income and Expenditure	(3,195)	(8,697)
 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS		
Statutory provision for the financing of capital investment – Minimum Revenue Provision	4,872	4,872
Revaluation gains/(losses) on Property, Plant and Equipment	(350)	(820)
Gain on disposal of interest in Non Current Asset	819	-
Movement in fair value of investment properties	34	(99)
Reversal of items relating to retirement benefits	(82)	(51)
Employer’s pension contributions paid in year	30	31
LATS transactions	-	(34)
Total Adjustments	5,323	3,899
(Addition)/Reduction to General Balances	2,128	(4,798)

2. CORPORATE AND OTHER SUPPORT SERVICES

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

Camden

Managing Director (a)
 Waste Strategy and Contracts Team (b)
 Procurement Team (c)
 Financial Adviser and financial services
 Clerk and committee services
 Legal Adviser and legal services
 Communications and media support
 Personnel services

Haringey

Valuation Adviser
 Operational support services

Enfield

Technical Adviser

Waltham Forest

Planning Adviser

(a) The Managing Director (MD) has overarching responsibility for overseeing the work, direction and governance of the Authority. The MD is based at the Lee Valley Technopark (Haringey).

(b) The Waste Strategy and Contracts Team is responsible for monitoring the Authority's contract arrangements, providing policy and strategic advice, as well as liaising with the constituent boroughs on day to day waste disposal issues. The Team is based at the Lee Valley Technopark (Haringey).

(c) The Procurement Team is responsible for the procuring the Authority's long-term service needs in accordance with the North London Joint Waste Strategy. The Team is based at the Lee Valley Technopark (Haringey).

This cost centre also includes the cost of external audit provided for 2012/13 by KPMG LLP. The agreed statutory fee for the audit of the Authority's 2012/13 financial statements and paid to KPMG LLP was £18,270. KPMG LLP did not provide any additional services to the Authority. The Authority incurred costs of £113,991 in respect of the use of external advisers and support.

3. WASTE STREAM TONNAGE STATISTICS

Details of the actual residual and separated recyclable wastes entering the waste stream from constituent councils:

(a) Residual Waste

Borough	2012/13 Tonnes	2011/12 Tonnes	Variance Tonnes	%
Barnet	111,565	114,569	(3,004)	(2.62)
Camden	88,513	89,573	(1,060)	(1.18)
Enfield	83,325	90,611	(7,286)	(8.04)
Hackney	90,059	89,227	832	0.93
Haringey	72,615	80,929	(8,314)	(10.27)
Islington	71,539	71,185	354	0.50
Waltham Forest	74,456	88,399	(13,943)	(15.77)
	<u>592,072</u>	<u>624,493</u>	<u>(32,421)</u>	<u>(5.19)</u>

(b) Composting Services

Borough	2012/13 Tonnes	2011/12 Tonnes	Variance Tonnes	%
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North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

Barnet	18,211	19,886	(1,675)	(8.42)
Camden	3,321	8,331	(5,010)	(60.14)
Enfield*	-	8,684	(8,684)	(100.00)
Hackney	1,633	4,034	(2,401)	(59.52)
Haringey	5,997	5,666	331	5.84
Islington	3,290	3,682	(392)	(10.65)
Waltham Forest	7,864	8,883	(1,019)	(11.47)
	<u>40,316</u>	<u>59,166</u>	<u>(18,850)</u>	<u>(31.86)</u>

* With effect from October 2011 Enfield began making separate arrangements for the treatment of its biodegradable waste.

(c) Dry Recyclable Bulking Service

Borough	2012/13 Tonnes	2011/12 Tonnes	Variance Tonnes	%
Barnet *	-	-	-	-
Camden	10,169	9,054	1,115	12.31
Enfield *	-	-	-	-
Hackney	7,129	5,078	2,051	40.39
Haringey	18,783	14,074	4,709	33.46
Islington	14,008	13,182	826	6.27
Waltham Forest	16,948	15,083	1,865	12.36
	<u>67,037</u>	<u>56,471</u>	<u>10,566</u>	<u>18.71</u>

* Barnet and Enfield make separate arrangements for the treatment of dry-recyclable wastes.

4. HOUSEHOLD WASTE RECYCLING CENTRES

The transfer of HWRCs to the Authority commenced in April 2012 (three centres transferred on 1 April, two in June and a further two in November). The costs of operating the HWRCs are ring-fenced to the transferring borough, such that any under or overspend is carried forward to the levy calculation in the next available levy year i.e. the balance arising in 2012/13 will be included in the calculation of the 2014/15 levy. The revenue balance position for each transferring borough at 31 March 2013 was as follows:

Centre Location	2012/13 Levy	2012/13 Outturn	Addition to Balances
	£	£	£
Camden	439,262	233,931	(205,331)
Haringey	245,516	200,426	(45,090)
Islington	564,685	552,562	(12,123)
Waltham Forest	764,968	618,716	(146,252)
	<u>2,014,431</u>	<u>1,605,635</u>	<u>(408,796)</u>

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

5. NON-HOUSEHOLD WASTE

The Authority operates a separate charging arrangement for non-household waste in accordance with s52 (9) of the Environmental Protection Act 1990. The scheme came into effect on 1 April 1996, and as a consequence, only household waste and fixed costs of meeting the Authority's waste disposal obligations are funded from the levy. The methodology for determining the non-household element of the waste stream was reviewed in 2007/08, in consultation with the NLWA constituent boroughs, and changes implemented with effect 1 April 2008.

In addition to residual non-household waste, two boroughs (Haringey and Islington) delivered recyclable commingled and food waste to the Authority. The charges 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 payments on account to the Authority on a monthly basis based on estimated levels of non-household waste. At the end of the year an additional amount is charged or overpayment repaid based on actual tonnage levels and the actual marginal cost of disposal.

Borough	2012/13 Original estimate		2012/13 Actual charges	
	Tonnes	£	Tonnes	£
Barnet	15,226	1,477,683	14,779	1,434,598
Camden	33,865	3,286,598	35,117	3,408,710
Enfield	7,955	772,033	8,124	788,500
Hackney	19,395	1,882,285	16,768	1,627,670
Haringey	3,089	287,210	3,223	296,152
Islington	20,204	1,916,926	17,622	1,664,583
Waltham Forest	3,695	358,600	2,749	266,845
	<u>103,429</u>	<u>9,981,335</u>	<u>98,382</u>	<u>9,487,058</u>

6. RENTS

During the year the Authority received rental income from LondonWaste Ltd in respect of the Hornsey Street Waste Transfer Station. Hornsey Street became the replacement facility for Ashburton Grove in July 2004. The rent is set at the market rate, however, the increase in rent at Hornsey Street (determined by reference to the rent of the Ashburton facility as adjusted for revisions under the terms of the Ashburton lease) is recoverable from the Authority by LondonWaste Ltd as an additional cost post-vesting, i.e. the net effect is to restrict the rental income from LondonWaste Ltd to the rental income due under the original Ashburton lease. The lease runs until December 2014; all costs of operating the facility are met by LondonWaste Ltd.

7. LEVY

The levy on constituent boroughs of £40.614m was agreed at the Budget Meeting on 10 February 2012 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 Household Waste Recycling Centres that were transferred to the Authority in 2012/13 and the core costs of operating the Authority. The levy has been apportioned in accordance with the alternative levy arrangements agreed by constituent councils in January 2012.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

Borough	2012/13 %	2011/12 %	2012/13 £'000	2011/12 £'000
Barnet	18.06	19.04	7,337	8,286
Camden	12.42	11.76	5,043	5,116
Enfield	13.58	14.54	5,518	6,329
Hackney	11.63	12.44	4,722	5,412
Haringey	15.30	15.63	6,213	6,801
Islington	12.42	11.62	5,045	5,056
Waltham Forest	16.59	14.97	6,736	6,512
	<u>100.00</u>	<u>100.00</u>	<u>40,614</u>	<u>43,512</u>

8. NON CURRENT ASSETS

Property Plant and Equipment	£'000
Property at 1 April 2012	11,750
Disposals	-
Revaluation	(350)
Balance at 31 March 2013	<u>11,400</u>

Asset	Location
Land – Part of the site of the former Friern Barnet Sewage Treatment Works	Pinkham Way, Haringey

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. The land at Pinkham Way was acquired in the closing months of 2010/11 and would not in normal circumstances be revalued until 2014/15; the Authority's Valuation Adviser has advised it would be appropriate to revalue the asset for the 2012/13 financial statements. The valuation was undertaken by Wilks, Head and Eve, Chartered Surveyors.

Investment Property	£'000
Property at 1 April 2012	16,566
Revaluation of Asset	34
Balance at 31 March 2013	<u>16,600</u>

Asset	Location
Waste transfer station and yard (999 year lease) – See also note 19	Hornsey Street, Islington

The Waste Transfer Station and yard at Hornsey Street is classified as an investment property. The Code of Practice on Local Authority Accounting requires that all such properties are revalued annually. Accordingly the Authority engaged Wilks, Head and Eve to value the Hornsey Street property at 31 March 2013. The increase in value is reflected in the Authority's Comprehensive Income and Expenditure Statement but is reversed out through the Movement in Reserves Statement and there is no impact on the sum that the Authority raises through the Levy on its constituent boroughs. The facility is leased to LondonWaste Ltd for the duration of the Authority's contract with the Company which is due to terminate on 15 December 2014.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

9. INVESTMENTS – LONDONWASTE LTD

	2013 £'000	2012 £'000
Balances at 1 April 2012 and at 31 March 2013	119,392	119,392

Until 22 December 2009 the company 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.

10. LONG TERM BORROWING

To fund the acquisition of the remaining 50% interest in LondonWaste Ltd, in April 2010 the Authority borrowed £95m from the Public Works Loans Board. The principal sums will be repaid on maturity. Half yearly interest payments are due on 12 April and 12 October. As at 31 March 2013 accrued interest in respect of the loans was £1.433m (31 March 2012: £1.433m) and in accordance with The Code the accrued interest is added to the principal sum.

11. 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.

	£'000
Balance at 1 April 2012	27,196
Minimum Revenue Provision (MRP)	4,874
Balance at 31 March 2013	32,070

12. REVALUATION ACCOUNT

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

	£'000
Balance at 1 April 2012	3,306
Revaluation of Investment Property in 2012/13	34
Revaluation of Property, Plant and Equipment in 2012/13	(350)
Balance at 31 March 2013	2,990

13. CAPITAL REVALUATION ACCOUNT

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

	£'000
Balances at 1 April 2012 and 31 March 2013	<u>21,706</u>

14. USABLE CAPITAL RECEIPTS RESERVE

	£'000
Balance at 1 April 2012	621
Receipts in 2012/13	<u>818</u>
Balance at 31 March 2013	<u>1,439</u>

This reserve represents unspent receipts from disposals of capital assets and can be used only to fund capital expenditure or repay debt. No decision has been made on the use of this resource.

In 2012/13 the Authority received £808,500 from Transport for London (formerly the Highways Agency) in respect of the Compulsory Purchase Order for land at the frontage of the Edmonton Ecopark. A further £10,000 was received in return for the Authority granting an easement to allow National Grid to construct a cable tunnel under the Hornsey Street facility.

15. EARMARKED RESERVES

	£'000
Balance at 1 April 2012 and 31 March 2013	<u>1,000</u>

An earmarked reserve of £1,000,000 to fund future recycling initiatives was established in 1999/2000 following the receipt of a special dividend from LondonWaste Ltd.

16. SHORT TERM CREDITORS

Other creditors and provisions can be analysed as follows

	31 March 2013	31 March 2012
	£'000	£'000
Other local authorities	(2,424)	(3,691)
Other entities and individuals	<u>(1,463)</u>	<u>(711)</u>
	<u>(3,887)</u>	<u>(4,402)</u>

17. 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.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

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 2012/13.

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 2012/13.

Other Public Bodies

A number of transactions with related parties are disclosed elsewhere in the accounts.

The London Borough of Camden acts as lead borough to the Authority and provides a range of support services (see note 2). In 2012/13 Camden paid £8.330m (2011/12: £8.236m) to the Authority in respect of non-household charges and its share of the levy. Camden received payments of £0.382m (2011/12: £0.923m) in respect of the Authority's Commingled Income Payment Scheme (CIPS) and a refund in respect of 2011/12 on-account payments for non-household waste. Camden also received £1.930m (2011/12: £1.723m) for the provision of lead borough services. As at 31 March 2013 it held cash and cash equivalents of £29.714m (31 March 2012: £28.444m) on behalf of the Authority.

Following the transfer of staff from the London Borough of Haringey to London Borough of Camden on 1 April 2010, Haringey now only provides a limited range of services to the Authority i.e. technical and valuation advice and the cost of operational support to the staff based in offices at the Lee Valley Technopark. In 2012/13 Haringey paid £6.500m (2011/12: £7.171m) to the Authority in respect of non-household waste charges and share of levy. It received a payment from the Authority of £0.640m (2011/12: £1.249m) in respect of CIPS and a refund in respect of 2011/12 on-account payments for non-household waste.

Entities Controlled by the Authority

At 31 March 2013 the Authority owned 100% of the shares in LondonWaste Ltd. The Authority's accounts include a creditor of £2.857m (2011/12 £3.698m) in respect of waste disposal and transport services provided to the Authority by the Company and a debt of £0.790m (2011/12 £0.064m) in respect of income due to the Authority.

Amounts Written Off

No related party debts were written off in 2012/13 (2011/12: £nil) and no provisions for doubtful debts were raised (2011/12: £nil).

18. LEASING AND HIRE PURCHASE

Included within operating expenditure for both 2011/12 and 2012/13 are rents payable to Freightliner in respect of the Hendon Solid Waste Transfer Station, Brent Terrace.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

19. CASH FLOW STATEMENT

	2012/13 £'000	2011/12 £'000
Cash flows from operating activities include:		
Interest Paid	3,052	3,050
Interest Received	(615)	-
Dividends Received	(7,000)	(5,500)
Other operating activities	4,111	(4,253)
	(452)	(6,703)
Cash flows from investing activities include:		
Proceeds from sale of interests in non-current assets	(818)	-
Total increase in cash and cash equivalents	(1,270)	(6,703)

20. ANALYSIS OF CHANGE IN CASH AND CASH EQUIVALENTS

	At 31 March 2012 £'000	Cash flows £'000	At 31 March 2013 £'000
Funds lodged with Camden London Borough Council	28,444	(1,270)	29,714
	=====	=====	=====

21. 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 LondonWaste Ltd in December 1994. In 2012/13 the Authority paid £33,494 to the London Pension Fund Authority (£31,847 in 2011/12) in respect of these employees. The Authority's future liability as at 31 March 2013 has been calculated by Bennett Waddingham, the actuaries for the LPFA as being £0.443m (£0.391m at 31 March 2012).

The figure is based on the following assumptions:

	2013	2012
Return on assets discount rate	2.2%	4.6%
Pension increases	2.1%	2.5%
Inflation (RPI)	2.9%	3.3%
Inflation (CPI)	2.1%	2.5%

NOTES TO THE ACCOUNTS

In both years the actuary adopted a set of demographic assumptions consistent with those used for the formal funding valuation of the LPFA as at 31 March 2010. 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.

22. 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 LondonWaste 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 2012 the property was valued at £16.566m and £16.600m at 31 March 2013 (see also note 8).

23. LANDFILL ALLOWANCE TRADING SCHEME (LATS)

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) to reduce the amount of biodegradable municipal waste (BMW) disposed in landfill sites. The Act provides the legal framework for the Landfill Allowance Trading Scheme which commenced operation on 1 April 2005. This allows the Authority to landfill biodegradable waste without penalty up to the limit of the allowances issued to it by the Government. If the Authority did not fully utilise its allowances in any one year it could either carry-forward surplus allowances to meet a shortfall in future years (there are restrictions), or, sell the surplus to another WDA which needed to buy additional allowances to cover its own shortfall.

In June 2011 the Government announced that it no longer viewed LATS as a major driver for diverting waste away from landfill and that the scheme would cease after 2012/13.

In 2012/13 no allowances were sold by the Authority.

The Authority was allocated 239,117 allowances in 2012/13 and at 31 March 2013 is estimated to have used 132,743 leaving a balance of 106,374. Given the over supply of surplus allowances in the LATS market these allowances are unlikely to be sold during the end of year LATS trading period and therefore a value of £0.00 has been used in the 2012/13 accounts.

24. COMMINGLED INCOME PAYMENT SCHEME (CIPS)

The Authority makes contributions towards the additional costs incurred by the constituent boroughs in collecting and delivering dry recyclable materials to the Authority. In practice payments to the boroughs are limited to the value of the income that Authority receives from the sale of the recyclable materials which in turn is determined by the tonnage supplied and sale prices achieved. The impact on the Authority's finances is therefore neutral. The scheme came into effect on 1 October 2009. Income due to participating boroughs in respect of 2012/13 was £2.235m (2011/12 £2.362m).

25. WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT (WEEE)

The Authority secured agreement to receive an income from the sale of recyclates extracted from WEEE collected at the Authority's nominated collection points. The income received by the Authority in 2012/13 was £0.095m (2011/12 £0.118m).

26. REMUNERATION OF SENIOR STAFF

The Authority does not have any directly employed staff. The Statement of Arrangements between the Authority and the London Borough's of Camden and Haringey sets out the services that each

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE ACCOUNTS

borough will provide to the Authority including the provision of the Clerk and other key Adviser roles. The cost of these services is recovered from the Authority on an actual cost basis. The number of staff employed wholly on NLWA business receiving annual remuneration in excess of £50,000 is shown below. This excludes employer's pension contributions but includes benefits in kind, so far as they are chargeable to UK income tax.

Salary range	2012/13	2011/12
£50,000 to £54,999	2	3
£65,000 to £69,999	2	-
£70,000 to £74,999	1	1
£75,000 to £79,999	1	-
£80,000 to £84,999	-	1
£110,000 to £114,999	1	-
£115,000 to £119,999	-	1
£120,000 to £124,999	-	1
£130,000 to £134,999	1	-
Total	8	7

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

		Salary (including fees & allowances)	Bonus (note 1)	Employer's pension contributions	Total
Managing Director	2012/13	£115,000	£17,250	£33,459	£165,709
	2011/12	£115,000	£8,625	£30,041	£153,666
Procurement Director	2012/13	£100,000	£10,000	£27,830	£137,830
	2011/12	£100,000	£18,000	£28,674	£146,674
Head of Waste Strategy and Contracts	2012/13	£78,661	-	£19,323	£97,984
	2011/12	£80,407	-	£18,984	£99,391
Head of Finance	2012/13	£72,045	£2,725	£18,917	£93,687
	2011/12	£71,705	£2,386	£18,004	£92,095

Note 1 – Bonuses shown here relate to the previous year.

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:

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

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		Honorarium	Employer's pension contributions	Total
Clerk – Chief Executive (Camden)	2012/13	£8,747	£2,419	£11,166
	2011/12	£8,747	£2,125	£10,872
Financial Adviser - Director of Finance (Camden)	2012/13	£8,165	£2,257	£10,422
	2011/12	£8,165	£1,984	£10,149
Legal Adviser – Borough Solicitor (Camden)	2012/13	£7,012	£1,912	£8,924
	2011/12	£7,012	£1,704	£8,716
Technical Adviser – Director of Environment (Enfield)#	2012/13	£7,000	£1,435	£8,435
	2011/12	£7,000	£1,378	£8,378
Valuation Adviser – Head of Corporate Property Services (Haringey)	2012/13	£6,147	-	£6,147
	2011/12	£6,147	-	£6,147
Planning Adviser – Executive Director of Environment & Regeneration (Waltham Forest)#	2012/13	£6,923	-	£6,923
	2011/12	£6,923	-	£6,923
# These appointments are outside the Lead Borough arrangement.				

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

INTRODUCTION TO THE GROUP ACCOUNTS

Up until 22 December 2009 the Authority held a 50% interest in the shares of 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 consequence of the requirements of the Environmental Protection Act 1990 and was approved by the Secretary of State for the Environment. However, on 22 December the Authority purchased the shares held by its joint venture partner and LondonWaste Ltd became wholly owned by the NLWA but continues to operate at arms-length.

ABOUT LONDONWASTE LTD

LondonWaste Ltd is a company limited by shares incorporated in England and Wales which operates on a stand-alone basis from the Authority. Up until 22 December 2009 the board consisted of three directors appointed by the NLWA ("A" directors), three directors appointed by Sita UK Ltd ("B" directors) and two executive directors appointed from the company's management ("C" directors), with the Chair of the board alternating between the A and B directors. As from 22 December 2009 the Sita UK Ltd representation of the board ceased. During 2010 the board was strengthened by the appointment of an additional non-executive director.

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 LondonWaste Ltd has returned to NLWA ownership and is one of the capital's largest waste management companies, handling around 900,000 tonnes of waste a year. The company employs over 250 staff offering a wide range of services to their clients. 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.

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 their stewardship of the funds supplied by the government and 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 LondonWaste Ltd.

In accordance with IFRS 3 *Business Combinations* and the Code of Practice, LondonWaste 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 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 2013

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	16,902	1,000	621	18,523	70,729	89,252
<u>Movement in reserves during 2011/12</u>						
Surplus or (deficit) on provision of services	14,320	-	-	14,320	-	14,320
Other Comprehensive Expenditure and Income	144	-	-	144	-	144
Total Comprehensive Income and Expenditure	14,464	-	-	14,464	-	14,464
Adjustments between accounting basis & funding basis under regulations	(6,414)	-	-	(6,414)	6,414	-
Net Increase/(Decrease) in 2011/12	8,050	-	-	8,050	6,414	14,464
Balance at 31 March 2012 carried forward	24,952	1,000	621	26,573	77,143	103,716

North London Waste Authority

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GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012 brought forward	24,952	1,000	621	26,573	77,143	103,716
<u>Movement in reserves during 2012/13</u>						
Surplus or (deficit) on provision of services	5,516	-	-	5,516	-	5,516
Other Comprehensive Expenditure and Income	2,108	-	-	2,108	-	2,108
Total Comprehensive Income and Expenditure	7,624	-	-	7,624	-	7,624
Adjustments between accounting basis & funding basis under regulations	(7,879)	-	818	(7,061)	7,061	-
Net Increase/(Decrease) in 2012/13	(255)	-	818	563	7,061	7,624
Balance at 31 March 2013 carried forward	24,697	1,000	1,439	27,136	84,204	111,340

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/12				2012/13		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
68,909	(43,773)	25,136	Environmental and regulatory services	74,273	(43,167)	31,106
68,909	(43,773)	25,136	Cost Of Services	74,273	(43,167)	31,106
		(45,178)	Other Operating (Income) and Expenditure			(41,433)
		2,628	Financing and Investment (Income) and Expenditure			1,984
		3,094	Taxation and Non-Specific Grant Income			2,827
		(14,320)	Surplus on Provision of Services			(5,516)
		(1,808)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets			(2,319)
		1,664	Actuarial (Gain)/Loss on Pension Assets			211
		(144)	Other Comprehensive Income and Expenditure			(2,108)
		(14,464)	Total Comprehensive Income and Expenditure			(7,624)

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

GROUP BALANCE SHEET

	Note	31 March 2013 £'000	31 March 2012 £'000
Property, Plant and Equipment	4.6, 4.8	104,198	103,528
Investment Property		16,600	16,566
Intangible Assets – Goodwill	4.6, 4.8	50,213	50,213
Long Term Debtors		-	500
LONG TERM ASSETS		171,011	170,807
CURRENT ASSETS	4.9	57,203	55,115
CURRENT LIABILITIES	4.7, 4.10	(12,713)	(17,172)
Long Term Borrowings		(96,433)	(96,433)
Long Term Liabilities - Pension		(3,203)	(3,249)
Deferred Taxation		(3,887)	(4,714)
Other Long Term Liabilities		(638)	(638)
LONG TERM LIABILITIES		(104,161)	(105,034)
NET ASSETS		111,340	103,716
<u>Usable Reserves</u>			
General Fund Balance		24,697	24,952
Earmarked Reserve		1,000	1,000
Usable Capital Receipts Reserve		1,439	621
<u>Unusable Reserves</u>			
Capital Adjustment Account	4.7	32,949	28,188
Revaluation Account		2,989	3,306
Capital Revaluation Account		21,706	21,706
Acquisition Revaluation Reserve		27,003	24,334
Pension Reserve		(443)	(391)
TOTAL RESERVES		111,340	103,716

Mike O'Donnell CPFA

Financial Adviser 12 September 2013

These financial statements replace the unaudited statements certified by Mike O'Donnell on 27 June 2013.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

GROUP CASH FLOW STATEMENT

	2013 £'000	2012 £'000
Net surplus on the provision of services	(5,516)	(14,320)
Adjustments to net surplus on the provision of services for non-cash movements	(1,203)	(1,944)
Adjustments to net surplus for items that are financing activities	818	-
	<hr/>	<hr/>
Net cash inflow from operating activities	(5,901)	(16,264)
Investing activities	2,584	1,988
Financing activities	-	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(3,317)	(14,276)
Cash and cash equivalents at the beginning of the reporting period	<hr/> (44,724) <hr/>	<hr/> (30,448) <hr/>
Cash and cash equivalents at the end of the reporting period	<hr/> (48,041) <hr/>	<hr/> (44,724) <hr/>

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE GROUP ACCOUNTS

1. ACCOUNTS OF LONDONWASTE LTD

The 2012 accounts were approved by the Board of LondonWaste Ltd on 25 April 2013 and received an unqualified audit opinion by BDO LLP (the Company's statutory auditor) on 1 May 2013. LondonWaste Ltd is not required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 or to present statements in a format that meets International Financial Reporting Standards (IFRS). However, for the purpose of preparing the NLWA Group Accounts it has been necessary to review the LondonWaste Ltd approved accounts in the light of IFRS requirements before consolidation. In practice there are a limited number of changes to the LondonWaste Ltd accounts. The principal adjustment relates to the value of non-current assets, however, as the Group Accounts for 2012/13 had been prepared on a fair value basis there is minimal impact.

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

2. INVESTMENT IN LONDONWASTE LTD

Summarised balance sheet of LondonWaste Ltd

	Note	31 December 2012 £'000	31 December 2011 £'000
LONG TERM ASSETS			
Tangible assets	4.6	41,670	43,319
Long Term Debtors		-	500
		<hr/>	<hr/>
		41,670	43,819
CURRENT ASSETS			
Stocks		1,453	1,268
Debtors		8,049	10,515
Investments		5,000	6,000
Cash at bank and in hand		13,327	10,280
		<hr/>	<hr/>
		27,829	28,063
CREDITORS: amounts falling due within one year		<hr/>	<hr/>
		(10,495)	(13,826)
NET CURRENT ASSETS		<hr/>	<hr/>
		17,334	14,237
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		59,004	58,056
PROVISIONS FOR LIABILITIES -			
Deferred tax		(3,887)	(4,714)
Other provisions		(638)	(638)
		<hr/>	<hr/>
NET ASSETS EXCLUDING PENSION LIABILITY		54,479	52,704
Defined benefit pension scheme liability		<hr/>	<hr/>
		(2,760)	(2,858)
NET ASSETS INCLUDING PENSION LIABILITY		<hr/>	<hr/>
		51,719	49,846
CAPITAL AND RESERVES			
Called up share capital		31,196	31,196
Share premium		1,648	1,648
Profit and loss account		18,875	17,002
		<hr/>	<hr/>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<hr/>	<hr/>
		51,719	49,846

NOTES TO THE GROUP ACCOUNTS

3. SHARE PREMIUM RESERVE

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

4. 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 LondonWaste Ltd.

Accounting Policies

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the comprehensive income and expenditure statement from the date of acquisition or up to the date of disposal.

4.2 Goodwill

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

4.3 Inventories

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

4.4 Deferred Taxation

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

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

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

4.5 Pensions

LondonWaste 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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE GROUP ACCOUNTS

underlying the scheme liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the movement in reserves statement.

- e. Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately.
- f. Gains and losses arising from settlements or curtailments not covered by actuarial assumptions, are included in operating profit.

4.6 Non Current Assets and Depreciation

The non current assets of LondonWaste Ltd are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost of those assets, less their residual value, over the expected useful lives on the following basis:

Plant and equipment	6.66% - 10% per annum on cost
Motor Vehicles	12.5% - 25% on cost
Office equipment	12.5% - 25% on cost
Freehold buildings	5% - 7% on cost

The following table provides a summary of the book value of assets held by LondonWaste Ltd as at 31 December 2012 as adjusted for the revaluation undertaken by Wilks Head and Eve as at the same date for the purpose of obtaining an up-to-date fair value of the non-current assets held by the Company:

	Freehold Land	Property, buildings, Plant & machinery	Motor Vehicles	Office Equipment	Capital Works In progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost at 31 December 2012	11,750	94,691	1,267	6,555	1,958	116,221
Depreciation at 31 December 2012	0	68,069	1,036	5,446	0	74,551
Net book value at 31 December 2012	11,750	26,622	231	1,109	1,958	41,670
Additional value as a result of valuation at 31 December 2012	23,250	27,878	0	0	0	51,128
Total adjusted value of assets at 31 December 2012	35,000	54,500	231	1,109	1,958	92,798

4.7 Accounting for Capital Grants

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

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE GROUP ACCOUNTS

Under The Code, 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 LondonWaste 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 the Authority has changed the accounting treatment of the grant to reflect the provisions of the Code.

4.8 Acquisition Note

On 22 December 2009, the Authority acquired the remaining 50% of its joint venture, LondonWaste Limited. LondonWaste 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 LondonWaste 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 LondonWaste 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 2012/13 group accounts were prepared in accordance with International Financial Reporting Standards (IFRS), LondonWaste Ltd commissioned chartered surveyors Wilks Head and Eve to value the company's land, buildings and plant and machinery at 31 December 2012. Wilks Head and Eve concluded that the fair value of these assets at that date was £89.500m, i.e. an increase of £51.128m over the figure of £38.372m included in the company's balance sheet as at 31 December 2012. These adjustments have been reflected in the group balance sheet.

The increase in the net assets on acquisition of LondonWaste 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. Valuations undertaken at December 2010 and December 2011 increased this reserve by £0.209m to £24,334. A further valuation at December 2012 has increased this reserve by an additional £2.669m bringing the balance to £27.003m.

North London Waste Authority

Statement of Accounts for the year ended 31 March 2013

NOTES TO THE GROUP ACCOUNTS

4.9 Analysis of Current Assets

	31 March 2013 £'000	31 March 2012 £'000
Balance held with LB Camden*	29,714	28,444
HM Revenue and Customs	1,153	1,004
Other debtors	6,556	8,119
Stocks	1,453	1,268
Investments*	5,000	6,000
Cash at Bank*	13,327	10,280
	<u>57,203</u>	<u>55,115</u>
	<u><u>57,203</u></u>	<u><u>55,115</u></u>
* Cash and cash equivalent	48,041	44,724

4.10 Analysis of Current Liabilities

	31 March 2013 £'000	31 March 2012 £'000
Other creditors	(9,142)	(13,568)
Central Government	(3,571)	(3,604)
	<u>(12,713)</u>	<u>(17,172)</u>
	<u><u>(12,713)</u></u>	<u><u>(17,172)</u></u>