

**APPENDIX B**

**North London Waste Authority**

**Statement of Accounts for the year ended**

**31 March 2007**

# North London Waste Authority

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# **North London Waste Authority**

## **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; and
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

## **THE FINANCIAL ADVISER'S RESPONSIBILITIES**

The Financial Adviser is responsible for the preparation of the Authority's statement of accounts which is required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice) to present fairly the financial position of the Authority and of the Group at 31 March 2007 and the income and expenditure of the Authority and of the Group for the year 2006/2007. In preparing this statement of accounts, the Financial Adviser has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- prepare 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 7 of the Accounts and Audit Regulations 2003, 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 presents fairly the financial position of the Authority and of the Group as at 31 March 2007 and the income and expenditure of the Authority and of the Group for the year then ended.

**Mike O'Donnell, CPFA**

Financial Adviser 18<sup>th</sup> June 2007

## **CHAIRMAN'S APPROVAL OF STATEMENT OF ACCOUNTS**

This Statement of Accounts was presented to the North London Waste Authority at its meeting on 19<sup>th</sup> September 2007, and was approved by resolution of the Authority.

**Councillor Brian Coleman**

Chairman of the North London Waste Authority 19<sup>th</sup> September 2007

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

**Opinion on the financial statements**

We have audited the financial statements of North London Waste Authority and its Group for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Accounts, the Statements of movement in General Fund Balances, the Statements of Total Recognised Gains and Losses, the Balance Sheets, the Cash Flow Statement the Statements, both for the Authority and the Group, the Statement of Total Movements in Reserves for the Authority, and the Statement of Accounting policies of the Authority and the related notes (1 to 23 for the Authority and 1 to 5 for the Group). These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to North London Waste Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the statement on internal control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" issued in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTH LONDON WASTE AUTHORITY (CONTINUED)**

**Opinion**

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority and its Group as at 31 March 2007 and its income and expenditure for the year then ended.

**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Authority's Responsibilities**

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

**Auditor's Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

**Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for other local government bodies specified by the Audit Commission and published in August 2005, in all significant respects, North London Waste Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTH LONDON  
WASTE AUTHORITY (CONTINUED)**

**Best Value Performance Plan**

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 21 December 2006. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

**Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*Deloitte & Touche LLP*

*Chartered Accountants and Registered Auditors*

*St Albans*

*September 2007*

## 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 standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comprise:

**Income and expenditure account:** This summarises the Authority's income and expenditure for the year, the amount of funding from levies on constituent boroughs and the extent to which revenue balances have been increased or decreased.

**Balance sheet:** This shows the balances and reserves at the Authority's disposal at the year-end, together with the net current assets employed in its operations and information on the fixed assets held.

**Cash flow statement:** This summarises the cash movements arising from both revenue and capital transactions with third parties.

**Statement of total movements in reserves:** This brings together all the Authority's recognised gains and losses in the year.

**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 share of LondonWaste Ltd.

### REVIEW OF THE YEAR AND CURRENT DEVELOPMENTS

Following changes by the Government in February and March 2006 to the default arrangements for apportioning the levy, and termination of the statutory recycling credit scheme, 2006/07 was the first year of a three-year transition to a tonnage based levy. For the NLWA, the levy comprises two elements, a 'household waste' element and an 'other' costs element. In 2006/07 the household waste element was apportioned one-third tonnage and two-thirds council tax base and for 2007/08 the levy has been apportioned two-thirds tonnage and one-third council tax base. The 'other' costs element will continue to be apportioned on a council tax basis. To smooth the transition to a tonnage based levy the Authority also decided to introduce a local recycling credit scheme that would be phased out in line the transitional arrangements for the move to a tonnage based levy.

Compared with 2005/06, 2006/07 has experienced a further reduction in the residual waste stream. 2006/07 tonnages have reduced by 12,839 tonnes compared with 2005/06 tonnage levels, i.e. a reduction from 789,867 to 777,028 tonnes. This would appear to be primarily due to the recycling and composting activity of our constituent boroughs. Provisional figures from the boroughs indicate that the levels of waste recycled or composted have increased by 19,000 tonnes to 173,000 tonnes in 2006/07. Allowing for the boroughs' recycling and composting activity suggests that the underlying growth in the waste stream has risen by 1.28% in 2006/07.

Although the amount of residual waste coming to the Authority for final disposal is reducing, the amount of separated wastes that constituent councils have sent to the Authority have increase from 6,980 tonnes in 2005/06 to 39,964 tonnes in 2006/07. This trend will continue as borough recycling and composting contracts come to an end, and future treatment facilities are provided through the NLWA.

With decisions on the levy apportionment now effectively taken the Authority was able to give further consideration to the options for changing the non-household charging arrangements. Although it was not possible to secure agreement with constituent councils to implement any changes in time for the 2007/08, work is currently underway which should enable any changes to be implemented in time for 2008/09.

During the course of the year the Authority engaged consultants to assist with the determination of the most favourable procurement solution for the Authority. This included a review of the fundamental assumptions underpinning the draft waste strategy in order to ensure that the Authority's facility needs and investment decisions can be made on the most up-to-date information. This culminated in the agreement of a procurement strategy by the Authority at its December meeting. This has been followed by the recent appointment of consultants to assist the

### EXPLANATORY FOREWORD BY THE FINANCIAL ADVISER (CONTINUED)

Authority in the procurement phase of the project. The financial impact of implementing the north London Joint Waste Strategy will add significantly to the costs of waste management over the coming years and therefore the Authority has been active to ensure that constituent councils have been and will continue to be kept informed of developments. The next six to nine months will be critical for the Authority as there are wide-ranging issues that must be resolved before the Authority can commence the formality of the procurement process.

The Authority continues to hold an equity interest in LondonWaste Ltd. In 2005 the Company successfully completed a £26m refurbishment programme to enable it to comply with the Waste Incineration Directive (WID). The new emission controls and boiler modifications have now come through the first full year of operation successfully, and although the incineration level of the facility has yet to return to pre-WID levels, an incineration level of c. 502,000 tonnes was achieved in 2006. In view of the need to invest in the WID refurbishment project no dividend has been paid for 2006. Also, in the closing months of the year Polkacrest – the wholly owned clinical waste subsidiary of LondonWaste Ltd - acquired a number of business interests and assets which have resulted in Polkacrest becoming the second largest clinical waste treatment company in the country.

The Landfill Allowance Trading Scheme (LATS) commenced on 1 April 2005 and is a Government initiative aimed at reducing the amount of biodegradable waste sent to landfill. The Government issued the Authority with allowances for each year up until 2019/20. Although the Authority should enjoy a favourable trading position up to 2009/10 (the Authority benefits from a rising LATS Allowance allocation up to 2009/10) the landfill avoidance targets become more challenging, particularly just before the NLWA/LondonWaste Ltd contract comes to an end in December 2014 and thereafter. The first year of LATS was always going to be difficult because of the WID refurbishment works at Edmonton and as a result the Authority ended 2005/06 with a surplus of 14,560 allowances. Provisional outturn figures for 2006/07 (subject to audit by DEFRA) suggest that the surplus for the year is 84,886, i.e. a total surplus of 99,446 allowances at the 31<sup>st</sup> March 2007. Although the surplus allowances have a notional book value of £1.788m, the actual value will not crystallise until the allowances are sold.

The Authority has looked at ways to help improve its LATS trading position and on 1<sup>st</sup> April 2006 introduced a targeted reward scheme for biodegradable municipal waste diversion. This will reward boroughs for the additional tonnages of biodegradable waste that they can divert from landfill compared with their 2004/05 actual diversion levels.

By the time of the 2007/08 budget and levy meeting in February I was able to advise the Authority that it could have revenue balances of £4.808m available at year-end to assist the Authority in determining its budget and resource requirements in 2007/08. In the final outturn, actual balances are £5.120m, i.e. an increase of £0.312m. Subject to the 2007/08 budget remaining sufficiently robust to fund its in-year activities the additional balances should be available to assist with the funding of the 2008/09 budget.

In March 2007, the Chancellor of the Exchequer announced in his 2007 budget report that he intends to raise the standard rate of landfill tax between 2008/09 and 2010/11 by £8 per tonne per year. Over this period the rate of landfill tax will rise from £24 to £48 per tonne and will potentially double the Authority's current landfill budget of £7m to £14m by 2010/11. Waste management costs therefore will continue to rise at above inflation levels for many years to come.

### 2006/7 OUTTURN

The 2006/7 net revenue budget for the year was originally agreed at £50.486m to be financed by a levy of £33.231m, charges to boroughs for non-household waste of £8.646m and the use of estimated revenue balances of £8.609m. The budget was subsequently revised to £46.572m, a reduction of £3.914m. Allowing for higher than expected revenue balances of £1.378m brought forward from 2005/6 and a reduction in forecast income from non-household waste charges of £0.484m the Authority was forecast to have revenue balances of £4.808m as at 31 March 2007. The accounts show an actual general fund balance of £5.120m. The final outturn also allows for the financial effect on the Authority of the Landfill Allowance Trading Scheme (LATS).



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## EXPLANATORY FOREWORD BY THE FINANCIAL ADVISER (CONTINUED)

Final outturn compared with budget:

	<b>Original budget 2006/7 £'000</b>	<b>Revised estimate 2006/7 £'000</b>	<b>Final outturn 2006/7 £'000</b>
<b>Gross expenditure</b>	51,336	53,911	51,523
Non-household waste	(8,646)	(8,162)	(8,103)
Rents	(82)	(80)	(81)
LATS grant	0	(6,477)	(5,764)
<b>Gross income</b>	(8,728)	(14,719)	(13,948)
<b>Net cost of services</b>	42,608	39,192	37,575
Interest on balances	(850)	(1,555)	(1,219)
<b>Net operating expenditure</b>	41,758	37,637	36,356
Transfer to earmarked reserve	50	61	61
Transfer to pension reserve	32	32	32
Transfer to LATS reserve	-	680	1,649
Levy on constituent authorities	(33,231)	(33,231)	(33,231)
<b>Deficit for the year</b>	<u>8,609</u>	<u>5,179</u>	<u>4,867</u>
<b>General fund balance</b>			
Opening balance	(8,609)	(9,987)	(9,987)
Deficit for the year	8,609	5,179	4,867
Closing balance	<u>-</u>	<u>(4,808)</u>	<u>(5,120)</u>

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

## STATEMENT ON INTERNAL CONTROL FOR THE NORTH LONDON WASTE AUTHORITY

### 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 ensuring that there is a sound system of internal control which facilitates the effective exercise of the North London Waste Authority and which includes arrangements for the management of risk.

### 2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 main elements of a system of internal control have been in place throughout the year 2006/7 and the Authority formally agreed its approach to strategic risk management in April 2005 and have 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. We reviewed this and agreed the revisions to the risk register at our meeting in June 2007.

### 3. The Internal Control Environment

The key elements of the internal control environment 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 the North London Joint Waste Strategy. This is a major new initiative which will assist the Authority in reviewing its objectives and defining its overall aims. In partnership with its seven constituent boroughs the Authority has established a Strategy Implementation Board that will provide the framework to monitor and guide the implementation of the Strategy.
- 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

## North London Waste Authority

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.
- 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 but primarily the North London Joint Waste Strategy which is also at the centre of the Authority's Best Value review process.
- 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 which have recently been subject to a review. Members receive and consider detailed financial information on a regular basis and this facilitates the political decision making process.
- 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 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.

### **4. Review of Effectiveness**

The North London Waste Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control 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.

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 agreed by members in April 2005 and as reviewed in February and June 2007.

**5. Matters for Future Action**

Following the review work undertaken in relation to its system of internal control for 2006/7 the Authority accepts that there is a need to keep under review its controls and risk management arrangements and to take action where appropriate. This will include training to members and officers and the ongoing review of the Risk Register.

**6. Signed Agreement**

We have been advised of the arrangements that are in place to ensure that an effective system of control exists in the Authority and of the plan to address weaknesses and ensure continuous improvement of the system of internal control.

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Councillor Brian Coleman  
Chairman of the NLWA

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Moira Gibb  
Clerk to the NLWA

## STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2006 : A Statement of Recommended Practice (the SORP), which has been approved by the Accounting Standards Board.

### Capital receipts

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

### Leases

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

### Pension costs

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 Financial Reporting Standard 17 – retirement costs (FRS 17), the liability has been reflected in the Authority's Balance Sheet.

Employer-borne pension costs attributable to staff employed by the London Boroughs of Camden and Haringey for work performed on behalf of the Authority are included in the support service recharges made by these boroughs to the Authority.

### Fixed 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 Institute of Chartered Surveyors, although material changes to asset valuations are adjusted in the interim period, as and when they occur.

### Investments

The Authority's investment in LondonWaste Ltd is held at the lower of cost and net realisable value.

### Reserves

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 SORP. 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.

### 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) that is disposed to landfill. The scheme came into effect on 1 April 2005 and therefore the 2006/7 Accounts record LATS transactions in accordance CIPFA guidance: Local Authority Accounting Panel Bulletin No. 64.

# North London Waste Authority

## INCOME AND EXPENDITURE ACCOUNT Year ended 31 March 2007

	Note	2007 £'000	2006 £'000
<b>EXPENDITURE</b>			
Rent and rates		435	407
Agent borough services	1	520	333
Waste Strategy and Contracts Group	2	704	585
Transport and disposal	3	33,277	31,648
Landfill tax		6,245	5,673
Legislative review – hazardous waste		0	(911)
Insurance		4	4
Recycling credits	4	5,525	8,655
BMW diversion reward scheme	23	369	0
Other recycling initiatives		92	20
LATS – use of allowances	22	4,115	6,182
Waste contract – procurement costs		237	0
<b>Gross expenditure</b>		<b>51,523</b>	<b>52,596</b>
Non-household waste	5	(8,103)	(6,959)
Rents	6	(81)	(79)
Dividend income	7	0	-
LATS grant	22	(5,764)	(6,321)
<b>Gross income</b>		<b>(13,948)</b>	<b>(13,359)</b>
<b>Net cost of services</b>		<b>37,575</b>	<b>39,237</b>
Interest on balances		(1,219)	(1,258)
<b>Net operating expenditure</b>		<b>36,356</b>	<b>37,979</b>
Levy on constituent authorities	8	(33,231)	(41,837)
<b>Deficit/ (surplus) for the year</b>		<b>3,125</b>	<b>(3,858)</b>

**STATEMENT OF MOVEMENT IN GENERAL FUND BALANCE**

**Year ended 31 March 2007**

The Income and Expenditure Account shows the Authority's actual financial performance for the year. The General Fund Balance compares the Authority's spending against the levy income that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

	<b>Note</b>	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Deficit/(surplus) for the year on the Income and Expenditure Account		3,125	(3,858)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	14, 20 & 22	1,742	225
		<hr/>	<hr/>
Change in General Fund Balance for the Year		4,867	(3,633)
General Fund Balance brought forward		(9,987)	(6,354)
		<hr/>	<hr/>
General Fund Balances carried forward		<u>(5,120)</u>	<u>(9,987)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**Year ended 31 March 2007**

This statement brings together all the recognised gains and losses of the Authority for the financial year and shows the aggregate increase in net worth. In addition to the surplus generated on the Income and Expenditure Account it includes other gains and losses.

	<b>Note</b>	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Deficit/(surplus) for the year on the Income and Expenditure Account		3,125	(3,858)
Actuarial (gains)/losses on pension fund assets and liabilities		(17)	64
		<hr/>	<hr/>
Total recognised losses/(gains) for the year		<u>3,108</u>	<u>(3,794)</u>

# North London Waste Authority

## BALANCE SHEET 31 March 2007

	Note	2007 £'000	2006 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets – general	9	1	1
Tangible fixed assets - long-term leases	9 & 21	12,440	12,440
Investments – LondonWaste Ltd	10	21,706	21,706
		<u>34,147</u>	<u>34,147</u>
<b>CURRENT ASSETS</b>			
Debtor - balance held with Camden London Borough Council	19	14,180	21,822
LondonWaste Ltd		452	247
HM Customs & Excise		624	718
Other debtors & accruals		97	179
LATS – recognition of allowances	22	5,903	6,321
		<u>21,256</u>	<u>29,287</u>
<b>CURRENT LIABILITIES</b>			
LondonWaste Ltd		(5,523)	(6,588)
Other creditors and provisions		(2,769)	(4,511)
LATS liability for BMW landfill usage	22	(4,115)	(6,182)
		<u>(12,407)</u>	<u>(17,281)</u>
<b>NET CURRENT ASSETS</b>		<u>8,849</u>	<u>12,006</u>
<b>LONG-TERM LIABILITIES</b>			
Pension liability	20	(543)	(592)
<b>TOTAL NET ASSETS</b>		<u>42,453</u>	<u>45,561</u>
<b>Financed by</b>			
Fixed asset restatement Account	11 & 21	12,441	12,441
Capital revaluation account	12	21,706	21,706
Usable capital receipts reserve	13	621	621
Earmarked reserves	14	1,320	1,259
Pension reserve	20	(543)	(592)
LATS reserve	22	1,788	139
General fund balance		5,120	9,987
<b>TOTAL EQUITY</b>		<u>42,453</u>	<u>45,561</u>



# North London Waste Authority

## CASH FLOW STATEMENT Year ended 31 March 2007

	Note	2007 £'000	2006 £'000
<b>REVENUE ACTIVITIES</b>			
<b>Cash Outflows</b>			
Cash paid to contractors and other third parties		(50,335)	(47,511)
<b>Cash Inflows</b>			
Non-household waste		8,157	7,062
Other operating income		211	145
Rents		81	79
Levy		33,231	41,403
<b>Net cash (outflow)/inflow from revenue activities</b>	18	<u>(8,655)</u>	<u>1,178</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		1,013	1,061
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>1,013</u>	<u>1,061</u>
<b>CAPITAL ACTIVITIES</b>			
Capital grant received		0	1,700
<b>Net cash inflow/(outflow) from capital activities</b>		<u>0</u>	<u>1,700</u>
<b>Management of liquid resources:</b>			
<b>(Decrease)/increase in net funds lodged with Camden London Borough Council</b>	19	<u>(7,642)</u>	<u>3,939</u>

## STATEMENT OF TOTAL MOVEMENT IN RESERVES

### Year ended 31 March 2007

	Fixed Asset Re-statement Reserve £'000	Capital Revaluation Account £'000	Usable Capital Receipts Reserve £'000	Earmarked Reserves £'000	Pension Reserve £'000	LATS Reserve £'000	General Fund Balance £'000	Total £'000
As at 1 April 2006	12,441	21,706	621	1,259	(592)	139	9,987	45,561
Deficit for the year before reserve transfers	-	-	-	-	-	-	(3,125)	(3,125)
Actuarial gains	-	-	-	-	17	-	-	17
Transfers to earmarked reserves	-	-	-	61	-	-	(61)	-
Transfer to pension reserve	-	-	-	-	32	-	(32)	-
Transfer to LATS reserve	-	-	-	-	-	1,649	(1,649)	-
<b>As at 31 March 2007</b>	<u>12,441</u>	<u>21,706</u>	<u>621</u>	<u>1,320</u>	<u>(543)</u>	<u>1,788</u>	<u>5,120</u>	<u>42,453</u>

**NOTES TO THE ACCOUNTS**

**1. AGENT BOROUGH SERVICES AND USE OF EXTERNAL CONSULTANTS**

Agent borough services represents charges made by constituent boroughs providing the following services. This cost centre also includes external audit costs of £25,130 and £20,770 in respect of the use of external consultants, as noted below:

<b>Camden</b>	<b>Haringey</b>
Financial services	Technical and client support services
Clerk and committee services	Valuation services
Legal services	

**2. WASTE STRATEGY AND CONTRACTS GROUP**

The Waste Strategy and Contracts Group 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.

**3. TRANSPORT, DISPOSAL AND TREATMENT**

Transport and disposal is the largest of the Authority's expenditure budgets and provides for the transport and final disposal of waste arising in the Authority's area and the treatment of separated wastes delivered to the Authority for recycling and composting.

<b>Contract</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Main contract	31,026	29,653
Civic amenity waste	1,510	1,428
Fridges and freezers	494	463
	<hr/>	<hr/>
	33,030	31,544
Miscellaneous	247	104
	<hr/>	<hr/>
	33,277	31,648
	<hr/> <hr/>	<hr/> <hr/>

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

<b>Borough</b>	<b>2007 Tonnes</b>	<b>2006 Tonnes</b>	<b>Variance Tonnes</b>	<b>%</b>
Barnet	148,215	139,875	8,340	+ 5.96
Camden	114,575	114,097	478	+ 0.42
Enfield	112,603	116,559	(3,956)	- 3.39
Hackney	114,619	110,438	4,181	+ 3.79
Haringey	117,414	111,336	6,078	+5.46
Islington	106,985	102,798	4,187	+4.07
Waltham Forest	102,688	101,745	943	+0.93
	<hr/>	<hr/>	<hr/>	
	817,099	796,848	20,251	+2.54
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

**4. RECYCLING CREDITS**

The Authority operates a scheme for the payment of recycling credits in accordance with the Environmental Protection Act 1990. The cost to the Authority in 2006/7 of £5.525m (2005/6: £8.655m) is based on an estimate of £5.892m less an adjustment to last year's estimate by £0.367m. This includes a payment on account to constituent boroughs of £4.625m for 2006/7 based on 75% of the 2005/6 level of recycling activity and a creditor of £1.266m to cover the estimated cost of the final claims for the year. Final claims will be paid in 2007/8 once received and verified by the Waste Strategy and Contracts Team.

**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.

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.

<b>Borough</b>	<b>Original estimate</b>		<b>Actual charges</b>	
	<b>Tonnes</b>	<b>£</b>	<b>Tonnes</b>	<b>£</b>
Barnet	20,154	1,074,611	19,377	1,017,680
Camden	35,431	1,889,181	33,530	1,760,996
Enfield	13,190	703,291	12,619	662,750
Hackney	23,449	1,250,301	23,291	1,223,243
Haringey	22,073	1,176,932	20,935	1,099,506
Islington	27,835	1,484,162	25,394	1,333,693
Waltham Forest	20,036	1,068,320	19,134	1,004,918
	<u>162,168</u>	<u>8,646,798</u>	<u>154,280</u>	<u>8,102,786</u>

**6. RENTS**

During the year the Authority received rental income from LondonWaste Ltd in respect of the Hornsey Street and Ashburton Grove Waste Transfer Stations. Hornsey 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.

**7. DIVIDEND INCOME**

The Authority receives dividend income from LondonWaste Ltd, a joint venture company in which it holds 50% of the shares. The profit for year after taxation was £4.148m (2005: £0.656m). The directors did not recommend a dividend due to the need to conserve reserves to assist with the funding of the Waste Directive Incineration refurbishment works and to fund the future development of the business.

NOTES TO THE ACCOUNTS

8. LEVY

The levy on constituent boroughs of £33.231m was agreed at the Budget Meeting on 8 February 2006 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. As in previous years the levy has been apportioned between constituent boroughs in proportion to each borough's Council Tax Base in accordance with the default arrangements of the Levying Bodies (General) Regulations 1992.

Borough	2007 %	2006 %	2007 £'000	2006 £'000
Barnet	20.62	21.40	6,851	8,952
Camden	13.98	14.31	4,646	5,986
Enfield	16.21	16.92	5,386	7,078
Hackney	11.36	10.22	3,775	4,276
Haringey	13.43	13.17	4,463	5,510
Islington	12.41	12.45	4,124	5,212
Waltham Forest	11.99	11.53	3,986	4,823
	<u>100.00</u>	<u>100.00</u>	<u>33,231</u>	<u>41,837</u>

9. TANGIBLE FIXED ASSETS

	Non- operational £'000
<b>Valuation at net book value</b>	
At 1 April 2006 and 31 March 2007	<u>12,441</u>

During the year ended 31 March 1995 the Authority's operational assets were vested in LondonWaste Ltd and the Authority's outstanding debt was repaid. The authority now only holds the following non-operational assets which are valued at open market value:

Asset	Location
Waste transfer station and yard (999 year lease) – See also note 21	Hornsey Street, Islington
Residual freehold interest in residential properties sold under the Right to Buy legislation	Picketts Lock Lane, Edmonton

These assets are revalued 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 valuations have been provided by CB Hillier Parker in the case of Hornsey Street (4 April 2003), and Wilks Head & Eve in the case of Picketts Lock Lane (31 March 2005).

NOTES TO THE ACCOUNTS

10. INVESTMENTS – LONDONWASTE LTD

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Cost	<u>21,706</u>	<u>21,706</u>

The Authority holds a 50% interest in the shares of LondonWaste Ltd, a company registered in England and Wales engaged in the business of waste disposal. The company is a joint venture with Sita UK Ltd who holds the remaining 50%. The Authority has no obligation to meet accumulated deficits or losses of LondonWaste Ltd.

This balance represents the original cost of the 21,705,937 shares held by the Authority. The shares are fully paid and have a nominal value of £1 each. Details of the net assets and results of the company are given in Note 2 to the group accounts.

11. FIXED ASSET RESTATEMENT ACCOUNT

	<b>2007</b>
	<b>£'000</b>
Balance at 1 April 2006 and 31 March 2007	<u>12,441</u>

This balance represents the difference between the historic cost of assets and their current valuation, adjusted for differences arising on revaluations and for additions and disposals.

12. CAPITAL REVALUATION ACCOUNT

	<b>2007</b>
	<b>£'000</b>
Balances at 1 April 2006 and 31 March 2007	<u>21,706</u>

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

**NOTES TO THE ACCOUNTS**

**13. USABLE CAPITAL RECEIPTS RESERVE**

	<b>2007 £'000</b>
Balance at 1 April 2006 and 31 March 2007	621

This reserve represents unspent receipts from disposals of capital assets. Under the Local Government and Housing Act 1989 these receipts may be used to finance future capital expenditure or transferred to constituent councils. No decision has been made on the use of this resource.

**14. EARMARKED RESERVES**

	<b>2007 £'000</b>
Balance at 1 April 2006	1,259
Movement in year	61
Balance at 31 March 2007	1,320

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. The Authority has agreed to supplement this with a sum equivalent to the interest on the balance held in the fund. The contribution for 2006/7 was £61,008.

**15. CONTINGENT LIABILITIES**

The Authority is currently in negotiations with the London Borough of Barnet in respect of the Authority's landholding in Tilling Road. Compensation of up to £300,000 may be payable.

**16. RELATED PARTY TRANSACTIONS**

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 for the provision of the Clerk, Financial Adviser and Legal Adviser. In 2006/7 Camden paid £6.535m (2005/6: £7.586m) to the Authority in respect of non-household charges and its share of the levy. It received payments of £0.909m (2005/6: £1.053m) in respect of recycling credits and £0.266m (2005/6: £0.254m) for the provision of lead borough services. As at 31 March 2007 it held cash of £14,180m (2005/6: £21.822m) on behalf of the Authority.

The London Borough of Haringey acts as lead borough to the Authority for the provision of client services, technical and valuation advice. In 2006/7 Haringey paid £5.640m (2005/6: £6.534m) to the Authority in respect of non-household waste charges and share of levy. It received payments of £0.900m (2005/6: £0.832m) in respect of recycling credits and £0.723m (2005/6: £0.603m) for the provision of lead borough services.

**17. LEASING AND HIRE PURCHASE**

Included within operating expenditure for both 2005/6 and 2006/7 are rentals of £214,633 payable to Freightliner (previously English Welsh and Scottish Railways) in respect of the Hendon Solid Waste Transfer Station, Brent Terrace. The future rentals will be £214,633 per annum, subject to a rent review which has been outstanding since March 2003, i.e. a further £429,266 to termination of the lease plus rent reviews.

**NOTES TO THE ACCOUNTS**

**18. RECONCILIATION OF NET REVENUE EXPENDITURE TO NET CASH OUTFLOW FROM REVENUE ACTIVITIES**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Net revenue expenditure/(income)	6,025	(2,430)
Increase in debtors	(177)	(241)
Decrease in creditors	2,807	1,493
	<u>          </u>	<u>          </u>
<b>Net cash outflow/(inflow) from revenue activities</b>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>

**19. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At beginning of period</b>	<b>Cash flows</b>	<b>At end of Year</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Funds lodged with Camden London Borough Council	21,822	(7,642)	14,180
	<u>          </u>	<u>          </u>	<u>          </u>

**20. EMPLOYEES**

In 2006/07 the Authority paid £31,752 to the London Pension Fund Authority (£31,412 in 2005/06) in respect of the added years element of pensions paid to former retired employees. Future payments are estimated to be in the order of £0.543m. This figure has been calculated by the actuaries for the LPFA and represents a reduction compared with the previous year's estimate of scheme liabilities of £0.592m at 31 March 2006.

The figure is based on the following assumptions:

	<b>2007</b>	<b>2006</b>
CIPFA discount rate (in real terms)	2.1%	1.7%
Pension increases	3.2%	3.1%

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 2004 as included in the formal valuation report dated March 2005.

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.

**NOTES TO THE ACCOUNTS**

**21. 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 valued at £12.440m at completion, is deemed to have been funded by a non-monetary capital receipt.

**22. 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) that is disposed to landfill. The Act provides the legal framework for the Landfill Allowance Trading Scheme which commenced operation on 1 April 2005. The Government has allocated tradable landfill allowances to the Authority for the next 15 years. The Authority's allowances rise year-on-year until 2009/10 and then reduce year-on-year to 2019/20. If the Authority exceeds its allowance in any one year it faces the prospect of a fine of £150 for every additional tonne of biodegradable waste landfill. Conversely, if the Authority does 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 needs to buy additional allowances to cover its own shortfall.

In February 2006 CIPFA issued accounting guidance for the 2005/06 accounting year. The 2006/07 Statement of Accounts therefore records the first two year's effect of LATS.

Subsequent to closure of the 2005/6 accounts DEFRA determined the Authority's actual landfill allowance usage to be 298,373 compared with a figure of 306,064 allowed for in the 2005/6 accounts. Additional surplus allowances of 7,691 have therefore been accounted for during 2006/7 (14,560 in total). Also, as the DEFRA valuation of allowance for 2006/7 has been reduced to £17.98 (2005/6: £20.20), the value of 2005/6 allowances has been re-valued in 2006/7. The net effect of these changes is to increase the value of 2005/6 surplus allowances from £0.139m (as included in the 2005/6 accounts) to £0.262m.

Compared with the 2006/7 allowance allocation of 320,610 the Authority is currently estimated to have used 235,724 allowances during the year and this should result in the Authority holding an additional surplus of 84,886 allowances at 31 March 2007 with a book value of £1.526m. The final figure will be determined during the Government's LATS verification period.

**23. BIODEGRADABLE MUNICIPAL WASTE (BMW) DIVERSION REWARD SCHEME**

At its budget meeting in February 2006 the Authority agreed the introduction of a BMW diversion reward scheme that would reward constituent councils for their increase in BMW diversion from landfill in 2006/07 compared with their actual tonnage diversion in 2004/5.



### INTRODUCTION TO THE GROUP ACCOUNTS

The Authority has 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.

#### 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. The board consists of three directors appointed by the NLWA ("A" directors), three directors appointed by Sita UK Ltd ("B" directors) and three executive directors appointed from the company's management ("C" directors), with the Chair of the board alternating between the A and B directors. Resolutions of the board must be approved by a majority of both the A and B directors.

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 is one of the capital's largest waste management companies, handling over 1 million tonnes of waste a year. The company employs over 200 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 FRS 9 *Associates and joint ventures* and the Code of Practice, LondonWaste has been included on an equity accounting basis based on its accounts for the year ended 31 December 2006. Accordingly, these group accounts consist of:

- this introduction, explaining the basis on which the group accounts have been prepared;
- a group income and expenditure account which includes £2.045m (2005/6: net profit of £0.034m) which is the Authority's share of LondonWaste's profits for the year ended 31 December 2006;
- a group statement of movement in general fund balance;
- a statement of recognisable gains;
- a group balance sheet which includes the Authority's share of the accumulated reserves of LondonWaste of £5,153m (2005/6 £3.108m). However, as LondonWaste operates on a stand-alone basis, these reserves are not available to the Authority until a dividend is proposed by the directors of the company and approved by both shareholders;
- a group cash flow statement; and
- a group statement of total movement on reserves.

## North London Waste Authority

### GROUP INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Gross expenditure		51,523	52,596
Gross income		(13,948)	(13,359)
<b>Net cost of services</b>		<u>37,575</u>	<u>39,237</u>
Interest on balances		(1,219)	(1,258)
<b>Net operating expenditure of the Authority</b>		<u>36,356</u>	<u>37,979</u>
Share of operating profit of joint venture	1	(2,045)	(34)
<b>Net operating expenditure of group</b>		<u>34,311</u>	<u>37,945</u>
Levy on constituent authorities		(33,231)	(41,837)
<b>Deficit/(surplus) for the year</b>		<u>1,080</u>	<u>(3,892)</u>

### GROUP STATEMENT OF MOVEMENT IN GENERAL FUND BALANCE

Year ended 31 March 2007

The Income and Expenditure Account shows the Group's actual financial performance for the year. The General Fund Balance compares the Group's spending against the NLWA levy income that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2007 £'000	2006 £'000
Deficit/(surplus) for the year on the Income and Expenditure Account	1,080	(3,892)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	1,742	225
<b>Change in General Fund Balance for the Year</b>	<u>2,822</u>	<u>(3,667)</u>
General Fund Balance brought forward	(13,095)	(9,428)
General Fund Balances carried forward	<u>(10,273)</u>	<u>(13,095)</u>

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**Year ended 31 March 2007**

This statement brings together all the recognised gains and losses of the Group for the financial year and shows the aggregate increase in net worth. In addition to the surplus generated on the Income and Expenditure Account it includes other gains and losses.

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Deficit/(surplus) for the year on the Income and Expenditure Account	1,080	(3,892)
Actuarial (gains)/losses on pension fund assets and liabilities	(17)	64
Other gains and losses for the year	0	0
Total recognised (gains) and losses for the year	<u>1,063</u>	<u>(3,828)</u>

# North London Waste Authority

## GROUP BALANCE SHEET 31 March 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
<b>FIXED ASSETS</b>					
Tangible fixed assets			12,441		12,441
Investments in joint venture – LondonWaste Ltd					
Share of gross assets	2	43,692		46,629	
Share of gross liabilities	2	(15,686)		(20,668)	
			28,006		25,961
			40,447		38,402
<b>NET CURRENT ASSETS</b>					
Current assets			21,256		29,287
Current liabilities			(12,407)		(17,281)
<b>NET CURRENT ASSETS</b>			8,849		12,006
<b>LONG-TERM LIABILITIES</b>					
Pension liability			(543)		(592)
			=====		=====
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			48,753		49,816
			=====		=====
<b>Financed by</b>					
Fixed asset restatement Account			12,441		12,441
Capital revaluation account			21,706		21,706
Share Premium Reserve	3		1,147		1,147
Usable capital receipts reserve			621		621
Earmarked reserves			1,320		1,259
Pension reserve			(543)		(592)
LATS reserve			1,788		139
General fund balance			10,273		13,095
<b>TOTAL EQUITY</b>			48,753		49,816
			=====		=====

**GROUP CASH FLOW STATEMENT**  
**Year ended 31 March 2007**

	Note	2007 £'000	2006 £'000
<b>REVENUE ACTIVITIES</b>			
<b>Cash Outflows</b>			
Cash paid to LondonWaste Ltd		(40,028)	(39,484)
Cash paid to other contractors and third parties		(10,307)	(8,027)
<b>Cash Inflows</b>			
Non-household waste		8,157	7,062
Other operating income		211	145
Rents		81	79
Levy		33,231	41,403
<b>Net cash inflow/(outflow) from revenue activities</b>	18	<u>(8,655)</u>	<u>1,178</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		1,013	1,061
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>1,013</u>	<u>1,061</u>
<b>CAPITAL ACTIVITIES</b>			
Capital grant received		0	1,700
<b>Net cash inflow/(outflow) from capital activities</b>		<u>0</u>	<u>1,700</u>
<b>Management of liquid resources:</b>	19		
<b>Increase/(decrease) in net funds lodged with Camden London Borough Council</b>		<u>(7,642)</u>	<u>3,939</u>

**GROUP STATEMENT OF TOTAL MOVEMENT IN RESERVES**  
**Year ended 31 March 2007**

	Fixed Asset Restate- ment Reserve £'000	Capital Revalua- tion Account £'000	Share Premium Reserve	Usable Capital Receipts Reserve £'000	Ear- marked Reserves £'000	Pension Reserve £'000	LATS Reserve	General Fund Balance £'000	Total £'000
As at 1 April 2006	12,441	21,706	1,147	621	1,259	(592)	139	13,095	49,816
Surplus for the year	-	-	-	-	-	-	-	(1,080)	(1,080)
Actuarial gains	-	-	-	-	-	17	-	-	17
Transfers to earmarked reserves	-	-	-	-	61	-	-	(61)	-
Transfer to pension reserve	-	-	-	-	-	32	-	(32)	-
Transfer to LATS reserve	-	-	-	-	-	-	1,649	(1,649)	-
<b>As at 31 March 2007</b>	<u>12,441</u>	<u>21,706</u>	<u>1,147</u>	<u>621</u>	<u>1,320</u>	<u>(543)</u>	<u>1,788</u>	<u>10,273</u>	<u>48,753</u>

**NOTES TO THE GROUP ACCOUNTS**  
**Year ended 31 March 2007**

**1. SHARE OF OPERATING PROFIT OF JOINT VENTURE – LONDONWASTE LTD**

The shares held by NLWA and Sita UK Ltd rank pari passu in all respects except in the case of dividends. Shares rank equally for dividend subject to the NLWA shareholder's ongoing commitment to make special contributions to the LondonWaste Limited Pension Scheme as long as the employees who transferred from the NLWA at vesting are still in service, such special contributions being deducted from the NLWA share of the dividend. In 2006 the value of this deduction is £0.100m. However, as no dividend has been paid for 2006 this amount will be deducted from a future dividend payment. Additionally, if the net after-tax profits of the company should exceed 12% of the company's turnover in any financial year after 31 December 1998 then a dividend will be declared in respect of at least an amount equal to the excess, and the shareholders shall be entitled to the excess dividend in the proportion 75% to the NLWA shares and 25% to the SITA shares. The latter did not arise in 2006.

The Company has not paid a dividend in 2006. This is due to the need to conserve reserves to assist with the future funding of costs to meet the Waste Incineration Directive and the EcoPark.

**2. INVESTMENTS IN JOINT VENTURE – LONDONWASTE LTD**

**Summarised balance sheet of LondonWaste Ltd**

	<b>31 December 2006 £'000</b>	<b>31 December 2005 £'000</b>
<b>FIXED ASSETS</b>		
Tangible assets	66,879	71,655
<b>CURRENT ASSETS</b>		
Stocks	1,113	988
Debtors	15,239	20,362
Cash at bank and in hand	4,154	253
	<u>20,506</u>	<u>21,603</u>
<b>CREDITORS: amounts falling due within one year</b>	(20,070)	(22,209)
Pensions liability	(3,003)	(3,326)
	<u>(2,867)</u>	<u>(3,932)</u>
<b>NET CURRENT ASSETS</b>	<u>20,506</u>	<u>21,603</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	64,012	67,723
<b>CREDITORS: amounts falling due after more than one year – bank loans</b>	(7,000)	(15,000)
	<u>57,012</u>	<u>52,723</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	43,412	43,412
Share premium	2,294	2,294
Profit and loss account	11,306	7,017
	<u>57,012</u>	<u>52,723</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	<u><u>57,012</u></u>	<u><u>52,723</u></u>

**NOTES TO THE GROUP ACCOUNTS**  
**Year ended 31 March 2007**

**3. SHARE PREMIUM RESERVE**

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

**4. ACCOUNTS OF LONDONWASTE LTD**

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

**5. NOTES TO THE GROUP ACCOUNTS**

Please also refer to the notes to the Authority only accounts as there are no material additional amounts or details in relation to the joint venture that require disclosure.