

**DRAFT**

**North London Waste Authority**

**Statement of Accounts for the year ended**

**31 March 2006**

# 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 2006 and the income and expenditure of the Authority and of the Group for the year 2005/2006. 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; 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 2006 and the income and expenditure of the Authority and of the Group for the year then ended.

**Mike O'Donnell, CPFA**

Financial Adviser 16<sup>th</sup> June 2006

### **CHAIR'S APPROVAL OF DRAFT STATEMENT OF ACCOUNTS**

This draft Statement of Accounts was presented to the North London Waste Authority at its meeting on 28<sup>th</sup> June 2006, and was approved by resolution of the Authority.

Councillor

Chair of the North London Waste Authority 28<sup>th</sup> June 2006

**INDEPENDENT AUDITORS' REPORT ON THE ACCOUNTS TO NORTH LONDON WASTE AUTHORITY**

We have audited the financial statements which comprise the Income and Expenditure Accounts, Balance Sheets, both of the Group and of the Authority, Statement of Total Movement on Reserves, and the cash flow statement of the Authority together with the associated notes (1 to 21 for the Authority and 1 to 4 for the Group) which have been prepared in accordance with the accounting policies applicable to local authorities as set out therein.

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 54 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 any responsibility to anyone other than the Authority for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of the Financial Adviser and Auditor**

As described in the Statement of Responsibilities for the Statement of Accounts, the Financial Adviser is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the statement of accounts present fairly the financial position of the Authority and its income and expenditure for the year.

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" published on 2 April 2004. We report if it does not meet the requirements 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 whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

**Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards 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 judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority'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 statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

**INDEPENDENT AUDITORS' REPORT ON THE ACCOUNTS TO NORTH LONDON  
WASTE AUTHORITY**

**Opinion**

In our opinion the financial statements present fairly the financial position of the Group and of the Authority as at 31 March 2006 and of the income and expenditure of the Group and of the Authority for the year then ended.

**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 2006

## 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

Like 2004/05, the residual waste stream handled by the Authority on behalf of its constituent boroughs has again seen a significant reduction in volume. 2005/06 tonnages have reduced by 29,157 tonnes (29,829 in 2004/05) compared with 2004/05 tonnage levels, i.e. a reduction from 826,004 to 796,847 tonnes. This would appear to be primarily due to the recycling and composting activity of our constituent boroughs and suggests that there is currently little or no growth in the underlying waste stream. Provisional figures from the boroughs indicate that the levels of waste recycled or composted have increased by c. 31,000 tonnes to 154,000 tonnes in 2005/06.

Last year considerable progress was made by the Authority and its constituent boroughs to develop the North London Joint Waste Strategy for the NLWA area. The Authority and six of its constituent boroughs have formally adopted the draft strategy with Barnet the remaining partner authority about to do so in June/July 2006. The draft strategy was originally submitted to the Mayor for approval in September 2004. With all partner authorities about to be formally signed up to the strategy it is hoped that a response from the Mayor will be forthcoming during the early part of 2006/07. In the interim it has been necessary for the Authority to begin work on the procurement process not only for the renewal of its main waste disposal contract in 2014 but also to obtain new treatment capacity in the period up to 2014. Consultants have been engaged to assist the Authority in identifying the optimal procurement solution for the Authority. This includes 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. Members will be considering the outcome of the procurement options review during the course of 2006/07.

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 refurbishment required considerable plant downtime and although this had a negative effect on the quantities of the Authority's waste that were diverted from landfill (see reference to Landfill Allowance Trading Scheme) the Company has been successful in achieving WID compliance before the due date of 28 December 2005. The Company planned to have an operating loss in 2005 and has been successful in containing the actual loss for the year before taxation to well within planned levels. Since then the Energy Centre has returned to full capacity and the Company has return to profitability. In view of the need to invest in the WID refurbishment project no dividend has been paid for 2005.

## EXPLANATORY FOREWORD BY THE FINANCIAL ADVISER

The Landfill Allowance Trading Scheme (LATS) that commenced on 1 April 2005 is a Government initiative aimed at reducing the amount of biodegradable waste sent to landfill. The Government has 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 also always going to be difficult because of the WID refurbishment works at Edmonton. Nevertheless, with the help of LondonWaste Ltd, the Authority has been able to contain the level of biodegradable waste sent to landfill within the Authority's 2005/06 Landfill Allowance allocation. In February, the Authority agreed to add a LATS premium charge to its non-household charges from 1<sup>st</sup> April 2006 thereby recognising the use of LATS Allowances above the non-household deemed share of the Authority's 2006/07 LATS allowances.

As indicated in my commentary last year, in the first half of 2005/06 the Authority began to explore with constituent boroughs the possibility of the boroughs being able to agree a basis of moving voluntarily towards a tonnage-based levy. Work on this was subsequently overtaken by a long awaited Government consultation to change the default arrangements for apportioning the levy. After a period of intensive activity, legislation that would move the levy to a tonnage basis in stages over a period of three years reached the statute books in February and March 2006. In 2006/07, the first of two transitional years, the household waste element of the levy has been apportioned one-third tonnage and two-thirds council tax base. In 2007/08 the default levy apportionment will be two-thirds tonnage and one-third council tax base. With decisions on the levy apportionment now effectively taken the Authority will once again give further consideration to the options for changing the non-household charging arrangements.

Also at this time last year I mentioned the intention to explore the possibility of introducing a targeted reward scheme for biodegradable municipal waste diversion. A scheme was approved by the Authority in February and became operational on 1 April 2006.

By the time of the 2006/07 budget and levy meeting in February I was able to advise the Authority that it could have revenue balances of £8.609m available at year-end to assist the Authority in determining its budget and resource requirements in 2006/07. In the final outturn, actual balances are £9.987m, i.e. an increase of £1.378m. Subject to the 2006/07 budget remaining sufficiently robust to fund its in-year activities the additional balances should be available to assist with the funding of the 2007/08 budget.

## 2005/6 OUTTURN

The 2005/6 net revenue budget for the year was originally agreed at £54.054m to be financed by a levy of £41.837m, charges to boroughs for non-household waste of £7.450m and the use of estimated revenue balances of £4.767m. The budget was subsequently revised to £46.573m, a reduction of £7.481m. Allowing for higher than expected revenue balances of £1.587m brought forward from 2005/6 and a reduction in forecast income from non-household waste charges of £0.459m the Authority was forecast to have revenue balances of £8.609m as at 31 March 2006. The accounts show an actual general fund balance of £9.987m. The final outturn also allows for the financial effect on the Authority of the Landfill Allowance Trading Scheme (LATS)

## North London Waste Authority

|                                       | <b>Original<br/>budget<br/>2005/6<br/>£'000</b> | <b>Revised<br/>estimate<br/>2005/6<br/>£'000</b> | <b>Final<br/>outturn<br/>2005/6<br/>£'000</b> |
|---------------------------------------|---|--|---|
| <b>Gross expenditure</b>              | 54,639  | 48,153   | 52,615  |
| Non-household waste                   | (7,450)   | (6,991)  | (6,959)                                       |
| Rents                                 | (80)  | (80)   | (79)  |
| LATS grant                            | 0   | 0  | (6,321)                                       |
| <b>Gross income</b>                   | (7,530)   | (7,071)  | (13,359)                                      |
| <b>Net cost of services</b>           | 47,109  | 41,082   | 39,256  |
| Interest on balances                  | (560)   | (1,585)  | (1,258)                                       |
| <b>Net operating expenditure</b>      | 46,549  | 39,497   | 37,998  |
| Transfer to earmarked reserve         | 25  | 54   | 55  |
| Transfer to pension reserve           | 30  | 31   | 31  |
| Transfer to LATS reserve              | 0   | 0  | 120   |
| Levy on constituent authorities       | (41,837)  | (41,837)   | (41,837)                                      |
| <b>Deficit/(Surplus) for the year</b> | <u>4,767</u>                                    | <u>(2,255)</u>                                   | <u>(3,633)</u>                                |
| <b>General fund balance</b>           |   |  |   |
| Opening balance                       | (4,767)   | (6,354)  | (6,354)                                       |
| Surplus/(Deficit) for the year        | 4,767   | (2,255)  | (3,633)                                       |
| Closing balance                       | <u>-</u>  | <u>(8,609)</u>                                   | <u>(9,987)</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 2005/6 and the Authority formally agreed its approach to strategic risk management in April 2005. 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 2006.

### 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 delivers 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 an annual financial survey. 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 June 2006.

**5. Matters for Future Action**

Following the review work undertaken in relation to its system of internal control for 2005/6 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  
Chair 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 2005: A Statement of Recommended Practice (the SORP). SORP 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 Institution 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<sup>st</sup> April 2005 and therefore the 2005/06 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 2006

|                                      | Note | 2006<br>£'000 | 2005<br>£'000 |
|--------------------------------------|------|---------------|---------------|
| <b>EXPENDITURE</b>                   |      |               |               |
| Employees                            | 20   | 0             | 0             |
| Rent and rates                       |      | 407           | 386           |
| Agent borough services               | 1    | 333           | 385           |
| Waste Strategy and Contracts Group   | 2    | 585           | 468           |
| Transport and disposal               | 3    | 31,648        | 31,452        |
| Landfill tax                         |      | 5,673         | 5,690         |
| Legislative review – hazardous waste |      | (911)         | 911           |
| Insurance                            |      | 4             | 4             |
| Recycling credits                    | 4    | 8,655         | 6,366         |
| Other recycling initiatives          |      | 20            | 16            |
| LATS – use of allowances             | 22   | 6,201         | -             |
|                                      |      | <hr/>         | <hr/>         |
| <b>Gross expenditure</b>             |      | 52,615        | 45,678        |
| Non-household waste                  | 5    | (6,959)       | (6,495)       |
| Rents                                | 6    | (79)          | (76)          |
| Dividend income                      | 7    | -             | -             |
| LATS grant                           | 22   | (6,321)       | -             |
|                                      |      | <hr/>         | <hr/>         |
| <b>Gross income</b>                  |      | (13,359)      | (6,571)       |
|                                      |      | <hr/>         | <hr/>         |
| <b>Net cost of services</b>          |      | 39,256        | 39,107        |
| Interest on balances                 |      | (1,258)       | (1,088)       |
|                                      |      | <hr/>         | <hr/>         |
| <b>Net operating expenditure</b>     |      | 37,998        | 38,019        |
| Transfer to earmarked reserve        | 14   | 55            | 52            |
| Transfer to pension reserve          | 20   | 31            | 30            |
| Transfer to LATS reserve             | 22   | 120           | -             |
|                                      |      | <hr/>         | <hr/>         |
| <b>Net levy borne expenditure</b>    |      | 38,204        | 38,101        |
| Levy on constituent authorities      | 8    | (41,837)      | (38,374)      |
|                                      |      | <hr/>         | <hr/>         |
| <b>Surplus for the year</b>          |      | (3,633)       | (273)         |
|                                      |      | <hr/> <hr/>   | <hr/> <hr/>   |
| <b>General fund balance</b>          |      |               |               |
| Opening balance                      |      | 6,354         | 6,081         |
| Surplus for the year                 |      | 3,633         | 273           |
|                                      |      | <hr/>         | <hr/>         |
| Closing balance                      |      | 9,987         | 6,354         |
|                                      |      | <hr/> <hr/>   | <hr/> <hr/>   |

# North London Waste Authority

## BALANCE SHEET 31 March 2006

|   | Note    | 2006<br>£'000        | 2005<br>£'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<br>Borough Council | 19      | 21,822               | 17,883               |
| LondonWaste Ltd   |         | 247                  | 50                   |
| HM Customs & Excise   |         | 718                  | 896                  |
| Other debtors & accruals                                    |         | 179                  | 1,942                |
| LATS – recognition of allowances                            | 22      | 6,321                | -                    |
|   |         | <u>29,287</u>        | <u>20,771</u>        |
| <b>CURRENT LIABILITIES</b>                                  |         |                      |                      |
| LondonWaste Ltd   |         | (6,588)              | (7,945)              |
| Other creditors and provisions                              |         | (4,511)              | (4,647)              |
| LATS liability for BMW landfill usage                       | 22      | (6,201)              | -                    |
|   |         | <u>(17,300)</u>      | <u>(12,592)</u>      |
| <b>NET CURRENT ASSETS</b>                                   |         |                      |                      |
|   |         | <u>11,987</u>        | <u>8,179</u>         |
| <b>LONG-TERM LIABILITIES</b>                                |         |                      |                      |
| Pension liability   | 20      | (592)                | (559)                |
| <b>TOTAL NET ASSETS</b>                                     |         |                      |                      |
|   |         | <u><u>45,542</u></u> | <u><u>41,767</u></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      | 1,259                | 1,204                |
| Pension reserve   | 20      | (592)                | (559)                |
| LATS reserve  | 22      | 120                  | 0                    |
| General fund balance  |         | 9,987                | 6,354                |
| <b>TOTAL EQUITY</b>   |         |                      |                      |
|   |         | <u><u>45,542</u></u> | <u><u>41,767</u></u> |

**STATEMENT OF TOTAL MOVEMENT IN RESERVES**  
**Year ended 31 March 2006**

|  | <b>Fixed<br/>Asset<br/>Restate-<br/>ment<br/>Reserve<br/>£'000</b> | <b>Capital<br/>Revalua-<br/>tion<br/>Account<br/>£'000</b> | <b>Usable<br/>Capital<br/>Receipts<br/>Reserve<br/>£'000</b> | <b>Earmarked<br/>Reserves<br/>£'000</b> | <b>Pension<br/>Reserve<br/>£'000</b> | <b>LATS<br/>Reserve<br/>£'000</b> | <b>General<br/>Fund<br/>Balance<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|--|--|--|---|--------------------------------------|-----------------------------------|---|------------------------|
| As at 1 April 2005                               | 12,441   | 21,706   | 621  | 1,204                                   | (559)                                | 0                                 | 6,354   | 41,767                 |
| Surplus for the year before<br>reserve transfers | -  | -  | -  | -                                       | -                                    | -                                 | 3,839   | 3,839                  |
| Fixed asset restatement reserve                  | -  | -  | -  | -                                       | -                                    | -                                 | -   | -                      |
| Non-monetary capital receipts                    | -  | -  | -  | -                                       | -                                    | -                                 | -   | -                      |
| Actuarial losses                                 | -  | -  | -  | -                                       | (64)                                 | -                                 | -   | (64)                   |
| Transfers to earmarked<br>reserves               | -  | -  | -  | 55                                      | -                                    | -                                 | (55)  | -                      |
| Transfer to pension reserve                      | -  | -  | -  | -                                       | 31                                   | -                                 | (31)  | -                      |
| Transfer to LATS reserve                         | -  | -  | -  | -                                       | -                                    | 120                               | (120)   | -                      |
| As at 31 March 2006                              | <u>12,441</u>  | <u>21,706</u>  | <u>621</u>   | <u>1,259</u>                            | <u>(592)</u>                         | <u>120</u>                        | <u>9,987</u>                                  | <u>45,542</u>          |

**CASH FLOW STATEMENT**  
**Year ended 31 March 2006**

|   | <b>Note</b> | <b>2006<br/>£'000</b> | <b>2005<br/>£'000</b> |
|---|-------------|-----------------------|-----------------------|
| <b>REVENUE ACTIVITIES</b>   |             |                       |                       |
| <b>Expenditure</b>  |             |                       |                       |
| Operating costs   |             | 47,511                | 48,539                |
| <b>Income</b>   |             |                       |                       |
| Non-household waste   |             | 7,062                 | 6,424                 |
| Other operating income  |             | 145                   | (529)                 |
| Rents   |             | 79                    | 95                    |
| Levy  |             | 41,403                | 38,416                |
| <b>Net cash inflow/(outflow) from revenue activities</b>                              | 18          | <u>1,178</u>          | <u>(4,133)</u>        |
| <b>Returns on investments and servicing of finance</b>                                |             |                       |                       |
| Interest received   |             | <u>1,061</u>          | <u>1,036</u>          |
| <b>Net cash inflow from returns on<br/>investments and servicing of finance</b>       |             | <u>1,061</u>          | <u>1,036</u>          |
| <b>CAPITAL ACTIVITIES</b>   |             |                       |                       |
| Capital expenditure   |             | (1,700)               | 1,700                 |
| <b>Net cash inflow/(outflow) from capital activities</b>                              |             | <u>1,700</u>          | <u>(1,700)</u>        |
| <b>Management of liquid resources:</b>  |             |                       |                       |
| <b>Increase/(decrease) in net funds lodged with<br/>Camden London Borough Council</b> |             | <u>3,939</u>          | <u>(4,797)</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 £24,400 and £35,000 in respect of the use of external consultants.

| <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 AND DISPOSAL**

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.

| <b>Contract</b>      | <b>2006<br/>£'000</b> | <b>2005<br/>£'000</b> |
|----------------------|-----------------------|-----------------------|
| LondonWaste Ltd      |                       |                       |
| Main contract        | 29,653                | 28,946                |
| Civic amenity waste  | 1,428                 | 1,730                 |
| Fridges and freezers | 463                   | 740                   |
|                      | <hr/>                 | <hr/>                 |
|                      | 31,544                | 31,416                |
| Miscellaneous        | 104                   | 36                    |
|                      | <hr/>                 | <hr/>                 |
|                      | 31,648                | 31,452                |
|                      | <hr/> <hr/>           | <hr/> <hr/>           |

**Details of the actual residual waste levels entering the waste stream from constituent councils**

| <b>Borough</b> | <b>2006<br/>Tonnes</b> | <b>2005<br/>Tonnes</b> | <b>Variance<br/>Tonnes</b> | <b>%</b> |
|----------------|------------------------|------------------------|----------------------------|----------|
| Barnet         | 139,875                | 143,024                | (3,149)                    | -2.20    |
| Camden         | 114,097                | 118,201                | (4,104)                    | -3.47    |
| Enfield        | 116,558                | 123,554                | (6,996)                    | -5.66    |
| Hackney        | 110,438                | 110,669                | (231)                      | -0.21    |
| Haringey       | 111,336                | 115,026                | (3,690)                    | -3.21    |
| Islington      | 102,798                | 106,540                | (3,742)                    | -3.51    |
| Waltham Forest | 101,745                | 108,990                | (7,245)                    | -6.65    |
|                | <hr/>                  | <hr/>                  | <hr/>                      |          |
|                | 796,847                | 826,004                | 29,157                     |          |
|                | <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 2005/6 of £8.655m (2004/5: £6.366m) is based on an estimate of £9.063m less an adjustment to last year's estimate by £0.408m. This includes a payment on account to constituent boroughs of £5.530m for 2005/6 based on 75% of the 2004/5 level of recycling activity and a creditor of £3.533m to cover the estimated cost of the final claims for the year. Final claims will be paid in 2006/7 once received and verified by the Waste Strategy and Contracts Group.



**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         | 19,229                   | 850,114          | 19,912                | 879,712          |
| Camden         | 36,196                   | 1,600,225        | 34,355                | 1,517,804        |
| Enfield        | 13,777                   | 609,081          | 12,774                | 564,355          |
| Hackney        | 25,003                   | 1,105,383        | 22,867                | 1,010,264        |
| Haringey       | 23,152                   | 1,023,550        | 21,322                | 942,006          |
| Islington      | 28,873                   | 1,276,475        | 26,776                | 1,182,964        |
| Waltham Forest | 22,291                   | 985,485          | 19,521                | 862,438          |
|                | <u>168,521</u>           | <u>7,450,313</u> | <u>157,527</u>        | <u>6,959,543</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. During the year to 31 December 2005 the Company completed a £26m refurbishment programme to enable it to comply with the Waste Incineration Directive (WID). The refurbishment required substantial downtime and a planned operating loss before tax. Although the actual loss for the year before taxation was well within planned levels and the Company achieved WID compliance before the due date of 28 December 2005 no dividend has been paid in 2005/06. This is due to the need to conserve reserves to assist with the future funding of costs to meet the Waste Incineration Directive.

**NOTES TO THE ACCOUNTS**

**8. LEVY**

The levy on constituent boroughs of £41.837m was agreed at the Budget Meeting on 9<sup>th</sup> February 2005 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.

| <b>Borough</b> | <b>2006<br/>%</b> | <b>2005<br/>%</b> | <b>2006<br/>£'000</b> | <b>2005<br/>£'000</b> |
|----------------|-------------------|-------------------|-----------------------|-----------------------|
| Barnet         | 21.40             | 21.57             | 8,952                 | 8,279                 |
| Camden         | 14.31             | 14.47             | 5,986                 | 5,551                 |
| Enfield        | 16.92             | 17.04             | 7,078                 | 6,537                 |
| Hackney        | 10.22             | 9.94              | 4,276                 | 3,816                 |
| Haringey       | 13.17             | 13.03             | 5,510                 | 4,998                 |
| Islington      | 12.45             | 12.30             | 5,212                 | 4,721                 |
| Waltham Forest | 11.53             | 11.65             | 4,823                 | 4,472                 |
|                | <u>100.00</u>     | <u>100.00</u>     | <u>41,837</u>         | <u>38,374</u>         |

**9. TANGIBLE FIXED ASSETS**

|                                    | <b>Non-<br/>operational<br/>£'000</b> |
|------------------------------------|---------------------------------------|
| <b>Valuation at net book value</b> |                                       |
| At 1 April 2005                    | 12,441                                |
| Additions                          | -                                     |
| Revaluations                       | -                                     |
| Disposals                          | -                                     |
|                                    | <u>12,441</u>                         |
| At 31 March 2006                   | <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 valued at open market value:

| <b>Asset</b>   | <b>Location</b>              |
|--|------------------------------|
| Waste transfer station and yard<br>(999 year lease) – See also note 22                             | Hornsey Street, Islington    |
| Residual freehold interest in residential<br>properties sold under the Right to Buy<br>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<sup>th</sup> April 2003), and Wilks Head & Eve in the case of Picketts Lock Lane (31<sup>st</sup> March 2005).

**NOTES TO THE ACCOUNTS**

**10. INVESTMENTS – LONDONWASTE LTD**

|      | <b>2006</b>   | <b>2005</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>2006</b>   |
|------------------------------|---------------|
|                              | <b>£'000</b>  |
| Balance at 1 April 2005      | 12,441        |
| Movement in year – disposals | -             |
| Movement in year – additions | -             |
| Balance at 31 March 2006     | <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>2006</b>   |
|--|---------------|
|  | <b>£'000</b>  |
| Balances at 1 April 2005 and 31 March 2006 | <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>2006<br/>£'000</b> |
|---|-----------------------|
| Balance at 1 April 2005 and 31 March 2006 | 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>2006<br/>£'000</b> |
|--------------------------|-----------------------|
| Balance at 1 April 2005  | 1,204                 |
| Movement in year         | 55                    |
| Balance at 31 March 2006 | 1,259                 |

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 2005/6 was £54,607.

**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 2005/6 Camden paid £7.586m (2004/5: £6.989m) to the Authority in respect of non-household charges and its share of the levy. It received payments of £1.053m (2004/5: £0.977m) in respect of recycling credits and £0.254m (2004/5: £0.249m) for the provision of lead borough services. As at 31 March 2006 it held cash of £21.822m (2004/5: £17.883m) 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 2005/6 Haringey paid £6.534m (2004/5: £5.938m) to the Authority in respect of non-household waste charges and share of levy. It received payments of £0.832m (2004/5: £0.462m) in respect of recycling credits and £0.603m (2003/4: £0.361m) for the provision of lead borough services.

**17. LEASING AND HIRE PURCHASE**

Included within operating expenditure for both 2004/5 and 2005/6 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 £643,899 to termination of the lease plus rent reviews.

**NOTES TO THE ACCOUNTS**

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

|  | <b>2006</b>       | <b>2005</b>       |
|--|-------------------|-------------------|
|  | <b>£</b>          | <b>£</b>          |
| Net revenue expenditure                                  | (2,430)           | 763               |
| (Increase)/decrease in debtors                           | (241)             | 560               |
| Decrease in creditors                                    | 1493              | 2,810             |
|  | <u>          </u> | <u>          </u> |
| <b>Net cash inflow/(outflow) from revenue activities</b> | <b>(1,178)</b>    | <b>4,133</b>      |
|  | <u>          </u> | <u>          </u> |

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

|   | <b>At beginning of period</b> | <b>Cash flows</b> | <b>Non-cash flow changes</b> | <b>At end of Year</b> |
|---|-------------------------------|-------------------|------------------------------|-----------------------|
|   | <b>£</b>                      | <b>£</b>          | <b>£</b>                     | <b>£</b>              |
| Funds lodged with Camden London Borough Council | 17,883                        | 3,939             | -                            | 21,822                |
|   | <u>          </u>             | <u>          </u> | <u>          </u>            | <u>          </u>     |

**20. EMPLOYEES**

In 2005/06 the Authority paid £31,412 to the London Pension Fund Authority (£30,468 in 2004/05) in respect of the added years element of pensions paid to former retired employees. Future payments are estimated to be in the order of £0.592m. This figure has been calculated by the actuaries for the LPFA and represents an increase over the previous year's estimate of scheme liabilities of £0.033m at 31 March 2006. 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.

**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.

**NOTES TO THE ACCOUNTS**

**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<sup>st</sup> 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 2005/06 Statement of Accounts therefore records the first year's effect of LATS.

Compared with a 2005/06-allowance allocation of 312,933 the Authority is currently estimated to have used 306,971 allowances. The accounts therefore reflect that the Authority holds surplus allowances of 5,962 allowances with a book value of £120,432. The final figure will be determined during the Government's LATS verification period and any changes incorporated into the final version of this Statement of Accounts.

## **North London Waste Authority**

### **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 that offers 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 2005. 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 £0.034m (2004/5: net loss of £1.050m - restated) which is the Authority's share of LondonWaste's profits for the year ended 31 December 2005;
- a group balance sheet which includes the Authority's share of the accumulated reserves of LondonWaste of £3.108m (2004/5 £3.074m - restated). 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; and
- a group statement of total movement on reserves.

**GROUP INCOME AND EXPENDITURE ACCOUNT**  
**Year ended 31 March 2006**

|   | Note | 2006<br>£'000        | 2005<br>£'000       |
|---|------|----------------------|---------------------|
| Gross expenditure   |      | 52,646               | 45,708              |
| Gross income  |      | (13,359)             | (6,571)             |
| <b>Net cost of services</b>   |      | <u>39,287</u>        | <u>39,137</u>       |
| Interest on balances  |      | (1,258)              | (1,088)             |
| <b>Net operating expenditure of the Authority</b>                                       |      | <u>38,029</u>        | <u>38,049</u>       |
| Share of operating profit/loss of joint venture<br>(after restatement of 2004 accounts) | 1    | (34)                 | 1,050               |
| <b>Net operating expenditure of group</b>   |      | <u>37,995</u>        | <u>39,099</u>       |
| Transfer to earmarked reserve   |      | 55                   | 52                  |
| Transfer to LATS reserve  |      | 120                  | 0                   |
| <b>Net levy borne expenditure</b>   |      | <u>38,170</u>        | <u>39,151</u>       |
| Levy on constituent authorities   |      | (41,837)             | (38,374)            |
| <b>Surplus for the year</b>   |      | <u>(3,667)</u>       | <u>777</u>          |
| <b>General fund balance</b>   |      |                      |                     |
| Opening balance   |      | 9,428                | 10,205              |
| Surplus for the year  |      | 3,667                | (777)               |
| Closing balance   |      | <u><u>13,095</u></u> | <u><u>9,428</u></u> |



# North London Waste Authority

## GROUP BALANCE SHEET 31 March 2006

|   | Note | 2006<br>£'000 | 2006<br>£'000 | 2005<br>£'000 | 2005<br>£'000 |
|---|------|---------------|---------------|---------------|---------------|
| <b>FIXED ASSETS</b>                               |      |               |               |               |               |
| Tangible fixed assets                             |      |               | 12,441        |               | 12,441        |
| Investments in joint venture –<br>LondonWaste Ltd |      |               |               |               |               |
| Share of gross assets                             | 2    | 46,629        |               | 40,341        |               |
| Share of gross liabilities                        | 2    | (20,668)      |               | (14,414)      |               |
|   |      |               | <u>25,961</u> | <u>25,927</u> |               |
|   |      |               | 38,402        |               | 38,368        |
| <b>NET CURRENT ASSETS</b>                         |      |               |               |               |               |
| Current assets                                    |      |               | 29,287        |               | 20,771        |
| Current liabilities                               |      |               | (17,300)      |               | (12,592)      |
|   |      |               | <u>11,987</u> | <u>8,179</u>  |               |
| <b>LONG-TERM LIABILITIES</b>                      |      |               |               |               |               |
| Pension liability                                 |      |               | (592)         |               | (559)         |
|   |      |               | <u>49,797</u> | <u>45,988</u> |               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>      |      |               |               |               |               |
|   |      |               | <u>49,797</u> | <u>45,988</u> |               |
| <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                                |      |               | 1,259         |               | 1,204         |
| Pension reserve                                   |      |               | (592)         |               | (559)         |
| LATS reserve                                      |      |               | 120           |               | 0             |
| General fund balance                              |      |               | 13,095        |               | 9,428         |
|   |      |               | <u>49,797</u> | <u>45,988</u> |               |
| <b>TOTAL EQUITY</b>                               |      |               |               |               |               |
|   |      |               | <u>49,797</u> | <u>45,988</u> |               |

**GROUP STATEMENT OF TOTAL MOVEMENT IN RESERVES**  
**Year ended 31 March 2006**

|   | <b>Fixed Asset<br/>Restate-<br/>ment<br/>Reserve<br/>£'000</b> | <b>Capital<br/>Revalua-<br/>tion<br/>Account<br/>£'000</b> | <b>Share<br/>Premium<br/>Reserve</b> | <b>Usable<br/>Capital<br/>Receipts<br/>Reserve<br/>£'000</b> | <b>Earmarked<br/>Reserves<br/>£'000</b> | <b>Pension<br/>Reserve<br/>£'000</b> | <b>LATS<br/>Reserve</b> | <b>General<br/>Fund<br/>Balance<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|--|--|--------------------------------------|--|---|--------------------------------------|-------------------------|---|------------------------|
| As at 1 April 2005                                  | 12,441   | 21,706   | 1,147                                | 621  | 1,204                                   | (559)                                | -                       | 10,672  | 47,232                 |
| Restatement of LWL<br>P&L Account & Profits<br>2004 | -  | -  | -                                    | -  | -                                       | -                                    | -                       | (1,244)                                       | (1,244)                |
| Surplus for the year                                | -  | -  | -                                    | -  | -                                       | -                                    | -                       | 3,873   | 3,873                  |
| Fixed asset restatement<br>reserve                  | -  | -  | -                                    | -  | -                                       | -                                    | -                       | -   | -                      |
| Non-monetary capital<br>receipts                    | -  | -  | -                                    | -  | -                                       | -                                    | -                       | -   | -                      |
| Actuarial losses                                    | -  | -  | -                                    | -  | -                                       | (64)                                 | -                       | -   | (64)                   |
| Transfers to earmarked<br>reserves                  | -  | -  | -                                    | -  | 55                                      | -                                    | -                       | (55)  | -                      |
| Transfer to pension<br>reserve                      | -  | -  | -                                    | -  | -                                       | 31                                   | -                       | (31)  | -                      |
| Transfer to LATS reserve                            | -  | -  | -                                    | -  | -                                       | -                                    | 120                     | (120)   | -                      |
| As at 31 March 2005                                 | <u>12,441</u>  | <u>21,706</u>  | <u>1,147</u>                         | <u>621</u>   | <u>1,259</u>                            | <u>(592)</u>                         | <u>120</u>              | <u>13,095</u>                                 | <u>49,797</u>          |

**NOTES TO THE GROUP ACCOUNTS**  
**Year ended 31 March 2006**

**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 2005 the value of this deduction is £0.100m. However, as no dividend has been paid for 2005 this amount will be deducted from a future dividend payment – the adjustment shown as note 1 in the Group Accounts allows for this. 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 2005.

The LondonWaste Ltd 2004 Accounts have been restated to reflect the change in 2005 of recognising the Company's Pensions Liability in its accounts. The effect is to reduce the cumulative Profit & Loss Account in 2004 and 2005.

The Company has not paid a dividend in 2005. 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<br/>December<br/>2005<br/>£'000</b> | <b>31<br/>December<br/>2004<br/>£'000</b> |
|---|---|---|
| <b>FIXED ASSETS</b>   |   |   |
| Tangible assets   | 71,655                                    | 56,272                                    |
| <b>CURRENT ASSETS</b>   |   |   |
| Stocks  | 988                                       | 885                                       |
| Debtors   | 20,362                                    | 20,039                                    |
| Cash at bank and in hand  | 253                                       | 3,487                                     |
|   | <u>21,603</u>                             | <u>24,411</u>                             |
| <b>CREDITORS: amounts falling due within one year</b>                       | (22,209)                                  | (25,333)                                  |
| Pensions liability  | (3,326)                                   | (2,896)                                   |
|   | <u>(3,932)</u>                            | <u>(3,818)</u>                            |
| <b>NET CURRENT ASSETS</b>   | <u>(3,932)</u>                            | <u>(3,818)</u>                            |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                                | 67,723                                    | 52,454                                    |
| <b>CREDITORS: amounts falling due after more than one year – bank loans</b> | (15,000)                                  | -   |
|   | <u>(15,000)</u>                           | <u>-</u>                                  |
|   | <u><u>52,723</u></u>                      | <u><u>52,454</u></u>                      |

**NOTES TO THE GROUP ACCOUNTS**  
**Year ended 31 March 2006**

**CAPITAL AND RESERVES**

|   |               |               |
|---|---------------|---------------|
| Called up share capital                 | 43,412        | 43,412        |
| Share premium                           | 2,294         | 2,294         |
| Profit and loss account                 | 7,017         | 6,748         |
|   | <hr/>         | <hr/>         |
| <b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b> | <b>52,723</b> | <b>52,454</b> |
|   | <hr/> <hr/>   | <hr/> <hr/>   |

**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.