

APPENDIX A

North London Waste Authority

Statement of Accounts for the year ended

31 March 2005

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 2005 and the income and expenditure of the Authority and of the Group for the year 2004/2005. 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 2005 and the income and expenditure of the Authority and of the Group for the year then ended.

Peter Ingham, CPFA

Financial Adviser 27th June 2005

CHAIR'S APPROVAL OF DRAFT STATEMENT OF ACCOUNTS

This Statement of Accounts was presented to the North London Waste Authority at its meeting on 19th October 2005, and was approved by resolution of the Authority.

Councillor Ray Dodds

Chair of the North London Waste Authority 19th October 2005

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 2004.

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.

North London Waste Authority

**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 2005 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

October 2005

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

The residual waste stream for 2004/5 has reduced by 29,829 tonnes compared with 2003/4 tonnage levels, i.e. a reduction from 855,833 to 826,004 tonnes. Although constituent boroughs were not required to achieve Government's statutory recycling targets in 2004/5 it is clear that boroughs have taken action ahead of the 2005/06 target year to develop awareness and participation in their recycling and composting initiatives for their respective areas. Based upon provisional and un-audited information from the boroughs, the levels of waste recycled or composted appear to have increased by c. 38,000 tonnes to 127,000 tonnes in 2004/5.

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 adopted the draft strategy and this has been submitted to the Mayor for approval. Steps are being taken to address the remaining concern of the seventh borough, Barnet, which is linked with the Partners' commitment to move to a tonnage basis for apportioning the 2006/07 levy (I refer to this below). It is now well known that the cost of implementing the Strategy is expected to be significant. Work undertaken by AEA Technology estimated that waste management costs (collection and disposal) in the North London area could rise by 22% at current prices by 2010/11 and by a further 38% by 2020/21. In the coming year steps must be taken to firm up on North London's facility requirements so that suitable sites can be identified, any planning issues addressed and agreement reached on the best procurement/funding options.

The Authority continues to hold an equity interest in LondonWaste Ltd. Work by the Company to ensure that the Edmonton energy-from-waste facility meets the requirements of the Waste Incineration Directive (WID) by the end of 2005 is now well underway. Two boilers have been refurbished and work on a third boiler is due for completion in July. The management of LondonWaste Ltd remain cautiously optimistic that the plant should be fully compliant by the end of 2005. Whilst the Company's underlying business has remained profitable the need to conserve reserves to help fund the future costs of meeting the requirements of the WID has meant that the Company has not been able to declare a dividend for 2004.

Last year I reported that the Authority concluded negotiations with the Arsenal Football Club for the relocation of the Authority's Ashburton Grove transfer station to Hornsey Street. Following formal completion of the new facility the Authority moved to its new premises in July 2004. The Authority holds a 999-year leasehold interest in the new facility.

EXPLANATORY FOREWORD BY THE FINANCIAL ADVISER

In the latter part of 2003/4 the Government decided to defer the introduction of the Landfill Allowance Trading Scheme (LATS) until 2005/6. Although the scheme became operational in April 2005 there is as yet no clear guidance on how local authorities should account for LATS. Although the Authority should enjoy a favourable trading position at least for the first four years of the scheme, the first year could prove to be challenging whilst the Edmonton energy-from-waste facility is made WID compliant. Over the coming year work will be undertaken to review the possibility of introducing a targeted reward scheme for biodegradable municipal waste diversion.

Work is continuing to review the options for changing the basis for charging for non-household waste. This will now link with work by the seven boroughs and the Authority to examine the scope to develop a voluntary arrangement that would enable the boroughs to move towards a tonnage based levy apportionment in 2006/07. In addition, the Government has recently restated its intention to review the default arrangements for apportioning the levy and a consultation paper was issued on 31 August 2005.

2004/5 OUTTURN

The 2004/5 net revenue budget for the year was originally agreed at £49.917m to be financed by a levy of £38.374m, charges to boroughs for non-household waste of £6.776m and the use of estimated revenue balances of £4.767m. The budget was subsequently revised to £46.267m, a reduction of £3.650m. Allowing for higher than expected revenue balances of £1.313m brought forward from 2004/5 and a reduction in forecast income from non-household waste charges of £0.281m the Authority was forecast to have revenue balances of £4.767m as at 31 March 2005. The accounts show an actual general fund balance of £6.354m.

	Original budget 2004/5 £'000	Revised estimate 2004/5 £'000	Final outturn 2004/5 £'000
Gross expenditure	50,434	47,615	45,678
Non-household waste	(6,776)	(6,580)	(6,495)
Rents	(77)	(78)	(76)
Gross income	(6,853)	(6,658)	(6,571)
Net cost of services	43,581	40,957	39,107
Interest on balances	(490)	(1,350)	(1,088)
Net operating expenditure	43,091	39,607	38,019
Transfer to earmarked reserve	20	50	52
Transfer to Pension reserve	30	30	30
Levy on constituent authorities	(38,374)	(38,374)	(38,374)
Deficit/(Surplus) for the year	<u>4,767</u>	<u>1,313</u>	<u>(273)</u>
General fund balance			
Opening balance	(4,767)	(6,080)	(6,081)
Surplus/(Deficit) for the year	4,767	1,313	(273)
Closing balance	<u>-</u>	<u>(4,767)</u>	<u>(6,354)</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.

1. 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 2004/5 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.

2. 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 management control is exercised through the Authority and the Advisers who work to defined and established processes.

North London Waste Authority

- 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.

3. 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.

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4. Matters for Future Action

Following the review work undertaken in relation to its system of internal control for 2004/5 the Authority accepts that there is a need to keep the 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.

To be signed

Councillor Ray Dodds

Chair of the NLWA

To be signed

Moira Gibb

Clerk to the NLWA

North London Waste Authority

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 2003: A Statement of Recommended Practice (the SORP). This is 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 or distribute to constituent councils.

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 which they represent. No allowances are payable by the Authority.

North London Waste Authority

INCOME AND EXPENDITURE ACCOUNT Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
EXPENDITURE			
Employees	20	0	0
Rent and rates		386	(823)
Agent borough services	1	385	325
Waste Strategy and Contracts Group	2	468	317
Transport and disposal	3	31,452	29,973
Landfill tax		5,690	5,374
Legislative review – hazardous waste		911	0
Insurance		4	3
Recycling credits	4	6,366	4,779
Other recycling initiatives		16	0
Gross expenditure		<u>45,678</u>	<u>39,948</u>
Non-household waste	5	(6,495)	(6,029)
Rents	6	(76)	(74)
Dividend income	7	-	-
Gross income		<u>(6,571)</u>	<u>(6,103)</u>
Net cost of services		39,107	33,845
Interest on balances		(1,088)	(951)
Net operating expenditure		<u>38,019</u>	<u>32,894</u>
Transfer to earmarked reserve	14	52	39
Transfer to pension reserve	20	30	30
Net levy borne expenditure		38,101	32,963
Levy on constituent authorities	8	(38,374)	(35,094)
Surplus for the year		<u>(273)</u>	<u>(2,131)</u>
General fund balance			
Opening balance		6,081	3,950
Surplus for the year		273	2,131
Closing balance		<u><u>6,354</u></u>	<u><u>6,081</u></u>

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BALANCE SHEET 31 March 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Tangible fixed assets – general	9	1	1,061
Tangible fixed assets - long-term leases	9 & 21	12,440	-
Investments – LondonWaste Ltd	10	21,706	21,706
		<u>34,147</u>	<u>22,767</u>
CURRENT ASSETS			
Debtor - balance held with Camden London Borough Council	19	17,883	22,680
LondonWaste Ltd		50	-
HM Customs & Excise		896	397
Other debtors & accruals		1,942	181
		<u>20,771</u>	<u>23,258</u>
CURRENT LIABILITIES			
LondonWaste Ltd		(7,945)	(10,229)
Other creditors and provisions		(4,647)	(5,175)
		<u>(12,592)</u>	<u>(15,404)</u>
NET CURRENT ASSETS			
		<u>8,179</u>	<u>7,854</u>
LONG-TERM LIABILITIES			
Pension liability	20	(559)	(538)
TOTAL NET ASSETS			
		<u>41,767</u>	<u>30,083</u>
Financed by			
Fixed asset restatement Account	11 & 21	12,441	1,061
Capital revaluation account	12	21,706	21,706
Usable capital receipts reserve	13	621	621
Earmarked reserves	14	1,204	1,152
Pension reserve	20	(559)	(538)
General fund balance		6,354	6,081
TOTAL EQUITY			
		<u>41,767</u>	<u>30,083</u>

STATEMENT OF TOTAL MOVEMENT IN RESERVES
Year ended 31 March 2005

	Fixed Asset Restate- ment Reserve £'000	Capital Revalua- tion Account £'000	Usable Capital Receipts Reserve £'000	Earmarked Reserves £'000	Pension Reserve £'000	General Fund Balance £'000	Total £'000
As at 1 April 2004	1,061	21,706	621	1,152	(538)	6,081	30,083
Surplus for the year before reserve transfers	-	-	-	-	-	355	355
Fixed asset restatement reserve	(1060)	-	-	-	-	-	(1,060)
Non-monetary capital receipts	12,440	-	-	-	-	-	12,440
Actuarial losses	-	-	-	-	(51)	-	(51)
Transfers to earmarked reserves	-	-	-	52	-	(52)	-
Transfer to pension reserve	-	-	-	-	30	(30)	-
As at 31 March 2005	<u>12,441</u>	<u>21,706</u>	<u>621</u>	<u>1,204</u>	<u>(559)</u>	<u>6,354</u>	<u>41,767</u>

CASH FLOW STATEMENT
Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
REVENUE ACTIVITIES			
Expenditure			
Operating costs		48,539	35,324
Income			
Non-household waste		6,424	6,063
Other operating income		(529)	3
Rents		95	127
Levy		38,416	35,487
Net cash (outflow)/inflow from revenue activities	18	<u>(4,133)</u>	<u>6,356</u>
Returns on investments and servicing of finance			
Interest received		<u>1,036</u>	<u>951</u>
Net cash inflow from returns on investments and servicing of finance		<u>1,036</u>	<u>951</u>
CAPITAL ACTIVITIES			
Capital expenditure		<u>1,700</u>	-
Net cash (outflow) from capital activities		<u>(1,700)</u>	-
Management of liquid resources: (Decrease)/increase in net funds lodged with Camden London Borough Council			
		<u>(4,797)</u>	<u>7,307</u>

NOTES TO THE ACCOUNTS

1. AGENT BOROUGH SERVICES

Agent borough services represents charges made by constituent boroughs providing the following services. This cost centre also includes external audit costs of £29,000.

Camden	Haringey
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.

Contract	2005 £'000	2004 £'000
LondonWaste Ltd		
Main contract	28,946	25,942
Civic amenity waste	1,730	2,095
Fridges and freezers	740	1,872
	<hr/>	<hr/>
	31,416	29,909
Miscellaneous	36	64
	<hr/>	<hr/>
	31,452	29,973
	<hr/> <hr/>	<hr/> <hr/>

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

Borough	2005 Tonnes	2004 Tonnes	Variance Tonnes	%
Barnet	143,024	145,864	(2,840)	- 1.95
Camden	118,201	119,638	(1,437)	- 1.20
Enfield	123,554	128,277	(4,723)	- 3.68
Hackney	110,669	114,054	(3,385)	- 2.97
Haringey	115,026	118,625	(3,599)	- 3.03
Islington	106,540	110,693	(4,153)	- 3.75
Waltham Forest	108,990	118,682	(9,692)	- 8.17
	<hr/>	<hr/>	<hr/>	
	826,004	855,833	(29,829)	- 3.48
	<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 2004/5 of £6.366m (2003/4: £4.779m) is based on an estimate of £7.262m less an adjustment to last year's estimate by £0.896m. This includes a payment on account to constituent boroughs of £3.793m for 2004/5 based on 75% of the 2003/4 level of recycling activity and a creditor of £3.469m to cover the estimated cost of the final claims for the year. Final claims will be paid in 2005/6 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.

Borough	Original estimate		Actual charges	
	Tonnes	£	Tonnes	£
Barnet	18,974	765,411	18,612	751,739
Camden	35,654	1,438,282	34,704	1,401,695
Enfield	14,104	568,955	13,165	531,734
Hackney	25,368	1,023,345	23,100	933,009
Haringey	23,306	940,164	22,325	901,707
Islington	28,263	1,140,130	27,829	1,124,013
Waltham Forest	22,311	900,026	21,080	851,421
	<u>167,980</u>	<u>6,776,313</u>	<u>160,815</u>	<u>6,495,318</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 company has traded profitably during the year to 31 December 2004. However, no dividend has been paid in 2004/05. 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 £35.094m was agreed at the Budget Meeting on 5th February 2003 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	2005 %	2004 %	2005 £'000	2004 £'000
Barnet	21.57	22.00	8,279	7,720
Camden	14.47	14.22	5,551	4,990
Enfield	17.04	17.10	6,537	6,001
Hackney	9.94	9.60	3,816	3,372
Haringey	13.03	13.06	4,998	4,583
Islington	12.30	12.14	4,721	4,260
Waltham Forest	11.65	11.88	4,472	4,168
	<u>100.00</u>	<u>100.00</u>	<u>38,374</u>	<u>35,094</u>

9. TANGIBLE FIXED ASSETS

	Non- operational £'000
Valuation at net book value	
At 1 April 2004	1,061
Additions	12,440
Revaluations	0
Disposals	(1,060)
	<u>12,441</u>
At 31 March 2005	<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:

Asset	Location
Waste transfer station and yard (999 year lease) – See also note 22	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 (4th April 2003), and Wilks Head & Eve in the case of Picketts Lock Lane (31st March 2005).

NOTES TO THE ACCOUNTS

10. INVESTMENTS – LONDONWASTE LTD

	2005	2004
	£'000	£'000
Cost	21,706	21,706

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

	2005
	£'000
Balance at 1 April 2004	1,061
Movement in year	(1,060)
Balance at 31 March 2005	1

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

12. CAPITAL REVALUATION ACCOUNT

	2005
	£'000
Balances at 1 April 2004 and 31 March 2005	21,706

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

	2005 £'000
Balance at 1 April 2004 and 31 March 2005	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

	2005 £'000
Balance at 1 April 2004	1,152
Movement in year	52
Balance at 31 March 2005	1,204

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 2004/5 was £51,772.

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 2004/5 Camden paid £6.989m (2003/4: £6.386m) to the Authority in respect of non-household charges and its share of the levy. It received payments of £0.977m (2003/4: £0.487m) in respect of recycling credits and £0.249m (2003/4: £0.249m) for the provision of lead borough services. As at 31 March 2005 it held cash of £17.883m (2003/4: £22.680m) 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 2004/5 Haringey paid £5.938m (2003/4: £5.476m) to the Authority in respect of non-household waste charges and share of levy. It received payments of £0.462m (2003/4: £0.164m) in respect of recycling credits and £0.488m (2003/4: £0.361m) for the provision of lead borough services.

17. LEASING AND HIRE PURCHASE

Included within operating expenditure for both 2003/4 and 2004/5 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 £858,532 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

	2005	2004
	£	£
Net revenue expenditure	763	(1,219)
Decrease/(increase) in debtors	560	(24)
Increase/(decrease) in creditors	2,810	(5,113)
	<u>4,133</u>	<u>(6,356)</u>
Net cash outflow/(inflow) from revenue activities	<u>4,133</u>	<u>(6,356)</u>

19. ANALYSIS OF CHANGES IN NET FUNDS

	At beginning of period	Cash flows	Non-cash flow changes	At end of Year
	£	£	£	£
Funds lodged with Camden London Borough Council	22,680	4,797	-	17,883
	<u>22,680</u>	<u>4,797</u>	<u>-</u>	<u>17,883</u>

20. EMPLOYEES

In 2004/05 the Authority paid £30,468 to the London Pension Fund Authority (£29,654 in 2003/04) in respect of the added years element of pensions paid to former retired employees. Future payments are estimated to be in the order of £0.559m. 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 £0.021m at 31 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.

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.

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 2004. 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 £0.194m (2003/4: £0.970m) which is the Authority's share of LondonWaste's profits for the year ended 31 December 2004;
- a group balance sheet which includes the Authority's share of the accumulated reserves of LondonWaste of £4.318m (2003/4 £4.125m). 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.

North London Waste Authority

GROUP INCOME AND EXPENDITURE ACCOUNT Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Gross expenditure		45,708	39,978
Gross income		(6,571)	(6,103)
Net cost of services		<u>39,137</u>	<u>33,875</u>
Interest on balances		(1,088)	(951)
Net operating expenditure of the Authority		38,049	32,924
Share of operating profit of joint venture	1	(194)	(970)
Net operating expenditure of group		<u>37,855</u>	<u>31,954</u>
Transfer to earmarked reserve		52	39
Net levy borne expenditure		<u>37,907</u>	<u>31,993</u>
Levy on constituent authorities		38,374	(35,094)
Surplus for the year		<u>467</u>	<u>(3,101)</u>
General fund balance			
Opening balance		10,205	7,104
Surplus for the year		467	3,101
Closing balance		<u>10,672</u>	<u>10,205</u>

North London Waste Authority

GROUP BALANCE SHEET 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
FIXED ASSETS					
Tangible fixed assets			12,441		1,061
Investments in joint venture – LondonWaste Ltd					
Share of gross assets	2	40,341		39,033	
Share of gross liabilities	2	(13,170)		(12,056)	
			<u>27,171</u>		<u>26,977</u>
			39,612		28,038
NET CURRENT ASSETS					
Current assets			20,771		23,258
Current liabilities			(12,592)		(15,404)
NET CURRENT ASSETS			<u>8,179</u>		<u>7,854</u>
LONG-TERM LIABILITIES					
Pension liability			(559)		(538)
			<u> </u>		<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>47,232</u>		<u>35,354</u>
Financed by					
Fixed asset restatement Account			12,441		1,061
Capital revaluation account			21,706		21,706
Share Premium Reserve	3		1,147		1,147
Usable capital receipts reserve			621		621
Earmarked reserves			1,204		1,152
Pension reserve			(559)		(538)
General fund balance			10,672		10,205
TOTAL EQUITY			<u>47,232</u>		<u>35,354</u>

GROUP STATEMENT OF TOTAL MOVEMENT IN RESERVES
Year ended 31 March 2005

	Fixed Asset Restate- ment Reserve £'000	Capital Revalua- tion Account £'000	Share Premium Reserve	Usable Capital Receipts Reserve £'000	Earmarked Reserves £'000	Pension Reserve £'000	General Fund Balance £'000	Total £'000
As at 1 April 2004	1,061	21,706	1,147	621	1,152	(538)	10,205	35,354
Surplus for the year							549	549
Fixed asset restatement reserve	(1,060)	-	-	-	-	-	-	(1,060)
Non-monetary capital receipts	12,440	-	-	-	-	-	-	12,440
Actuarial losses	-	-	-	-	-	(51)	-	(51)
Transfers to earmarked reserves	-	-	-	-	52	-	(52)	-
Transfer to pension reserve	-	-	-	-	-	30	(30)	-
As at 31 March 2005	<u>12,441</u>	<u>21,706</u>	<u>1,147</u>	<u>621</u>	<u>1,204</u>	<u>(559)</u>	<u>10,672</u>	<u>47,232</u>

NOTES TO THE GROUP ACCOUNTS
Year ended 31 March 2005

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 2004 the value of this deduction is £0.100m. However, as no dividend has been paid for 2004 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 2004.

The Company has not paid a dividend in 2004. 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

	31 December 2004 £'000	31 December 2003 £'000
FIXED ASSETS		
Tangible assets	56,272	47,796
CURRENT ASSETS		
Stocks	885	802
Debtors	20,039	22,267
Cash at bank and in hand	3,487	7,202
	<hr/> 24,411	<hr/> 30,271
CREDITORS: amounts falling due within one year	<hr/> (25,740)	<hr/> (21,952)
NET CURRENT ASSETS	<hr/> (1,329)	<hr/> 8,319
TOTAL ASSETS LESS CURRENT LIABILITIES	54,943	56,115
CREDITORS: amounts falling due after more than one year – bank loans	-	(1,760)
	<hr/> 54,943	<hr/> 54,355
CAPITAL AND RESERVES		
Called up share capital	43,412	43,412
Share premium	2,294	2,294
Profit and loss account	9,237	8,649
TOTAL EQUITY SHAREHOLDERS' FUNDS	<hr/> <hr/> 54,943	<hr/> <hr/> 54,355

NOTES TO THE GROUP ACCOUNTS

Year ended 31 March 2005

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.