

APPENDIX

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North London Waste Authority

Statement of Accounts for the year ended

31 March 2004

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 at 31 March 2004 and its income and expenditure for the year 2003/2004. 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 8 of the Accounts and Audit Regulations 1996, issued under the Local Government and Finance Act 1982 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 as at 31 March 2004 and its income and expenditure for the year then ended.

John Mabey, CPFA

Financial Adviser

28 June 2004

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

We have audited the financial statements which comprise the Consolidated Revenue Account, Consolidated Balance Sheet, cash flow statement and associated notes 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 Treasurer and Auditor

As described in the statement of Treasurer's responsibilities, the Treasurer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002.

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 financial statements present fairly the financial position of the Council and its income and expenditure for the year.

We review whether the Statement of Internal Financial Control reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC 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 financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

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

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

Opinion

In our opinion the financial statements present fairly the financial position of North London Waste Authority as at 31 March 2004 and its income and expenditure 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, St Albans

2004

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 2003/04 has reduced by 11,503 tonnes compared with 2002/03 tonnage levels, i.e. a reduction from 867,336 to 855,833 tonnes. Whilst it is clear that constituent boroughs have been active in developing their recycling initiatives to meet the first year of the Government's statutory recycling targets the actual impact that these activities have had on the waste stream will not be known until the borough's recycling credit claims have been received and audited – details will be reported to the Authority in October.

Last year considerable progress was made by the Authority and its constituent boroughs to develop a joint waste strategy for the NLWA area. A draft strategy has been published and subjected to a Stakeholder dialogue process in the first half of 2004; the results will help shape the final draft strategy before submission to the Greater London Authority for approval in September. The cost of implementing the Waste Strategy is expected to be significant. A recent report by AEA Technology indicated that waste management costs could at least double in real terms by 2020. The implications for the Authority and its constituent councils will be considered in greater detail in 2004/05.

The Authority continues to hold an equity interest in LondonWaste Ltd. In July 2003 the Authority and its joint venture partner - SITA UK - gave consent to the Company's proposals for meeting the requirements of the Waste Incineration Directive (WID) at the Edmonton energy-from-waste facility. A contractor has now been appointed and refurbishment work on the first of the five boilers began at the end of March 2004. 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 and the EcoPark has meant that the Company has not been able to declare a dividend for 2003.

In October 2003 the Authority concluded negotiations with the Arsenal Football Club for relocation of the Authority's Ashburton Grove transfer station to Hornsey Street. Construction of the proposed new facility is now near to completion and subject to meeting all necessary formalities the Authority currently expects to move to the new facility at the end of July 2004. The improved facility will however add to the Authority's operational costs in 2004/05.

In December 2003 the Authority concluded negotiations with LondonWaste Ltd for the continued use of the Hendon Rail Transfer Station up to 2009. Here too, higher environmental requirements that need to be put in place for the future use of landfill sites will add significantly to the Authority's costs in 2004/05.

Other EU directives are also expected to add to the Authority's waste disposal costs over the next few years.

North London Waste Authority

EXPLANATORY FOREWORD BY THE FINANCIAL ADVISER

In the latter part of 2003/04 the Government decided to defer the introduction of the Landfill Allowance Trading Scheme until 2005/06. Although the combined effect of recycling, composting and use of the Edmonton energy-from-waste facility should obviate the need for the Authority to buy allowances before 2010, it will be necessary to review this in the light of the allowances that are due to be announced in the latter part of 2004.

2003/4 OUTTURN

The 2003/4 net revenue budget for the year was originally agreed at £43.994m to be financed by levies of £35.094m, charges to boroughs for non-household waste of £6.3920m and the use of estimated revenue balances of £2.508m. The budget was subsequently revised to £40.200m, a reduction of £3.794m. Allowing for higher than expected revenue balances of £1.441m brought forward from 2002/3 and a reduction in forecast income from non-household waste charges of £0.468m the Authority was forecast to have revenue balances of £4.767m as at 31 March 2004. The accounts show an actual general fund balance of £6.080m.

	Original budget 2003/4 £'000	Revised estimate 2003/4 £'000	Final outturn 2003/4 £'000
Gross expenditure	44,273	41,440	39,978
Non-household waste	(6,392)	(5,924)	(6,029)
Rents	(75)	(75)	(74)
Gross income	(6,467)	(5,999)	(6,103)
Net cost of services	37,957	35,441	33,875
Interest on balances	(375)	(1,200)	(951)
Net operating expenditure	37,582	34,241	32,924
Transfer to earmarked reserve	20	35	39
Levy on constituent authorities	(35,094)	(35,094)	(35,094)
Deficit/(Surplus) for the year	<u>2,508</u>	<u>818</u>	<u>(2,131)</u>
General fund balance			
Opening balance	2,476	3,949	3,949
Surplus/(Deficit) for the year	(2,508)	(818)	2,131
Closing balance	<u>-</u>	<u>4,767</u>	<u>6,080</u>

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

There was no capital expenditure in the year.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for the North London Waste Authority.

The Authority has made arrangements for the day-to-day administration of its finances to be undertaken by the London Borough of Camden. As a consequence, the Authority benefits from the use of Camden's financial control systems. I am the 'Responsible Finance Officer' for the London Borough of Camden; however, it is in my role as 'Responsible Finance Officer' to the NLWA that I acknowledge responsibility for ensuring the operation of an adequate system of internal financial control within the Authority's operational systems for the year 2003/04.

Any system of internal financial control can provide only reasonable and not absolute assurance that the Authority's assets are protected, financial transactions are both authorised and legal, records/accounts are properly maintained and that adequate arrangements are in place to ensure that errors/ irregularities are either prevented or detected.

The main features of the Authority's system of internal financial control include:

- Comprehensive budgeting systems,
- Published Financial Standing Orders/Financial Regulations,
- Scheme covering officer delegation of responsibilities,
- A comprehensive and informed budget setting process,
- Regular budget monitoring/reporting arrangements,
- Regular financial reporting to Members,
- An effective Internal Audit Service provided by the London Borough of Camden.

Camden's Internal Audit Division's main objective is the provision of a quality, independent service that meets the statutory requirements placed on Camden in a manner which reflects the current professional standards set for internal audit.

The Division 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 co-ordinated with that of the Council's - and the Authority's - external auditor.

This work is carried out in line with CIPFA's Code of Practice for Internal Audit in Local Government and the Division has developed management and operational systems which have been accredited to the BS EN ISO 9001:2000 Quality Assurance Standard.

The Chief Internal Auditor reports to an Assistant Borough Treasurer (Audit & Risk) but has a direct line of access to myself as the Council's section 151 Officer and when necessary to the Chief Executive in respect of corporate issues.

The Division works to a 5 year 'strategic approach' and prepares a detailed annual plan which covers its work programme for systems, regularity and anti-fraud work. This approach is subject to member approval through Camden's Executive.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

The work of Camden's Internal Audit Division provides independent assurance over the adequacy and effectiveness of the system of internal control. The major financial systems have been in place for a number of years and key controls are regularly reviewed and tested. It is my view that based on the work of both internal and external audit that the major controls are both operating effectively and that the Council's financial affairs, and therefore those of the NLWA, are conducted in an efficient and effective manner. This is supported by the fact that Camden was rated in the 'excellent' category under the Comprehensive Performance Assessment Scheme in 2002/03. In Camden, there are a number of areas where work is ongoing that will improve and enhance both the Council's corporate governance and financial control arrangements and these will in turn benefit the NLWA, e.g. further development of the Council's risk management process and development of the Financial Information System. These will be supplemented by the NLWA's own development of an effective risk management process on issues of direct interest to the NLWA.

John Mabey

Financial Adviser 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 2000 (the Code of Practice). This is a statement of recommended practice 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.

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 is required to prepare group accounts to provide greater transparency and understanding of the Authority's shareholding in LondonWaste Ltd. These are presented as supplementary information to the primary financial statements in accordance with the Code of Practice. 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 2004

	Note	2004 £'000	2003 £'000
EXPENDITURE			
Employees	21	30	29
Rent and rates		(823)	305
Agent borough services	1	325	288
Waste Strategy and Contracts Group	2	317	204
Transport and disposal	3	29,973	27,755
Landfill tax		5,374	3,317
Insurance		3	3
Recycling credits	4	4,779	2,777
Gross expenditure		<u>39,978</u>	<u>34,678</u>
Non-household waste	5	(6,029)	(4,917)
Rents	6	(74)	(72)
Dividend income	7	-	-
Gross income		<u>(6,103)</u>	<u>(4,989)</u>
Net cost of services		33,875	29,689
Interest on balances		(951)	(602)
Net operating expenditure		32,924	29,087
Transfer to earmarked reserve	14	39	38
Net levy borne expenditure		32,963	29,125
Levy on constituent authorities	8	(35,094)	(29,744)
Surplus for the year		<u>(2,131)</u>	<u>(619)</u>
General fund balance			
Opening balance		3949	3,331
Surplus for the year		2,131	619
Closing balance		<u>6,080</u>	<u>3,950</u>

North London Waste Authority

BALANCE SHEET 31 March 2004

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Tangible fixed assets	9	1,061	1,061
Investments – LondonWaste Ltd	10	21,706	21,706
		<u>22,767</u>	<u>22,767</u>
CURRENT ASSETS			
Cash balance with Camden London Borough Council	19	22,680	15,373
LondonWaste Ltd – dividend debtor		-	-
HM Customs & Excise		397	370
Other debtors & accruals		181	232
		<u>23,258</u>	<u>15,975</u>
CURRENT LIABILITIES			
LondonWaste Ltd		(10,229)	(7,643)
Other creditors and provisions		(5,175)	(2,648)
		<u>(15,404)</u>	<u>(10,291)</u>
NET CURRENT ASSETS			
		<u>7,854</u>	<u>5,684</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>30,621</u>	<u>28,451</u>
Financed by			
Fixed asset restatement reserve	11	1,061	1,061
Capital revaluation account	12	21,706	21,706
Usable capital receipts reserve	13	621	621
Earmarked reserves	14	1,153	1,113
General fund balance		6,080	3,950
		<u>30,621</u>	<u>28,451</u>
TOTAL EQUITY			
		<u>30,621</u>	<u>28,451</u>

STATEMENT OF TOTAL MOVEMENT IN RESERVES
Year ended 31 March 2004

	Fixed Asset Restate- ment Reserve £'000	Capital Revalua- tion Account £'000	Usable Capital Receipts Reserve £'000	Earmarked Reserves £'000	General Fund Balance £'000	Total £'000
As at 1 April 2003	1,061	21,706	621	1,113	3,950	28,451
Surplus for the year before reserve transfers	-	-	-	-	2,170	2,170
Transfers to earmarked reserves	-	-	-	39	(39)	-
As at 31 March 2004	<u>1,061</u>	<u>21,706</u>	<u>621</u>	<u>1,152</u>	<u>6,081</u>	<u>30,621</u>

CASH FLOW STATEMENT
Year ended 31 March 2004

	Note	2004 £'000	2003 £'000
REVENUE ACTIVITIES			
Expenditure			
Operating costs		35,374	35,850
Income			
Non-household waste		6,060	4,980
Other operating income		56	(222)
Rents		127	123
Levy		35,487	29,744
Net cash inflow/(outflow) from revenue activities	18	<u>6,356</u>	<u>(1,225)</u>
Returns on investments and servicing of finance			
Interest received		951	604
Dividends		0	0
Net cash inflow from returns on investments and servicing of finance		<u>951</u>	<u>604</u>
CAPITAL ACTIVITIES			
Capital receipts		-	-
(Decrease)/increase in cash		<u>7,307</u>	<u>(621)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

1. AGENT BOROUGH SERVICES

Agent borough services represents charges made by constituent boroughs providing the following services.

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	2004 £'000	2003 £'000
LondonWaste Ltd		
Main contract	25,942	25,054
Civic amenity waste	2,095	1,671
Fridges and freezers	1,872	873
	<hr/>	<hr/>
	29,909	27,598
Miscellaneous	64	157
	<hr/>	<hr/>
	29,973	27,755
	<hr/> <hr/>	<hr/> <hr/>

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

Borough	2004 Tonnes	2003 Tonnes	Variance Tonnes	%
Barnet	145,864	147,539	(1,675)	- 1.14
Camden	119,638	122,522	(2,884)	- 2.35
Enfield	128,277	135,591	(7,314)	- 5.39
Hackney	114,054	116,368	(2,314)	- 1.99
Haringey	118,625	120,242	(1,617)	- 1.34
Islington	110,693	111,133	(440)	- 0.40
Waltham Forest	118,682	113,941	4,741	+ 4.16
	<hr/>	<hr/>	<hr/>	
	855,833	867,336	(11,503)	- 1.33
	<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 2003/4 of £4.779m (2002/3: £2.777m) is based on an estimate of £5.088m less an adjustment to last year's estimate by £0.309m. This includes a payment on account to constituent boroughs of £1.299m for 2003/4 based on 50% of the 2002/3 level of recycling activity and a creditor of £3.789m to cover the estimated cost of the final claims for the year. Final claims will be paid in 2004/5 once received and verified by the Waste Strategy and Contracts Group.

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

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	20,253	742,880	18,485	682,466
Camden	38,046	1,395,527	34,955	1,290,538
Enfield	15,157	555,959	13,597	502,001
Hackney	26,576	974,808	24,791	915,284
Haringey	24,361	893,562	22,561	832,952
Islington	29,459	1,080,556	27,766	1,025,121
Waltham Forest	20,433	749,482	21,154	781,006
	<u>174,285</u>	<u>6,392,774</u>	<u>163,309</u>	<u>6,029,368</u>

6. RENTS

The Authority receives rental income from LondonWaste Ltd in respect of the Ashburton Grove Waste Transfer Station. The rent is set at the market rate.

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 2003. However, no dividend has been paid in 2003/04. 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.

	2004	2003
	£'000	£'000
Dividends	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

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	2004 %	2003 %	2004 £'000	2003 £'000
Barnet	22.00	22.25	7,720	6,617
Camden	14.22	14.37	4,990	4,273
Enfield	17.10	17.25	6,001	5,130
Hackney	9.60	8.86	3,372	2,634
Haringey	13.06	13.19	4,583	3,924
Islington	12.14	11.98	4,260	3,565
Waltham Forest	11.88	12.10	4,168	3,601
	<u>100.00</u>	<u>100.00</u>	<u>35,094</u>	<u>29,744</u>

9. TANGIBLE FIXED ASSETS

	Non- operational £'000
Net book value	
At 1 April 2003	1,061
Additions	-
Revaluations	-
Disposals	-
At 2004	<u>1,061</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:

Asset	Location
Solid waste transfer station and civic amenity site	Ashburton Grove, 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. Non-specialised properties are held at existing use value and specialised properties held at depreciated replacement cost in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The last revaluation was carried out as at 31 March 2000 by Driver & Norris Surveyors – Mr. A.G.Harding, B.SC(Hons). ARICS. There has been no material change in value since this date.

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

ASHBURTON GROVE/HORNSEY STREET RELOCATION

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. Leases from Ashburton Properties and LB Islington and to LondonWaste Ltd are now in the agreed form and a contract variation with LondonWaste Ltd is also in the agreed form.

The Authority will not, however, enter into the leases until the new facility at Hornsey Street has received an independent Engineer's Certificate of Practical Completion. The latter is currently expected to be in July 2004.

Ashburton Properties Ltd will be providing the new waste facility at Hornsey Street in exchange for the Authority's land at Ashburton Grove, i.e. at no cost to the Authority.

10. INVESTMENTS – LONDONWASTE LTD

	2004	2003
	£'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 hold 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 RESERVE

	2004
	£'000
Balance at 1 April 2003	1,061
Movement in year	-
Balance at 31 March 2004	1,061

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

	2004
	£'000
Balance at 1 April 2003	21,706
Movement in year	-
Balance at 31 March 2004	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

Year ended 31 March 2004

13. USABLE CAPITAL RECEIPTS RESERVE

	2004 £'000
Balance at 1 April 2003	621
Movement in year	-
	621
Balance at 31 March 2004	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

	2004 £'000
Balance at 1 April 2003	1,113
Movement in year	39
	1,152
Balance at 31 March 2004	1,152

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 2003/4 was £39,311.

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 2003/4 Camden paid £6.386m (2002/3: £4.462m) to the Authority in respect of non-household charges and share of levy. It received payments of £0.487m (2002/3: £0.434m) in respect of recycling credits and £0.249m (2002/3: £0.270m) for the provision of lead borough services. As at 31 March 2004 it held cash of £22.680m (2002/3: £15.373m) 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 2003/4 Haringey paid £5.476m (2002/3: £4.644m) to the Authority in respect of non-household waste charges and share of levy. It received payments of £0.164m (2002/3: £0.154m) in respect of recycling credits and £0.361m (2002/3: £0.248m) for the provision of lead borough services.

17. LEASING AND HIRE PURCHASE

Included within operating expenditure for both 2002/3 and 2003/4 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 £1,073,165 to termination of the lease plus rent reviews.

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

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

	2004	2003
	£	£
Net revenue expenditure	(1,219)	(55)
(Decrease)/increase in debtors	(24)	145
Decrease/(increase) in creditors	(5,113)	1,133
	<u> </u>	<u> </u>
Net cash (inflow)/outflow from revenue activities	<u><u>(6,356)</u></u>	<u><u>1,223</u></u>

19. ANALYSIS OF CHANGES IN NET DEBT

	At beginning of period	Cash flows	Non-cash flow changes	At end of Year
	£	£	£	£
Cash in hand, at bank	<u>15,373</u>	<u>7,307</u>	<u>-</u>	<u>22,680</u>

20. THE EURO

The Authority has considered the impact of the euro. No significant costs have been incurred to date and none are expected in future.

21. EMPLOYEES

In 2003/04 the Authority paid £29,654 to the London Pension Fund Authority (£29,157 in 2002/03) in respect of the added years element of pensions paid to former retired employees. Future payments are estimated to be in the order of £0.540m (subject to actuarial valuation).

INTRODUCTION TO THE GROUP ACCOUNTS Year ended 31 March 2004

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 the 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 2003. 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 £0.970m (2002/3: £0.138m) which is the Authority's share of LondonWaste's profits for the year ended 31 December 2003;
- a group balance sheet which includes the Authority's share of the accumulated reserves of LondonWaste of £4.125m (2002/3 £3.154m). 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 2004

	Note	2004 £'000	2003 £'000
Gross expenditure		39,978	34,678
Gross income		(6,103)	(4,989)
Net cost of services		<u>33,875</u>	<u>29,689</u>
Interest on balances		(951)	(602)
Net operating expenditure of the Authority		<u>32,924</u>	<u>29,087</u>
Share of operating profit of joint venture	1	(970)	(138)
Prior year adjustments	1	0	0
Net operating expenditure of group		<u>31,954</u>	<u>28,949</u>
Transfer to earmarked reserve		39	38
Net levy borne expenditure		<u>31,993</u>	<u>28,987</u>
Levy on constituent authorities		(35,094)	(29,744)
Surplus for the year		<u>(3,101)</u>	<u>(757)</u>
General fund balance			
Opening balance		6,347	6,347
Surplus for the year		3,101	757
Closing balance		<u>10,205</u>	<u>7,104</u>

GROUP BALANCE SHEET
Year ended 31 March 2004

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
FIXED ASSETS					
Tangible fixed assets			1,061		1,061
Investments in joint venture – LondonWaste Ltd					
Share of gross assets	2	39,033		38,052	
Share of gross liabilities	2	(12,056)		(12,045)	
			26,977		26,007
			28,038		27,068
NET CURRENT ASSETS					
Current assets			23,258		15,975
Current liabilities			(15,404)		(10,291)
NET CURRENT ASSETS					
			7,854		5,684
TOTAL ASSETS LESS CURRENT LIABILITIES					
			35,892		32,752
Financed by					
Fixed asset restatement reserve			1,061		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			1,152		1,113
General fund balance			10,205		7,104
TOTAL EQUITY					
			35,892		32,752

GROUP STATEMENT OF TOTAL MOVEMENT IN RESERVES
Year ended 31 March 2004

	Fixed Asset Restate- ment Reserve £'000	Capital Revalua- tion Account £'000	Share Premium Reserve	Usable Capital Receipts Reserve £'000	Earmarked Reserves £'000	General Fund Balance £'000	Total £'000
As at 1 April 2003	1,061	21,706	1,147	621	1,113	7,104	32,752
Surplus for the year	-	-	-	-	-	3,140	3,140
Prior year adjustment	-	-	-	-	-	-	-
Transfers to/from earmarked reserves	-	-	-	-	39	(39)	-
As at 31 March 2004	1,061	21,706	1,147	621	1,152	10,205	35,892

NOTES TO THE GROUP ACCOUNTS
Year ended 31 March 2004

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 2003 the value of this deduction is £0.100m. However, as no dividend has been paid for 2003 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 2003.

The Company has not paid a dividend in 2003/04. 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 2003 £'000	31 December 2002 £'000
FIXED ASSETS		
Tangible assets	47,796	50,065
CURRENT ASSETS		
Stocks	802	763
Debtors	22,267	20,947
Cash at bank and in hand	7,202	4,329
	<u>30,271</u>	<u>26,039</u>
CREDITORS: amounts falling due within one year	(21,952)	(20,370)
NET CURRENT ASSETS	<u>8,319</u>	<u>5,669</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	56,115	55,734
CREDITORS: amounts falling due after more than one year – bank loans	(1,760)	(3,520)
	<u>54,355</u>	<u>52,214</u>
CAPITAL AND RESERVES		
Called up share capital	43,412	43,412
Share premium	2,294	2,294
Profit and loss account	8,649	6,508
TOTAL EQUITY SHAREHOLDERS' FUNDS	<u><u>54,355</u></u>	<u><u>52,214</u></u>

NOTES TO THE GROUP ACCOUNTS

Year ended 31 March 2004

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.