

NORTH LONDON WASTE AUTHORITY AUDIT AND GOVERNANCE COMMITTEE

THURSDAY, 5 DECEMBER 2024 AT 4.00 PM
COUNCIL CHAMBER, TOWN HALL, JUDD STREET, LONDON WC1H 9JE

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SUPPLEMENTARY AGENDA

10. **2022/23 STATEMENT OF ACCOUNTS** (Pages
3 - 6)

Report of the Financial Adviser.

This report is supplemental to the 2022/23 Statement of Accounts paper at agenda item 10 on the agenda published for the Audit and Governance Committee meeting of 5 December 2024 and updates the statement of accounts with additional information in the Accounting Policies section relating to the capitalisation of interest payable on borrowing.

SUPPLEMENTARY AGENDA ENDS
Issued on: 4 December 2024

AGENDA

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NORTH LONDON WASTE AUTHORITY
REPORT TITLE: SUPPLEMENTARY PAPER - 2022/23 STATEMENT OF ACCOUNTS
REPORT OF: THE FINANCIAL ADVISER
FOR SUBMISSION TO: AUDIT AND GOVERNANCE COMMITTEE
DATE: 5 DECEMBER 2024
SUMMARY OF REPORT: This report is supplemental to the 2022/23 Statement of Accounts paper at agenda item 10 on the agenda published for the Audit and Governance Committee meeting of 5 December 2024 and updates the statement of accounts with additional information in the Accounting Policies section relating to the capitalisation of interest payable on borrowing.
RECOMMENDATIONS: The Audit and Governance Committee is recommended to agree the recommendations set out below which update those in the 2022/23 Statement of Accounts report at agenda item 10: <ul style="list-style-type: none">A. Note the draft Audit Completion ReportB. Receive any oral update from the Authority's auditorsC. Authorise the Financial Adviser or the Director of Corporate Services to sign the 2022/23 letter of management representation as drafted at the end of Appendix A; andD. Approve the Authority's 2022/23 Statement of Accounts and Annual Governance Statement in Appendix B as amended by Section 3 of the supplementary paper and authorise the Audit and Governance Committee Chair and Clerk to sign these documents.
SIGNED: Jon Rowney, Financial Adviser DATE: 25 November 2024

1. INTRODUCTION

- 1.1. This paper reports on a change that has been made to the final accounts since the papers were published. At the point that the Authority's auditors, Forvis Mazars issued their Audit Completion report, work was substantially complete. During final checks they have identified one amendment that should be made, relating to the Authority's accounting policies. This does not affect the numbers in the financial statements.

2. ACCOUNTING POLICY

Capitalisation of interest payable during the construction of assets

- 2.1. The Authority's policy in relation to accounting for interest on borrowing is that it capitalises the interest during the construction and commissioning period, until the assets are brought into their intended use. This is allowed under International Accounting Standard 23 – Borrowing costs (IAS 23). Forvis Mazars have identified that the Authority has not included this in the accounting policies section of the Statement of Accounts. IAS 23 also requires that the amount of interest capitalised is reported.
- 2.2. At the reporting date, March 2023, the Authority was capitalising all interest for borrowing in relation to the North London Heat & Power Project (NLHPP) work for EcoPark South and the Energy Recovery Facility. Total borrowing was exactly £1 billion, of which £970m was for the NLHPP. The amount of interest capitalised on this borrowing in 2022/23 was £16.193m. The comparative amount for 2021/22 was £5.984m. The year-on-year increase is due to a significant amount of borrowing that was taken in the last four months of the 2021/22, once the contract to build the Energy Recover Facility was signed.

3. AMENDMENTS TO THE PUBLISHED DRAFT ACCOUNTS –

- 3.1. An amendment has been made to the Accounting Policies section of the draft accounts, with only the section on Financial Liabilities within the Financial Instruments paragraphs on page 21 of the statements in Appendix B having been changed. Previously it read:

Financial Instruments

Financial Liabilities

- 3.2. Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges

to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was initially recognised.

- 3.3. All of the Authority's borrowing is with the Public Works Loan Board. The amount presented in the balance sheet is the outstanding principal payable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
- 3.4. The first paragraph above 3.2 is unchanged, however the second paragraph 3.3 has been amended to read:
- All of the Authority's borrowing is with the Public Works Loan Board. The amount presented in the balance sheet is the outstanding principal payable (plus accrued interest). Interest on borrowing for assets that are in use are charged to the Comprehensive Income and Expenditure Statement. Interest on borrowing for assets that were being constructed or being commissioned and therefore not in use at the balance sheet date are capitalised and included in assets under construction on the balance sheet. The value of interest capitalised in assets under construction in 2022/23 was £16.193m (2021/22: £5.984m).
- 3.5. Forvis Mazars have reviewed the change above and have confirmed that they are content with the amendment.

4. CONCLUSION

- 4.1. Subject to the auditor providing an oral update, Members are asked to:
- 4.1.1. note the Audit completion report;
- 4.1.2. authorise the Financial Adviser or Director of Corporate Services to sign the 2022/23 letter of management representation; and
- 4.1.3. approve the Authority's 2022/23 Statement of Accounts and Annual Governance Statement complete with the change identified in this paper and authorise the Audit and Governance Committee Chair and Clerk to sign these documents.

5. EQUALITIES IMPLICATIONS

- 5.1. There are no equalities implications arising from this report.

6. COMMENTS OF THE LEGAL ADVISER

- 6.1. The Legal Adviser has been consulted in the preparation of this report and comments have been incorporated.

List of documents used:

North London Waste Authority statement of accounts 2022/23

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