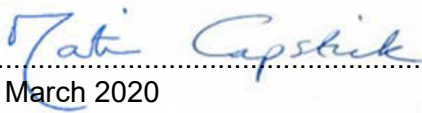


Information contained in this report is exempt because it falls within Category 3 of Schedule 12A Local Government Act 1972 (as amended). The Proper Officer has considered all the circumstances of the report and is of the view that on balance the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Exempt Information Category 3 – Information relating to the financial or business affairs of any particular person, including the authority holding that information, and not required to be registered under various statutes: the reasons why the public interest favours withholding the information are that the release of such information would prejudice the Authority's conduct of a commercial operation OR because the disclosure of the information is likely to prejudice the commercial interests of the Authority and organisations engaged in commercial activities as the information related to commercial activities that are conducted in a competitive environment.

NORTH LONDON WASTE AUTHORITY
REPORT TITLE: GOVERNANCE OF LONDONENERGY LTD
REPORT OF: MANAGING DIRECTOR
FOR SUBMISSION TO: MEMBERS FOR CONSULTATION AND DECISION BY CLERK OR MANAGING DIRECTOR
DATE: 2 April 2020
SUMMARY OF REPORT: This provides a regular report on the Governance of LondonEnergy Ltd. Following consultation with Members, decisions will be taken by the Clerk or Managing Director.
RECOMMENDATIONS: Members are recommended to comment on the report, and in particular on A. the comments on the Company's performance and activities B. the report for the two months January and February 2020 on the Company's activities at Appendix A.
SIGNED:  Managing Director DATE: 23 March 2020

1. INTRODUCTION

- 1.1. Following decisions made at the February 2010 meeting of the Authority covering a range of issues connected with the control of LondonEnergy Ltd (LEL) by the Authority, this is the regular report to up-date Members on the governance of the Company and its financial performance.
- 1.2. The Authority team manage a close relationship with LondonEnergy Ltd, providing both challenge and support. The LEL executives and board have the key responsibility to deliver their services and to operate in a cost effective manner. The relationship with the Authority ensures that there is constructive exchange of information between both organisations on strategic issues.

2. QUARTERLY REPORTS

- 2.1. LEL provides quarterly reports to the Authority covering the financial performance of the Company and the main operational issues experienced. This provides shareholder information to enable members to be briefed on key information concerning the operation of LondonEnergy Ltd. The report covering the period from 1 January 2020 to 29 February 2020 is at Appendix A.
- 2.2. The Company's operational result is a profit for the first two months of the year of [REDACTED] against a budgeted profit of [REDACTED].
- 2.3. Revenue was worse than budget by [REDACTED], disposal costs were better than budget by [REDACTED] (1.0%), direct operating costs excluding depreciation were worse than budget by [REDACTED] (1.0%) and overheads were [REDACTED] (5.5%) better than budget.
- 2.4. The revenue position of [REDACTED] reflects on budget NLWA waste tonnages with Hendon tonnages above budget offset by lower other NLWA tonnages and increased third party waste being treated, offset by lower revenues from Hertfordshire and metal recovery.
- 2.5. Direct operational costs of [REDACTED] for the period were slightly above budget, with an adverse variance of [REDACTED].
- 2.6. Overhead costs of [REDACTED], [REDACTED] better than budget, include NLHPP costs incurred by LEL with the income recovery being accounted for in operational revenue. The overhead costs also include [REDACTED] in support of the defined benefit pension scheme deficit reduction plan.
- 2.7. The profit and loss account for the year to date is set out in the following table:

		January and February 2020		
		Actual	Budget	Variance
		£000's	£000's	£000's
Revenue				
Disposal costs				
Direct costs				
Overheads				
Profit before depreciation interest & tax				
Depreciation				
Interest				
Profit before tax				

2.8. The Company's auditors, BDO, have completed the annual audit of the financial statements for the year 2019. No issues were reported.

3. RESPONSE TO CORONAVIRUS PANDEMIC

3.1. The Company has produced a service continuity plan to mitigate the effects of the coronavirus pandemic. This is appended to this report for information. This is the position as at 23 March. As coronavirus cases increase, the importance grows of having an excellent up-to-date understanding of the position in both collection and disposal authorities, to ensure coherence of the overall waste system. Therefore LEL has increasingly provided real time information to NLWA and boroughs to

shorten communications chains. This is being reflected in daily briefings from 23 March, which are referenced in the services update paper for this meeting. We shall ensure that information on the latest position is provided for 2 April, including as far as possible potential cost consequences.

- 3.2. In addition to this a number of Company-wide measures have been put in place.
- 3.3. Temperature testing is taking place at point of entry to all Company sites for employees, contractors and visitors (Note: Members of the public visiting RRCs are not temperature tested and, currently, Borough RCV crews are not being temperature tested). Anyone with a temperature above 38degreesC is refused admittance and given written advice on their next steps.
- 3.4. All visits to Company sites have been cancelled with the exception of essential visits which must have been approved in advance by a Director. Cooperation on NLHPP project work is ongoing – see section 5 below – the requirement for LEL Director approval for any access on site applies to NLHPP visits.
- 3.5. There is a protocol in place for all staff who are unwell or have a family member who is unwell.
- 3.6. Unless necessary all meetings, including internal meetings, to take place on Teams. Face to face meetings only in small numbers with social distancing protocols observed.
- 3.7. COVID-19 updates being sent to all staff whenever the Government guidelines are changed.
- 3.8. A daily management briefing is in place at 8am to assess the up to date situation.
- 3.9. A weekly all company meeting is in place for any employee to join (by Teams or phone) to update staff, answer questions and exchange views.
- 3.10. All staff given a letter confirming they have key worker status. This enables them to confirm childcare with schools and local authorities.
- 3.11. All staff given a letter from NLWA confirming they are key workers with a requirement to travel to and from work, in case restrictions to travel are introduced.
- 3.12. Staff home working has been considered and rotas are in place for the small numbers of staff who can work remotely. A home working policy has been given to applicable staff members.
- 3.13. Home working rotas are in place for senior management where possible to maximise availability of fit to work staff.
- 3.14. Company training and events have been postponed until September, including externally delivered START Safely training with internal online training replacing it in the near term. Only essential safety training will take place on a face to face basis.

- 3.15. A contingency plan is in place to review the work being undertaken during outages, to mitigate for possible shortages of skilled labour in contractor teams to complete the works. The boiler outages will still need to be conducted in order to meet statutory inspections and safety critical work.
- 3.16. LEL's capital projects have been reviewed and deferred if there is deemed to be a COVID-19 threat to their completion.
- 3.17. Cash flow scenarios are being modelled to ascertain potential liquidity issues.
- 3.18. The company executive directors will continually assess the situation and make the necessary adjustments to the operation of the business.

4. FUTURE FINANCIAL SUSTAINABILITY

- 4.1. The company has requested a reminder that it has proposed increases in the gate fee to be put in a sustainable financial position, with annual profits before tax around £1m to £1.5m. The Authority agreed in December that gate fees for tonnages transferred from Hendon to the EcoPark should be increased, and this was implemented from January 2020. The company also proposed that from January 2022 the gate fee be increased to [REDACTED] at January 2020 prices, with a further additional [REDACTED] charged from January 2024. The additional charge would be subject to review in advance of its introduction.
- 4.2. Such an increase would yield the results for LEL set out in the table below and would increase costs to NLWA by approximately £3m per year:

	2021	2022	2023	2024	2025
Revenue	[REDACTED]				
Profit before Tax					
PBITDA					
Cash					

- 4.3. Consideration of gate fees is proposed for the June meeting, preceded by consideration in the Member Finance Working Group.

5. NORTH LONDON HEAT AND POWER PROJECT (NLHPP)

- 5.1. LEL is coordinating with the Authority to ensure the safety of works impinging on the EcoPark, including work on the Northern Access Road (Deephams Farm Road) and exploratory work for the EcoPark South and sewer diversion contracts.
- 5.2. Joint planning is being undertaken on amendments to LEL's operations including the move of the transport yard to Hawley Road, on which construction work is now under way.

6. HEALTH & SAFETY

- 6.1. The Board of LondonEnergy Ltd is legally responsible for Health and Safety matters and closely monitors the Company's performance.
- 6.2. There were no reportable accidents or dangerous occurrences during the quarter.

7. PUBLIC RELATIONS

- 7.1. There have been four compliments and four complaints in the quarter. The compliments relate the helpfulness and knowledge of staff and tidiness and cleanliness of the recycling and re-use centres. Three complaints are in relation to information on the website regarding what is accepted for disposal at the sites and the opening hours of the re-use shop. The fourth complaint was made by a customer who had asked for assistance in removing an item which had been transported on the car roof. She subsequently complained that the operative, in assisting, had damaged the roof. These complaints are currently under investigation

8. LONDONENERGY LTD BOARD

- 8.1. The following directors served during the period:
- 8.2. Paul Wynn (Chairman)
- 8.3. Ray Georgeson (Non-executive Director)
- 8.4. Don Lloyd (Non-executive Director)
- 8.5. Tania Songini (Non-executive Director)
- 8.6. Ulla Rottger (Non-executive Director)
- 8.7. Peter Sharpe (Managing Director)
- 8.8. Mary Czulowski (Finance Director)
- 8.9. Jim Kendall (Operations Director)

9. LONDONENERGY LTD BOARD MINUTES

- 9.1. Signed copies of Board minutes are submitted to meetings of the Authority for Information. The LEL signed Board minutes for meetings held since the last meeting of the Authority can be found at Appendix A.

10. COMMENTS OF THE LEGAL ADVISER

[Redacted]

11. COMMENTS OF THE FINANCIAL ADVISER

- 11.1. Officers are working with LEL counterparts to agree a proposal to be brought to a meeting of the Member Finance Working Group in advance of the June Authority meeting. This will include a work though of any additional costs to the Authority so that the cost to individual Boroughs can be brought to Members.
- 11.2. As mentioned in Paragraph 3.17, the Authority will discuss the outcomes of the cash flow scenario modelling to understand the impacts and any actions that LEL and the Authority would need to take as a result.

Contact officer:

Martin Capstick
Managing Director
North London Waste Authority
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25 Ashley Road
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London
N17 9LJ

Tel: 020 8489 5730

E-mail: post@nlwa.gov.uk

LondonEnergy Service Continuity Plan – As at 21st March 2020
Degraded Operations
Outline Plan – External Service Outputs Only

Aims

The aims of this plan are:

- Safety, health and well-being of LEL staff, contractors and public
- Compliance with Government guidance and policy on COVID-19
- Compliance with environmental permits and other regulation
- Continuity of maximum practical level of service

Priorities for Service Delivery

1. Maintenance of long-term operation of EfW (Critical)
2. Maintenance of long-term service delivery by LEL (Critical)
3. Safe operation of EfW at reduced capacity (Critical)
4. Safe operation of EfW at full capacity (Critical)
5. Safe operation of bulking and fuel preparation at EcoPark (Critical)
6. Safe operation of receipt of MSW and transfer of MSW to FCC by rail at Hendon (Critical)
7. Safe operation of MSW receipt and bulking at Hornsey St (Critical)
8. Safe operation of receipt and bulking of recyclates at Hornsey St (Highly Desirable)
9. Safe operation of receipt and bulking of recyclates at Hendon (Highly Desirable)
10. Safe operation of RRCs (Desirable)
11. Safe operation of Reuse shop (Discretionary)

Sickness Level

As at 18/3/20 the LEL total sickness/absence level is 10%. The increase in recommended self-isolation period from 7 days to 14 days will prolong absence periods. We are also experiencing a steady daily increase in absence. On the basis of the increased self-isolation period and the increasing sickness/absence level the following sickness/absence levels are expected (note: a more 'exponential' increase in infection rate as experienced in Italy would increase these levels):

Week commencing 23/3/20 – 15%

Week commencing 30/3/20 – 20%

It is prudent to plan for this level of sickness/absence to last for 12-16 weeks in-line with PHE assumptions.

DEGRADATION OF SERVICE PLAN

Ser	Action	When	Comment
1	Essential visits and meetings only at LEL Sites	9/3/20	Until at least 31/3/20 any visit needs to be approved by Exec Director
2	Daily temperature check of all person access to LEL sites	18/3/20	Access refused to any person with temp 38degC or greater (or refuses to take test). Exemptions are RCV crews and public visiting RRCs
3	Reuse Shop at Kings Road to close	Proposed 20/3/20	Reuse shop is non-essential service that increases public footfall into Kings Road and public in Reuse Shop dwell in shop increasing infection risk. Some shop staff also in 'at risk' group
4	Stop further van bookings and acceptance of charity waste at RRCs	Proposed 20/3/20	Stopping this service will reduce footfall at RRCs and therefore reduce risk of infection.
5	Hornsey St RRC to close	Proposed 24/3/20	RRC staff at risk of infection due to public access onto site. Hornsey St transfer station is key asset in support of MSW receipt and transfer. Colocation of RRC and Transfer Station and allowing public onto site increases risk of infection of Hornsey St staff. Closure of RRC will allow redeployment of RRC staff to cover sickness levels in Transfer Station. Mobile plant and Hooklift vehicles can be redeployed increasing resilience of critical services
6	Kings Road & Western Road or Regis Road RRC to close	When required by sickness levels in critical services or risk assessment Closure likely to be short-notice	RRC staff at risk of infection due to public access onto site. Closure of RRC will allow redeployment of RRC staff to cover sickness levels in Transfer Stations/EcoPark. Mobile plant and Hooklift vehicles can be redeployed increasing resilience of critical services.
7	Temperature check of all public wanting to enter an RRC	When required by Risk Assessment	Access refused to any person with temp 38degC or greater (or refuses to take test). In order to conduct testing RRC staffing would need to be increased by 1-2 staff

8	Regis Road or Western Road RRC to close	When required by sickness levels in critical services or risk assessment Closure likely to be short-notice	RRC staff at risk of infection due to public access onto site. Closure of RRC will allow redeployment of RRC staff to cover sickness levels in Transfer Stations/EcoPark. Mobile plant and Hooklift vehicles can be redeployed increasing resilience of critical services. LEL will seek to reinforce approx. 2-3 RRCs across NLWA area in order to maintain RRC service to the public whilst achievable
9	Summers Lane RRC and South Access	When required by sickness levels in critical services or risk assessment Closure likely to be short-notice	RRC staff at risk of infection due to public access onto site. Closure of RRC will allow redeployment of RRC staff to cover sickness levels in Transfer Stations/EcoPark. Mobile plant and Hooklift vehicles can be redeployed increasing resilience of critical services. LEL will seek to reinforce approx. 2-3 RRCs across NLWA area in order to maintain RRC service to the public whilst achievable
10	Stop receipt of reyclates at Hendon	When required by level of MSW in Transfer Station	To maintain capacity for critical receipt of MSW and transfer by train. Recyclates will be either need to stop being collected separately or direct delivered
11	Stop receipt of recyclates at Hornsey St	When required by level of MSW in Transfer Station	To maintain capacity for critical receipt of MSW and transfer by road. Recyclates will be either need to stop being collected separately or direct delivered
12	Stop receipt of recyclates at EcoPark	When required by level of MSW in Transfer Station	To maintain capacity for critical receipt of MSW and transfer by road. Recyclates will be either need to stop being collected separately or direct delivered
13	Temporarily stop receipt of MSW at Hornsey St	When unable to maintain safe staffing level or EfW unable to accept MSW	RCVs will need to direct deliver to EcoPark
14	Temporarily stop receipt of MSW at Hendon	When unable to	RCVs will need to direct deliver to EcoPark

		maintain safe staffing level or EfW unable to accept MSW	
15	Temporarily stop receipt of MSW at EcoPark	When unable to maintain safe staffing level or EfW unable to accept MSW	RCVs will need to direct top away to landfill
16	Review level of EfW planned outage work to be undertaken in 2020	Periodic review Next review on 19/3/20	EfW planned outage will reduce level capacity at EfW. Increased level of landfill/3 rd party treatment required
17	Reduce default shift manning in EfW from 7 to 6	Guidance to SMs. SM decision	Reduced capacity (approx. 10%) per shift
18	EfW management and EfW safety staff employed into shift rota	Under direction of Hd of EC/Ops Manager	To maintain EfW capacity at risk to level of supervision
19	Reduce number of cranes/boilers being operated in EfW	Unable to staff EfW shift to 6 x pers Under direction of SM/Hd EC/Ops Manager	Reduced EfW capacity. Increased requirement for landfill/3 rd party treatment. May need to divert borough MSW deliveries away from EcoPark to landfill
20	Temporarily stop EfW operations	Unable to staff EfW shift to safe level	Depending on predicted length of stoppage may need to divert borough MSW deliveries away from EcoPark to landfill
21	Review NLHPP activity on EcoPark	When dictated by Risk Assessment	Risk Assessment of risk of infection of LEL staff being increased by NLHPP activities on the EcoPark. Discussion between NLWA and LEL to decide upon priority of current services and NLHPP activities

Outline Planning Assumptions

Outline planning assumptions are set out below. **Please note that manning/tonnages levels are impacted upon by a combination of factors so the figures are for outline planning purposes and should not be read as definitive or solely supporting decision points.**

Waste Transfer Station Staffing

EcoPark:

Normal staffing – 19 for day shift; 2 for night shift

Minimum staffing – 15 for day shift (including 8 x mobile plant operators); 2 for night shift

Hornsey St:

Normal staffing – 8 for two shifts

Minimum staffing – 5 for each shift (including 3 x mobile plant operators)

Hendon:

Normal staffing – 10

Minimum staffing – 7 (including 2 x mobile plant operators & 2 x overhead crane operators)

Increased staffing (FTE) and mobile plant made available from RRC closure to improve resilience for critical services:

Kings Road – 4 (including 2 x mobile plant operators and 1 x JCB)

Western Road – 6.2 (including 2 x mobile plant operators and 1 x JCB)

Hornsey Street – 8 (including 4 x mobile plant operators and 1 x JCB)

Regis Road – 6.2 (including 2 x mobile plant operators and 1 x JCB)

Summers Lane – 10.4 (including 4 x mobile plant operators and 1 x 360)

South Access – 6.2 (including 3 x mobile plant operators and 1 x JCB)

Note: Closure of RRCs also releases hooklift vehicles to support the movement of MSW from Hendon/Hornsey St to EcoPark to either increasing tonnage on wheels capacity or, more likely, mitigate for sickness levels in Bulker drivers.

Maximum Planning Tonnage Levels

EcoPark:

Max MSW capacity – 1200 tonnes

Hornsey St:

Max MSW capacity to retain DMR capacity – 1000 tonnes

Max MSW capacity with no DMR – 1500 tonnes

Hendon:

Max MSW capacity to retain DMR capacity – 1500 tonnes

Max MSW capacity with no DMR – 2100 tonnes

APPENDIX A: QUARTERLY REPORT TO NORTH LONDON WASTE AUTHORITY



LondonEnergy

Powering the Circular Economy

Quarterly Report to North London Waste Authority

Two months January and February 2020



LondonEnergy Limited

Quarterly Report to North London Waste Authority

Two months January and February 2020

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- 6.1. Update on communications

APPENDIX A

Signed Board Minutes – January 2020

APPENDIX B

LondonEnergy Service Continuity Plan

1 **EXECUTIVE SUMMARY**

Overview of the Period

The Company's operational result is a profit for the first two months of the year of [REDACTED] against a budgeted profit of [REDACTED].

Revenue was worse than budget by [REDACTED], disposal costs were better than budget by [REDACTED] (1.0%), direct operating costs excluding depreciation were worse than budget by [REDACTED] (1.0%) and overheads were [REDACTED] (5.5%) better than budget.

The revenue position of [REDACTED] reflects on budget NLWA waste tonnages with Hendon tonnages above budget offset by lower other NLWA tonnages and increased third party waste being treated, offset by lower revenues from Hertfordshire and metal recovery.

Direct operational costs of [REDACTED] for the period were slightly above budget, with an adverse variance of [REDACTED].

Overhead costs of [REDACTED], [REDACTED] better than budget, include NLHPP costs incurred by LEL with the income recovery being accounted for in operational revenue. The overhead costs also include [REDACTED] in support of the defined benefit pension scheme deficit reduction plan.

The full quarterly report will be submitted at the next authority meeting.

2019 Audit

The audit of the Company's financial statements for 2019 has been completed. There were no issues.

TA2 Insurance Claim

A final claim for business interruption loss has been made by the Company and is currently being assessed by Zurich. In the financial statements for the year 2019 the Company has recognised the expected payment of the property damage claim in full and the business interruption claim at 70% of the value of the claim.

1.1. Key Year to Date Financial Indicators

January and February 2020			
	Actual	Budget	Variance
	£000's	£000's	£000's
Revenue			
Disposal costs			
Direct costs			
Overheads			
Profit before depreciation interest & tax			
Depreciation			
Interest			
Profit before tax			

Year to Date Financial Indicators

[Revenue and Contribution YTD Summary dashboard redacted]

[Cost & Contribution YTD Summary dashboard redacted]

Key Events/Activities/Performance Issues

The Company has put in place a number of measures to try and mitigate for the coronavirus pandemic issues focusing on continuation of service delivery.

The Company has produced a service continuity plan to mitigate the effects of the coronavirus pandemic. This is appended to this report for information.

In addition to this a number of Company-wide measures have been put in place.

Temperature testing is taking place at point of entry to all Company sites for employees, contractors and visitors (Note: Members of the public visiting RRCs are not temperature tested and, currently, Borough RCV crews are not being temperature tested). Anyone with a temperature above 38degreesC is refused admittance and given written advice on their next steps.

All visits to Company sites have been cancelled with the exception of essential visits which must have been approved in advance by a Director. This includes all NLHPP visits.

There is a protocol in place for all staff who are unwell or have a family member who is unwell.

Unless necessary all meetings, including internal meetings, to take place on Teams. Face to face meetings only in small numbers with social distancing protocols observed.

COVID-19 updates being sent to all staff whenever the Government guidelines are changed.

A daily management briefing is in place at 8am to assess the up to date situation.

A weekly all company meeting is in place for any employee to join (by Teams or phone) to update staff, answer questions and exchange views.

All staff given a letter confirming they have key worker status. This enables them to confirm childcare with schools and local authorities.

All staff given a letter from NLWA confirming they are key workers with a requirement to travel to and from work, in care restrictions to travel are introduced.

Staff home working has been considered and rotas are in place for the small numbers of staff who can work remotely. A home working policy has been given to applicable staff members.

Home working rotas are in place for senior management where possible to maximise availability of fit to work staff.

Company training and events have been postponed until September, including externally delivered START Safely training with internal online training replacing it in the near term. Only essential safety training will take place on a face to face basis.

A contingency plan is in place to review the work being undertaken during outages, to mitigate for possible shortages of skilled labour in contractor teams to complete the works. The boiler outages will still need to be conducted in order to meet statutory inspections and safety critical work.

Capital projects have been reviewed and deferred if there is deemed to be a COVID-19 threat to their completion.

Cash flow scenarios are being modelled to ascertain potential liquidity issues.

The Executives will continually assess the situation and make the necessary adjustments to the operation of the business.

Operational Activity

The first two months of the year have been above budget in terms of waste throughput and generated and exported electricity with most of the key indicators better than budget. However, high levels of oversized metal in the waste caused a significant number of blockages which also resulted in unplanned outages and unburnt waste.

Waste tonnages being received are lower in the period than previously experienced.

No waste has been sent to landfill or to RDF facilities in the period.

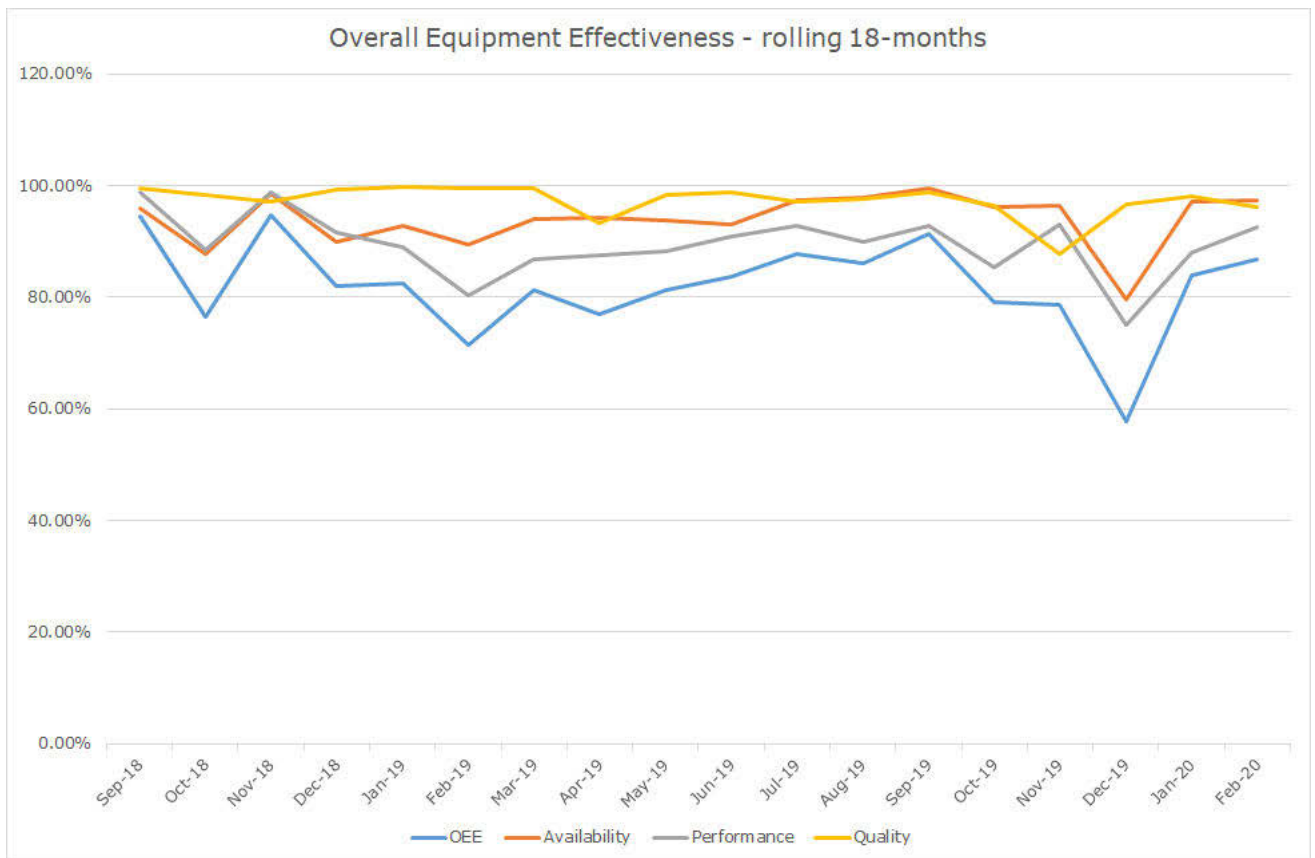
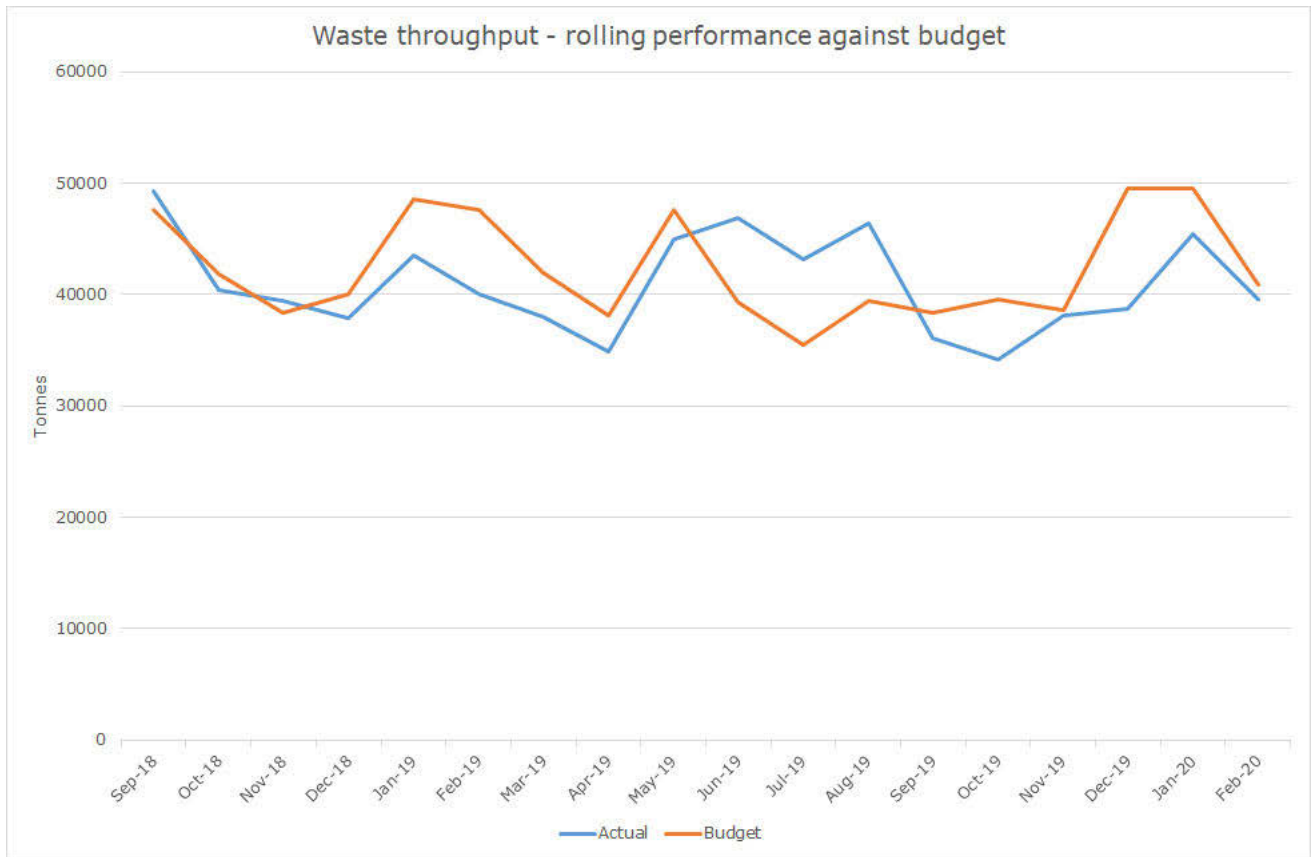
The main operating indicators for the period are:

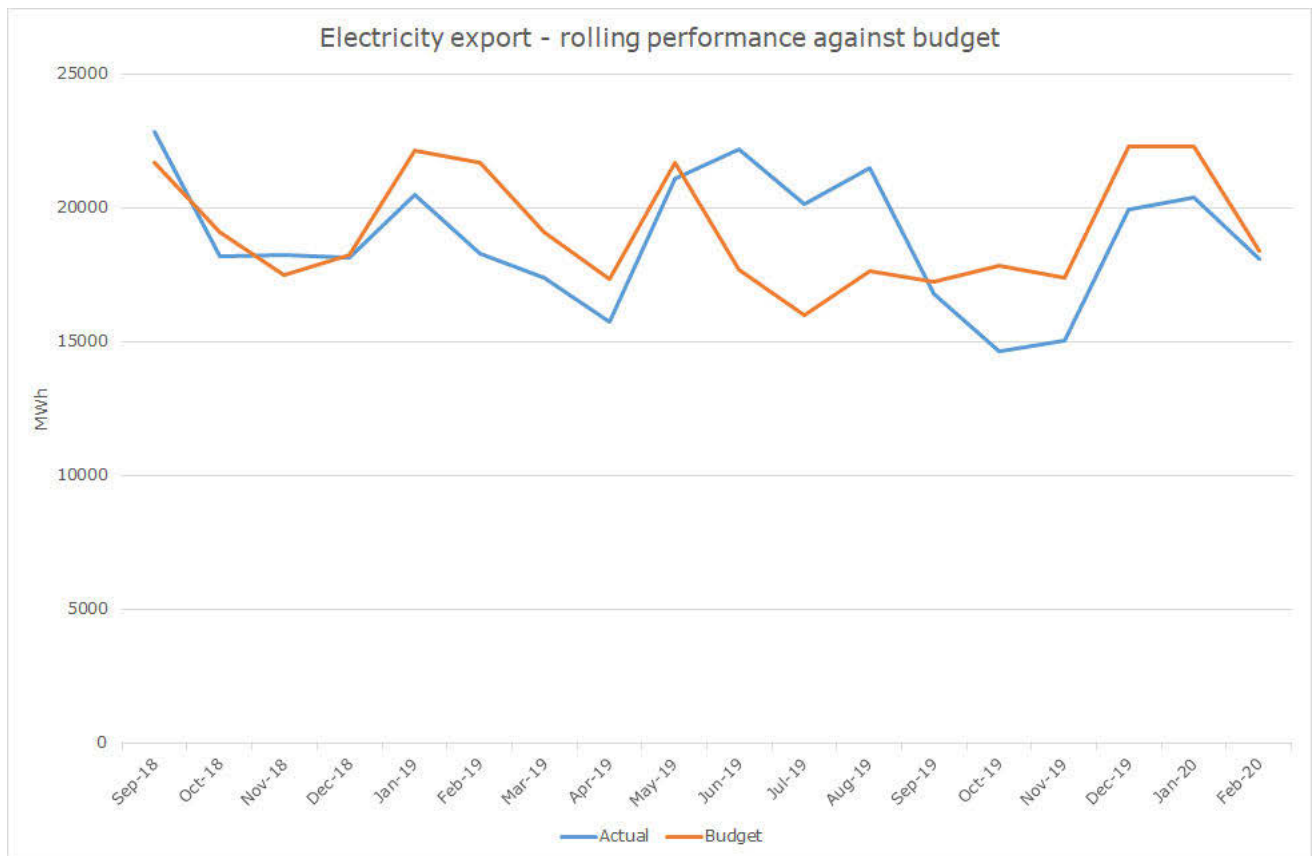
	January and February 2020	Variance to Budget (+/better -/worse)
Boiler Availability	97.3%	+2.2%
Throughput	13.6 tonnes/hr	-1.8%
Incineration	95,106 tonnes	+0.39%
Electricity Generated	50,644 MWh	+1.25%

Electricity Exported	44,024 MWh	+1.75%
Disposal	0 tonnes	+1,698 tonnes
Total tonnage received	126,564 tonnes	-0.6%

Year to Date Operational Indicators

	January and February 2020	
	Actual	Budget
Total tonnes handled	126,564	127,476
Incinerated	97,966	94,734
Disposal	0	1,698
Recycled/recovered	28,598	31,044
Total	126,564	127,476
Percentage Diverted from landfill	100.0%	99.8%





2. OPERATIONS

2.1 Commercial and Operational Developments

Electricity Contract – Kinect

Kinect traded in accordance with the agreed strategy.

Procurement

Procurement is as set out in the business plan.

RRCs

The RRC recycling rate for the period was 74.5% which is a 1.2% increase on the same period last year and continues to represent a very high recycling rate.

Transport

No prohibition notices have been issued.

2.2 Key Technical Issues

The Company is reviewing the impact on operational maintenance and capital projects resulting from the coronavirus pandemic.

Environmental

There were minor exceedances/breaches of our half hourly and daily limits in the period.

There were two exceedances submitted to the EA; TOC due to poor combustion, SO₂ and HCL due to shredded plastics from third party.

All monthly reports have been submitted as required by the Company's Permit.

2.4 Long-term issues including variance from Business Plan

Except as stated in this report, there have been no variances from the Business Plan to report.

2.5 Staffing Issues

The Company is dealing with the issues resulting from the Coronavirus pandemic. The Company's plan service continuity plan is appended to this report.

FINANCE

3.1 Management Accounts for the Period

	January and February 2020		
	Actual	Budget	Variance
	£000's	£000's	£000's
Revenue			
Disposal costs			
Direct costs			
Overheads			
Profit before depreciation interest & tax			
Depreciation			
Interest			
Profit before tax			

The Company's operational result is a profit for the first two months of the year of [REDACTED] against a budgeted profit of [REDACTED].

Revenue was worse than budget by [REDACTED], disposal costs were better than budget by [REDACTED] (1.0%), direct operating costs excluding depreciation were worse than budget by [REDACTED] (1.0%) and overheads were [REDACTED] (5.5%) better than budget.

The revenue position of [REDACTED] reflects on budget NLWA waste tonnages with Hendon tonnages above budget offset by lower other NLWA tonnages and increased third party waste being treated, offset by lower revenues from Hertfordshire and metal recovery.

Direct operational costs of [REDACTED] for the period were slightly above budget, with an adverse variance of [REDACTED].

Overhead costs of [REDACTED], [REDACTED] better than budget, include NLHPP costs incurred by LEL with the income recovery being accounted for in operational revenue. The overhead costs also include [REDACTED] in support of the defined benefit pension scheme deficit reduction plan.

Balance Sheet as at 29th February 2020

Main Group Name	February 2020	January 2020	December 2019	February 2019
£000				
Fixed Assets				
Working Capital				
Cash				
Total				
Other Liabilities				
Borrowings				
Total				
Total				

At 29th February 2020, total trade debtors amounted to [REDACTED] of which [REDACTED] related to NLWA and [REDACTED] to third party customers. 33% of third party debtors was not yet due and a further 52% was between 0 and 30 days overdue. There were no new liquidations during the quarter and no old, uncollectable debts were written off during the period.

The full quarterly report will be submitted at the next authority meeting.

TA2 Insurance Claim

A final claim for business interruption loss has been made by the Company and is currently being assessed by Zurich. In the 2019 financial accounts the Company has recognised the expected payment of the property damage claim in full and the business interruption claim at 70% of the value of the claim.

3.2 Staffing Report

The headcount summary shows that as at 29th February 2020 LondonEnergy employed 332 employees compared to the budget of 355.

Sickness Absence

Absence has averaged 2.8% for the period, against a budget of 3% and prior year experience of 2.0%. The results mainly reflect an increase in the level of long term sickness, which is at 1.59% (Prior year: 0.79%).

3.3 Summary of Loans

The Company remained completely debt free in the quarter.

3.4 Amendments to the agreed Business Plan

Other than as set out in this report, there are no amendments to the agreed business plan.

4 SHAREHOLDER MATTERS

4.1 Number and names of directors in period

The following directors served during the period:

- Paul Wynn (Chairman)
- Ray Georgeson (Non-executive Director)
- Don Lloyd (Non-executive Director)
- Tania Songini (Non-executive Director)
- Ulla Rottger (Non-executive Director)
- Peter Sharpe (Managing Director)
- Mary Czulowski (Finance Director)
- Jim Kendall (Operations Director)

4.2 Director attendance at Board meetings

There have been two board meetings in the period and the following table indicates the attendance of individual directors. Mr Capstick attended the meetings as an Observer.

<u>Director</u>	23 rd January	20 th February
Paul Wynn	Present	Present
Ray Georgeson	Present	Present
Don Lloyd	Present	Present
Tania Songini	Present	Present
Ulla Rottger	Present	Present
Peter Sharpe	Present	Present
Mary Czulowski	Present	Present
Jim Kendall	Present	Present
Martin Capstick (Observer)	Present	Present

4.3 Pension Trustees

There were no changes to pension trustees during the quarter. There are three trustees, an independent Chair, one member nominated trustee and one employer nominated trustee.

4.5 LondonWaste Defined Benefit Pension Scheme

The LondonWaste Pension Scheme closed to future accrual on 31st December 2018.

4.6 Insurance Cover

The Company maintains the following insurance policies:

- Property/Business Interruption
- Excess Property/Business Interruption
- Engineering Damage
- Combined Liability
- Excess Employers Liability
- Excess Public Liability
- Motor Fleet
- Business Travel/Personal Accident
- Engineering Inspection

- Directors & Officers
- Pension Trustee Liability
- Environmental Liability
- Cash in Transit

The Company's insurance was renewed as at 31st December 2019.

All insurances except for Property Damage and Business Interruption have been written in full on the same terms as the previous year.

The Company has secured a total of [REDACTED] coverage for business insurance and product damage, on the following terms:

[REDACTED]

This level of insurance is below the requirement laid down in the Shareholder Agreement. The Company previously advised NLWA of the position and that as a result the Main Waste Contract is frustrated in respect of the insurance clause.

4.7 Insurance Claims and Incidents

There have been no insurance claims against the Company in the period.

LEL Claim for Business Interruption and Engineering Damage

The Company has submitted its claim for Business Interruption and Property Damage resulting from the TA2 incident.

Whilst the Property Damage claim has not yet been formally confirmed, it is expected that this will be paid in full.

The BI claim has been rejected at the total claim level. The insurer has made an offer of 70% of the claim, [REDACTED] less than has been claimed. This offer has been rejected by the Company but has been accrued in the financial statements. The Company and its advisors, Willis, continue to have dialogue with the insurer and their advisors.

4.8 Capital and Revenue Expenditure with Business Plan

Other than as set out in this report, capital and revenue expenditures were contained within the limits set by the Business Plan.

4.9 Asset Disposals

No assets with a net book value were disposed of in the quarter to date.

4.10 Borrowing/Lending

There were no borrowings or lending in the quarter.

The Company has agreed a £5,000,000 lending facility with its bank, Lloyds, in accordance with the approval given by the Authority at the meeting of 9th February 2017. The facility is to be used in the event of short term cash flow fluctuations.

The facility is to be securitised by way of a debenture on the Company.

4.11 Legal Proceedings

There was a employment tribunal held in the period. Eighteen months ago the Company dismissed an employee for racist abuse which was uncovered when reported by a whistleblower. The employee withdrew during the tribunal when it was clear that the evidence against him was compelling and that he would lose the case.

5. HSQE

5.1 Update on compliance matters:

There were no prohibition notices, improvement notices or prosecutions in the period.

There have been no reportable or dangerous occurrences during the period.

Prohibition Notices

No prohibition notices were issued in this quarter.

Improvement Notices

No improvement notices were issued in this quarter.

Prosecutions

There are no prosecutions pending.

7. COMMUNICATIONS

Engagement Day

On 6 & 12 February 2020, LEL hosted two graduate engagement days. Eighteen prospective candidates attended.

Graduate Assessment Days will now take place in March and April 2020 remotely.

Tour February 2020

A total of 22 people (up 17% from last month) visited the EcoPark in February. Visits included Islington Council Officers and Members, residents from Waltham Forest and a group of young people on their half-term school break. Future tours have now been cancelled due to the coronavirus pandemic.

Engagement

To support International Women Day 2020 (IWD) on 8 March, a campaign has been produced including a video to celebrate women working at LondonEnergy with the theme of how LEL is working on challenging stereotypes. A series of social media messages with quotes from women working at LondonEnergy has been posted and people across the Company were encouraged to share their pictures and quotes on Twitter, LinkedIn and Instagram.

APPENDIX B

LondonEnergy Service Continuity Plan – As at 21st March 2020 **Degraded Operations** **Outline Plan – External Service Outputs Only**

Aims

The aims of this plan are:

- Safety, health and well-being of LEL staff, contractors and public
- Compliance with Government guidance and policy on COVID-19
- Compliance with environmental permits and other regulation
- Continuity of maximum practical level of service

Priorities for Service Delivery

1. Maintenance of long-term operation of EfW (Critical)
2. Maintenance of long-term service delivery by LEL (Critical)
3. Safe operation of EfW at reduced capacity (Critical)
4. Safe operation of EfW at full capacity (Critical)
5. Safe operation of bulking and fuel preparation at EcoPark (Critical)
6. Safe operation of receipt of MSW and transfer of MSW to FCC by rail at Hendon (Critical)
7. Safe operation of MSW receipt and bulking at Hornsey St (Critical)
8. Safe operation of receipt and bulking of recyclates at Hornsey St (Highly Desirable)
9. Safe operation of receipt and bulking of recyclates at Hendon (Highly Desirable)
10. Safe operation of RRCs (Desirable)
11. Safe operation of Reuse shop (Discretionary)

Sickness Level

As at 18/3/20 the LEL total sickness/absence level is 10%. The increase in recommended self-isolation period from 7 days to 14 days will prolong absence periods. We are also experiencing a steady daily increase in absence. On the basis of the increased self-isolation period and the increasing sickness/absence level the following sickness/absence levels are expected (note: a more 'exponential' increase in infection rate as experienced in Italy would increase these levels):

Week commencing 23/3/20 – 15%

Week commencing 30/3/20 – 20%

It is prudent to plan for this level of sickness/absence to last for 12-16 weeks in-line with PHE assumptions.

DEGRADATION OF SERVICE PLAN

Ser	Action	When	Comment
1	Essential visits and meetings only at LEL Sites	9/3/20	Until at least 31/3/20 any visit needs to be approved by Exec Director
2	Daily temperature check of all person access to LEL sites	18/3/20	Access refused to any person with temp 38degC or greater (or refuses to take test). Exemptions are RCV crews and public visiting RRCs
3	Reuse Shop at Kings Road to close	Proposed 20/3/20	Reuse shop is non-essential service that increases public footfall into Kings Road and public in Reuse Shop dwell in shop increasing infection risk. Some shop staff also in 'at risk' group
4	Stop further van bookings and acceptance of charity waste at RRCs	Proposed 20/3/20	Stopping this service will reduce footfall at RRCs and therefore reduce risk of infection.
5	Hornsey St RRC to close	Proposed 24/3/20	RRC staff at risk of infection due to public access onto site. Hornsey St transfer station is key asset in support of MSW receipt and transfer. Colocation of RRC and Transfer Station and allowing public onto site increases risk of infection of Hornsey St staff. Closure of RRC will allow redeployment of RRC staff to cover sickness levels in Transfer Station. Mobile plant and Hooklift vehicles can be redeployed increasing resilience of critical services
6	Kings Road & Western Road or Regis Road RRC to close	When required by sickness levels in critical services or risk assessment Closure likely to be short-notice	RRC staff at risk of infection due to public access onto site. Closure of RRC will allow redeployment of RRC staff to cover sickness levels in Transfer Stations/EcoPark. Mobile plant and Hooklift vehicles can be redeployed increasing resilience of critical services.
7	Temperature check of all public wanting to enter an RRC	When required by Risk Assessment	Access refused to any person with temp 38degC or greater (or refuses to take test). In order to conduct testing RRC staffing would need to be increased by 1-2 staff

8	Regis Road or Western Road RRC to close	When required by sickness levels in critical services or risk assessment Closure likely to be short-notice	RRC staff at risk of infection due to public access onto site. Closure of RRC will allow redeployment of RRC staff to cover sickness levels in Transfer Stations/EcoPark. Mobile plant and Hooklift vehicles can be redeployed increasing resilience of critical services. LEL will seek to reinforce approx. 2-3 RRCs across NLWA area in order to maintain RRC service to the public whilst achievable
9	Summers Lane RRC and South Access	When required by sickness levels in critical services or risk assessment Closure likely to be short-notice	RRC staff at risk of infection due to public access onto site. Closure of RRC will allow redeployment of RRC staff to cover sickness levels in Transfer Stations/EcoPark. Mobile plant and Hooklift vehicles can be redeployed increasing resilience of critical services. LEL will seek to reinforce approx. 2-3 RRCs across NLWA area in order to maintain RRC service to the public whilst achievable
10	Stop receipt of reyclates at Hendon	When required by level of MSW in Transfer Station	To maintain capacity for critical receipt of MSW and transfer by train. Recyclates will be either need to stop being collected separately or direct delivered
11	Stop receipt of recyclates at Hornsey St	When required by level of MSW in Transfer Station	To maintain capacity for critical receipt of MSW and transfer by road. Recyclates will be either need to stop being collected separately or direct delivered
12	Stop receipt of recyclates at EcoPark	When required by level of MSW in Transfer Station	To maintain capacity for critical receipt of MSW and transfer by road. Recyclates will be either need to stop being collected separately or direct delivered
13	Temporarily stop receipt of MSW at Hornsey St	When unable to maintain safe staffing level or EfW unable to accept MSW	RCVs will need to direct deliver to EcoPark
14	Temporarily stop receipt of MSW at Hendon	When unable to	RCVs will need to direct deliver to EcoPark

		maintain safe staffing level or EfW unable to accept MSW	
15	Temporarily stop receipt of MSW at EcoPark	When unable to maintain safe staffing level or EfW unable to accept MSW	RCVs will need to direct top away to landfill
16	Review level of EfW planned outage work to be undertaken in 2020	Periodic review Next review on 19/3/20	EfW planned outage will reduce level capacity at EfW. Increased level of landfill/3 rd party treatment required
17	Reduce default shift manning in EfW from 7 to 6	Guidance to SMs. SM decision	Reduced capacity (approx. 10%) per shift
18	EfW management and EfW safety staff employed into shift rota	Under direction of Hd of EC/Ops Manager	To maintain EfW capacity at risk to level of supervision
19	Reduce number of cranes/boilers being operated in EfW	Unable to staff EfW shift to 6 x pers Under direction of SM/Hd EC/Ops Manager	Reduced EfW capacity. Increased requirement for landfill/3 rd party treatment. May need to divert borough MSW deliveries away from EcoPark to landfill
20	Temporarily stop EfW operations	Unable to staff EfW shift to safe level	Depending on predicted length of stoppage may need to divert borough MSW deliveries away from EcoPark to landfill
21	Review NLHPP activity on EcoPark	When dictated by Risk Assessment	Risk Assessment of risk of infection of LEL staff being increased by NLHPP activities on the EcoPark. Discussion between NLWA and LEL to decide upon priority of current services and NLHPP activities

Outline Planning Assumptions

Outline planning assumptions are set out below. **Please note that manning/tonnages levels are impacted upon by a combination of factors so the figures are for outline planning purposes and should not be read as definitive or solely supporting decision points.**

Waste Transfer Station Staffing

EcoPark:

Normal staffing – 19 for day shift; 2 for night shift

Minimum staffing – 15 for day shift (including 8 x mobile plant operators); 2 for night shift

Hornsey St:

Normal staffing – 8 for two shifts

Minimum staffing – 5 for each shift (including 3 x mobile plant operators)

Hendon:

Normal staffing – 10

Minimum staffing – 7 (including 2 x mobile plant operators & 2 x overhead crane operators)

Increased staffing (FTE) and mobile plant made available from RRC closure to improve resilience for critical services:

Kings Road – 4 (including 2 x mobile plant operators and 1 x JCB)

Western Road – 6.2 (including 2 x mobile plant operators and 1 x JCB)

Hornsey Street – 8 (including 4 x mobile plant operators and 1 x JCB)

Regis Road – 6.2 (including 2 x mobile plant operators and 1 x JCB)

Summers Lane – 10.4 (including 4 x mobile plant operators and 1 x 360)

South Access – 6.2 (including 3 x mobile plant operators and 1 x JCB)

Note: Closure of RRCs also releases hooklift vehicles to support the movement of MSW from Hendon/Hornsey St to EcoPark to either increasing tonnage on wheels capacity or, more likely, mitigate for sickness levels in Bulker drivers.

Maximum Planning Tonnage Levels

EcoPark:

Max MSW capacity – 1200 tonnes

Hornsey St:

Max MSW capacity to retain DMR capacity – 1000 tonnes

Max MSW capacity with no DMR – 1500 tonnes

Hendon:

Max MSW capacity to retain DMR capacity – 1500 tonnes

Max MSW capacity with no DMR – 2100 tonnes

**Meeting of the Board of Directors
Thursday 24th January at 12.00
Venue: EcoPark, Advent Way, Edmonton, London N18
3AG**

Present

Ms. M. Czulowski, Finance Director & Company Secretary
Mr. R. Georgeson, Non-Executive Director
Mr. J. Kendall, Operations Director
Dr. D. Lloyd, Non-Executive Director
Ms. U. Rottger, Non-Executive Director
Mr. P. Sharpe, Managing Director
Ms. T. Songini, Non-Executive Director
Mr. P. Wynn, Non-Executive Director (Chairman)

Observer

Mr. M. Capstick, NLWA Managing Director

1. Apologies/Quorum

The meeting was quorate. The Chair welcomed Mr Capstick as observer.

2. Declaration of Conflicts of Interest

No Conflicts of Interest were declared.

3. Minutes of the Previous Meeting/Matters Arising

The Minutes from the Board Meeting held on the 21st of November 2019 and 19th December 2019 were considered and approved.

Matters arising from the minutes were:

A clarification was sought regarding [REDACTED] comments on the separation of sand from bottom ash through treatment techniques. It was agreed that the Company will work with Fortis, the new contractor for the processing of bottom ash, to explore new or enhanced technology.

4. Any Other Business

There was none.

5. Outstanding actions

PCBs

██████████ reported that his research on this topic has concluded that the risk to LEL is contained in electrical equipment (switchgear, transformers etc). There was very little use of PCBs in the UK as a sealant in windows, although this was prevalent in the US and Denmark. **The Board requested that further confirmation regarding the risk to LEL was sought from the Head of Energy Centre which ██████████ will obtain and revert to Board.**

KPIs

██████████ will send a copy of the KPIs which were adopted at the November Board meeting for final confirmation. ██████████ confirmed that he is researching the criteria used by the Ellen McCarthy Foundation regarding the circular economy as to whether this would be a useful measure for LEL.

An analysis of emissions is to be included in the HSQE Board report.

6. HSQE (for Noting)

██████████, Head of HSQE, gave a brief introduction of her experience to the Board.

The Board report was noted and discussed, with ██████████ highlighting issues of particular note to the Board.

There has been an increase in reporting with an increase in awareness of asbestos as a result of recent training. ██████████ commented that although incident reporting was up, near misses were down. He added that the ongoing zero RIDDOR indicator was pleasing.

Consultants have been appointed to review the lime dosing process as a result of a number of spillages. In addition, Valmet are undertaking an engineering project to upgrade systems and instrumental controls which is expected to be implemented later this year.

7. Priority Issues

The verbal update of FORS Gold was postponed due to time constraints.

8. Monthly management reports

8.1 Finance and People (for Noting)

The report was noted and discussed.

8.2 Operations (for Noting)

The report was noted and discussed.

██████████ explained the Kinect portfolio reports. They show how LEL is hedged against future price fluctuations, the hedging level and the price performance against the expected market price.

8.3 Central Services (for Noting)

The report was noted.

8.4 Development and Property (for Noting)

The report was noted and discussed.

5. Dates of Next Meeting

20th February 2020
Shareholder Group Meeting at 11.00am
Board Meeting at 12:00 noon

Board Minutes Approval

Signature _____

Name _____

Date _____

██████████

PAUL WYNN

20/02/2020

