


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: AUTHORITY MEETING
DATE: 25 June 2020
SUMMARY OF REPORT: This provides a regular report on the Governance of LondonEnergy Ltd.
RECOMMENDATIONS: The Authority is recommended to: A. note the comments on the Company's performance and activities B. note the report for the First Quarter 2020 on the Company's activities at Appendix A. C. note that the renewal of the Chair's appointment to January 2023 and approve the reappointment of Tania Songini and Ray Georgeson as non-executive directors as set out in as set out in paras 9.2 to 9.4 D. delegate authority to the Clerk, in consultation with the Chair and Vice Chairs, to commission and oversee a review of the relationship between the Authority and LEL as set out in paras 9.5 and 9.6.
SIGNED:  Managing Director DATE: 15 June 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 officer 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 LEL. The report covering the First Quarter of 2020 is at Appendix A. Restrictions on public movements and activities in response to COVID-19 were put in place nationally in the last two weeks of the quarter. The first quarter financial performance was therefore little impacted by these changes.
- 2.2. The Company's operational result is a profit for the first quarter of [REDACTED] against a budgeted profit of [REDACTED].
- 2.3. Revenue was worse than budget by [REDACTED], disposal costs were worse than budget by [REDACTED] (5.5%) and overheads were [REDACTED] (1.5%) better than budget.
- 2.4. The revenue position of [REDACTED] reflects that NLWA waste tonnages were in line with budget. There were lower revenues from Hertfordshire and metal recovery, with some increased third-party waste from other sources being treated.
- 2.5. Direct operational costs of [REDACTED] for the period were above budget, with an adverse variance of [REDACTED], with increased labour and maintenance costs.
- 2.6. Overhead costs of [REDACTED], were [REDACTED] better than budget. The overhead costs 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:

		Quarter One 2020		
		Actual £000's	Budget £000's	Variance £000's
	Revenue			
	Disposal costs			
	Direct costs			
	Overheads			
	Other			
	Profit before depreciation interest & tax			
	Depreciation			
	Interest			
	Profit before tax			

- 2.8. The Company's AGM was held in May 2020, at which the financial statements were approved and the Company's auditors BDO re-appointed.
- 2.9. The Company has revised its budget for the remainder of the year. It was expected that there would be a three week total plant shutdown in August 2020 to install new switchgear. As a result of the impact of COVID-19 on the supply of parts to the manufacturer, the switchgear manufacturer has entered receivership and is unable to deliver its order. The Company is re-tendering the work, but lead time for manufacture means that this work now needs to be scheduled for 2021 at the earliest. The impact of this on the year has been forecast and is reported in the Company's Q2 quarterly report in Appendix 1. The switchgear will be used to supply power to the new resource recovery facility when it is constructed. It had therefore been assumed that the costs of sending waste on more expensive disposal routes during the shutdown would be met by the Authority as a North London Heat and Power Project cost. There will therefore be a saving on project costs in 2020, though the costs will arise when the switchgear is installed on the new timetable.
- 2.10. In late March 2020 there was a fault reported in turbine TA2 which has required an extensive repair. This was mentioned at the consultation meeting with Authority Members on 2 April. The turbine was returned to service at the end of May 2020 after a six week unplanned outage. The Company brought forward the planned boiler maintenance programme to mitigate some of the impact of the turbine outage. Members will be aware that LEL have procured a new reserve turbine - the "House Set". This turbine has now been delivered to the UK and is being stored awaiting installation. Enabling works have begun for the dis-assembly of the current house-set which has to be removed before enabling works for installation of the

new turbine can be undertaken. It is anticipated that the new turbine will be commissioned by the end of November 2020.

3. RESPONSE TO CORONAVIRUS PANDEMIC

- 3.1. The Company has produced a service continuity plan to mitigate the effects of the COVID-19. This was shared with the Authority in the last governance report.
- 3.2. On 24 March re-use and recycling centres were closed in line with the Government's lock-down measures. They were successfully re-opened with a partial service in early May 2020 with a close to normal service being offered from early June. On re-opening, the Company has developed and implemented a customer booking system which has greatly assisted in managing the demand for the service and reduced the traffic queuing and wait times experienced at some other RRCs on reopening.
- 3.3. At the height of the pandemic the Company experienced overall absences of 10%. Some staff were shielding because of health conditions or because they live with people who have such conditions; and some staff were following guidance to stay at home with suspected Covid symptoms. The highest absence levels were amongst recycling centre and maintenance employees. The current overall levels experienced are 3-5%. The Company has been quick to implement protective measures which mitigated the impacts and the ability to have employees tested for the virus has meant that they can return to work more quickly if not tested positive. As noted in the services report, daily reports of disposal and resilience were provided to borough emergency coordination committees. LEL supplied daily briefing information which enabled Authority officers to be aware of developments and to pass on informative reports to boroughs.
- 3.4. Regrettably, one employee has died, having been taken ill on the day in which his company induction took place. This was believed to be as a result of contracting COVID-19, but this occurred before wide-spread testing was available.
- 3.5. Cash flow scenarios have been modelled to ascertain potential liquidity issues as a result of the virus. These have been assessed by BDO who have determined that in the next twelve months Covid-19 does not cause a threat to the Company's going concern status.
- 3.6. The company will undertake the formal external risk assessments in July to ensure that it meets the current Covid Secure requirements.

4. FUTURE FINANCIAL SUSTAINABILITY

- 4.1. NLWA officers are continuing to work with LEL executives to come forward with proposals for future gate fees. These should reflect affordability to local government while also putting the company into a financially sustainable position to see through the life of the existing energy from waste facility. Further exploration is needed. This is expected to be an item for the September Authority meeting following engagement over the summer with borough directors and the Member Finance Working Group.

5. INSURANCE CLAIM

- 5.1. The Company has now settled the claim in relation to the incident by a contractor on site which caused damage in 2018 to turbine TA2.
- 5.2. The total claim was [REDACTED]. This was split between a product damage claim of [REDACTED] and a business interruption claim of [REDACTED].
- 5.3. The settlement agreed was [REDACTED] (this was 85.2% of the sum claimed by the company). The product damage claim was paid in full, after deductibles. The Company received payment of 82.4% of its business interruption claim. The business interruption claim was extremely complex in its calculation, the loss being determined by the daily additional lost steam output over and above all other expected losses arising from operational outages. The period of review included twelve months prior to the incident and the eighteen month period affected by the claim incident. It was important that the company was able to evidence strongly the impact on performance to secure a high proportion of its claim.
- 5.4. The total cost to the Company of the incident is [REDACTED]. Of this, [REDACTED] was for deductibles under the insurance cover and [REDACTED] was the extent of the business interruption claim which was not accepted by insurers.

6. NORTH LONDON HEAT AND POWER PROJECT (NLHPP)

- 6.1. As the project reports confirm, work on site was halted in March as a result of the pandemic, and has now restarted. LEL has been consulted on the EcoPark South Works procurement and the preparations for initiating procurement for the Energy Recovery Facility. The workstream to establish the possibility of allowing partial clearance of the northern area of the EcoPark prior to completion of the EcoPark South construction has depended particularly on close liaison with LEL who have determined the operational impact on the company of options which have been assessed. The costs of temporary facilities to maintain LEL's services will fall to the project budget.

7. HEALTH & SAFETY

- 7.1. The Board of LondonEnergy Ltd is legally responsible for Health and Safety matters and closely monitors the Company's performance.
- 7.2. There were no reportable accidents or dangerous occurrences during the quarter.
- 7.3. Since the end of the quarter but prior to the Authority meeting LEL has received the RoSPA Silver Award, recognising the company's practices and achievements in helping staff, contractors and customers get home safely at the end of the working day. This will be formally reported in the next quarter's company report and is an important achievement to bring to Members' attention.

8. PUBLIC RELATIONS

- 8.1. There have been five 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.

- 8.2. LEL has been accredited as a London Living Wage employer and is entitled to use the logo in its communications.



9. LONDONENERGY LTD BOARD

- 9.1. The following directors served during the period:

- 9.1.1. Paul Wynn (Chairman)
- 9.1.2. Ray Georgeson (Non-executive Director)
- 9.1.3. Don Lloyd (Non-executive Director)
- 9.1.4. Tania Songini (Non-executive Director)
- 9.1.5. Ulla Rottger (Non-executive Director)
- 9.1.6. Peter Sharpe (Managing Director)
- 9.1.7. Mary Czulowski (Finance Director)
- 9.1.8. Jim Kendall (Operations Director)

- 9.2. Paul Wynn was appointed Chair by the Authority on 26 January 2017. The company secretary has advised that the appointment was for six years, with service agreements renewed on a three year basis. His appointment was renewed earlier this year to 26 January 2023.

- 9.3. Tania Songini's appointment as non-executive director and Chair of the Audit and Risk Committee expires on 18 June 2020. Having served one term of 3 years the company seeks to reappoint her. I recommend that the Authority approves Tania Songini's reappointment.

- 9.4. Ray Georgeson is proposed for re-appointment as senior non-executive director on 30 June 2020. Mr Georgeson will have served for over eleven years on his re-appointment. Given this term of office he would not be considered an "independent" director in line with guidance from the Financial Reporting Council. However, the other non-executive directors are still independent in line with the guidance and there is no minimum requirement for independent directors.

[REDACTED] I recommend that the Authority approves Ray Georgeson's reappointment.

- 9.5. As noted in other papers on the agenda, we are approaching key milestones in the North London Heat and Power Project. In the next two months we expect to award the contract for construction of the new resource recovery facility and public reuse and recycling centre, and we expect to start the procurement process for the new energy recovery facility (ERF). While the placing of the ERF procurement advertisement does not bind the authority, it signals an intent and the ramping up of activity both in the procurement and on the site itself. This means the importance continues to grow of LEL facilitating the delivery of the project and agreeing with the Authority its developing plans for operating new facilities. Therefore, with the approach of these milestones, we consider the time is right to examine the structures in place for delivery between NLWA and LEL, especially as several years have passed since the shareholder agreement was last reviewed. In addition to considering long term delivery, it is also crucial that the operational cooperation between the Authority and its wholly owned company LEL should secure successful results for current services. It is good practice from time to time to review and revise the relationship between NLWA and LEL and particularly for the reasons outlined at this time. This enables the Authority - as sole shareholder - to be fully assured that governance between organisations and the carrying out of the company's activities are meeting the Authority's needs and expectations.
- 9.6. Approval is therefore sought to establish a review, reporting to the Clerk and to be led by an individual bringing an external perspective. This will allow the relationship between NLWA and LEL to be updated and refreshed and independently confirmed as fit for purpose. This will provide a renewed basis on which to work together as the North London Heat and Power Project moves towards the critical construction and implementation phases. It is proposed that responsibility for the terms of reference and oversight of the process should be delegated to the Clerk, in consultation with the Chair and Vice Chairs. The results of the independent review will be reported to the Authority together with any recommended actions.

10. LONDONENERGY LTD BOARD MINUTES

- 10.1. 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.

11. COMMENTS OF THE LEGAL ADVISER

[Redacted]

12. COMMENTS OF THE FINANCIAL ADVISER

- 12.1. The Financial adviser has been consulted in the Preparation of this report and comments have been incorporated.

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**APPENDIX A: QUARTERLY REPORT TO NORTH LONDON WASTE AUTHORITY
(MARCH 2020) AND BOARD MINUTES**



LondonEnergy

Powering the Circular Economy

Quarterly Report to North London Waste Authority

Report to March 2020



LondonEnergy Limited

Quarterly Report to North London Waste Authority

Quarter to March 2020

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APPENDIX A

Signed Board Minutes – 1st Quarter 2020

1 **EXECUTIVE SUMMARY**

Overview of the Period

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

Revenue was worse than budget by [REDACTED], disposal costs were worse than budget by [REDACTED] (3.1%) and overheads were [REDACTED] (1.5%) better than budget.

The revenue position of [REDACTED] reflects on budget NLWA waste 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 above budget, with an adverse variance of [REDACTED], with increased labour and maintenance costs.

Overhead costs of [REDACTED], [REDACTED] better than budget, the overhead costs include [REDACTED] in support of the defined benefit pension scheme deficit reduction plan.

The profit and loss account for the year to date is set out in the following table

1 st Quarter 2020			
	Actual £000's	Budget £000's	Variance £000's
Revenue			
Disposal costs			
Direct costs			
Overheads			
Other			
Profit before depreciation interest & tax			
Depreciation			
Interest			
Profit before tax			

2019 Audit

The Company's AGM was held in May 2020, the financial statements were approved and the Company's auditors BDO re-appointed.

TA2 Insurance Claim

The Company has now settled the claim in relation to the TA2 incident.

The total claim was [REDACTED]. This was split between the product damage claim of [REDACTED] and the business interruption claim of [REDACTED].

The settlement agreed was [REDACTED] (85.2%). The product damage claim was paid in full, after deductibles and the Company received payment of 82.4% of its business interruption claim.

The business interruption claim was extremely complex in its calculation, the loss being determined by the daily additional lost steam output over and above all other expected losses arising from operational outages. The total cost to the Company of the incident is [REDACTED], being made up of deductibles of [REDACTED] and the rejected business interruption claim of [REDACTED].

1.1. Key Year to Date Financial Indicators

[Revenue & Contribution QTD Summary dashboard redacted]

[Cost & Contribution QTD Summary dashboard redacted]

Key Events/Activities/Performance Issues

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

In March 2020 re-use and recycling centres were closed in line with the Government's lock-down measures. They were successfully re-opened with a partial service in early May 2020 with a close to normal service being offered from early June. On re-opening, the Company has developed and implemented a customer booking system which has greatly assisted in managing the demand for the service and reduced the traffic queuing and wait times experienced at some other RRCs on reopening.

At the height of the pandemic the Company experienced overall absences of 10% due to Covid-19, but with significantly higher levels amongst recycling centre and maintenance employees. The current overall levels experienced are 3-5%. The Company has been quick to implement protective measures which mitigated the impacts and the ability to have employees tested for the virus has meant that they can return to work more quickly if not tested positive.

Regrettably, one employee has died which is believed to be as a result of contracting Covid-19 but this occurred before wide-spread testing was available.

Cash flow scenarios have been modelled to ascertain potential liquidity issues as a result of the virus. These have been assessed by BDO who have determined that in the next twelve months Covid-19 does not cause a threat to the Company's going concern status.

The company will undertake the statutory formal external risk assessments in July to ensure that it meets the current Covid Secure requirements.

Operational Activity

Whilst the first two months of the year were above budget in terms of waste throughput and generated and exported electricity March was below budget as due to a number of boiler blockages (probably caused by non-conforming wastes) which resulted in boiler loads being reduced. As a result most of the key indicators are slightly worse than budget, although significantly no waste was landfilled in the quarter.

In the last week of the quarter production was impacted by a significant fault in TA2 which resulted in the turbine being taken out of service. It was not returned to service until the end of May 2020.

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.

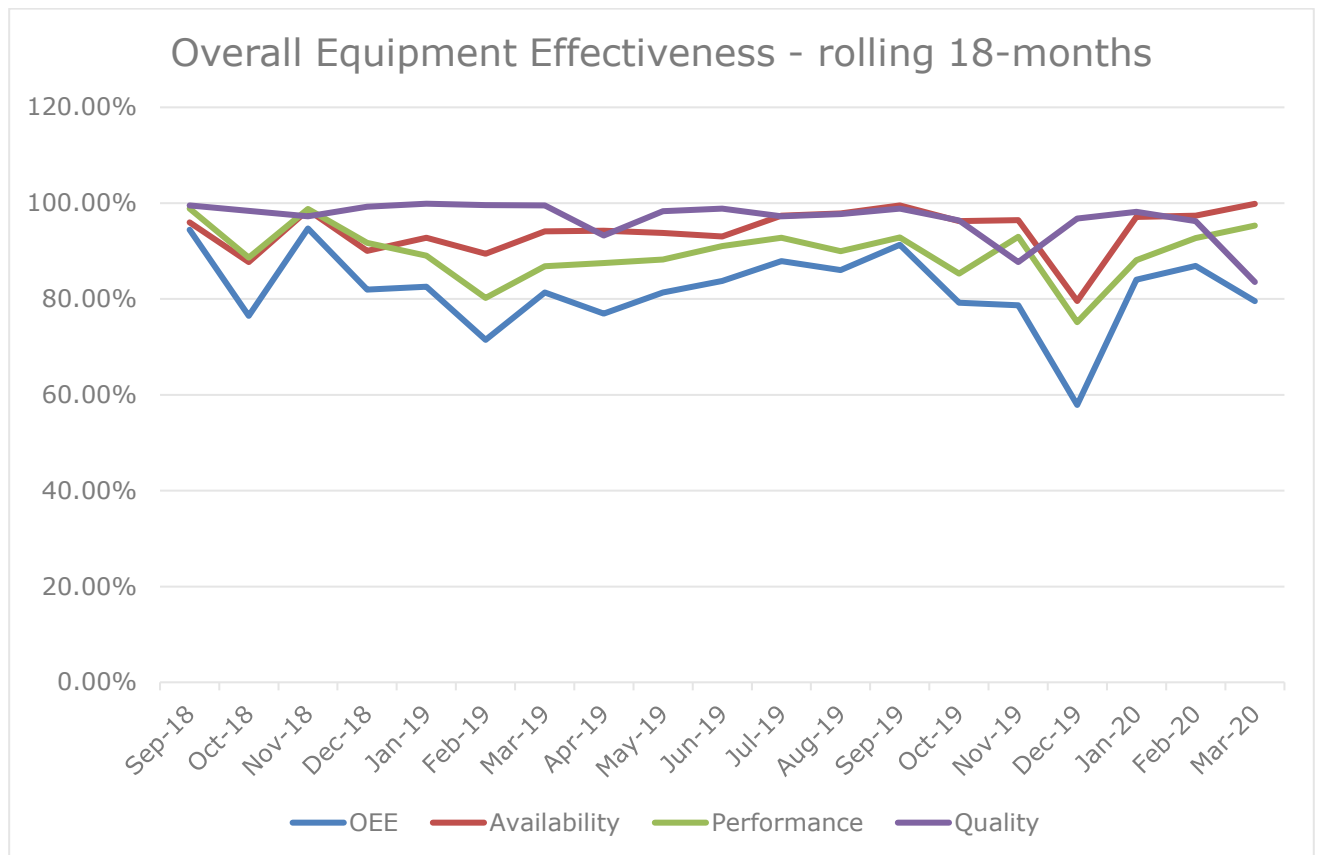
On 23rd March all Re-use and Recycling Centres were closed to the public in accordance with Government restrictions on movement.

The main operating indicators for the period are:

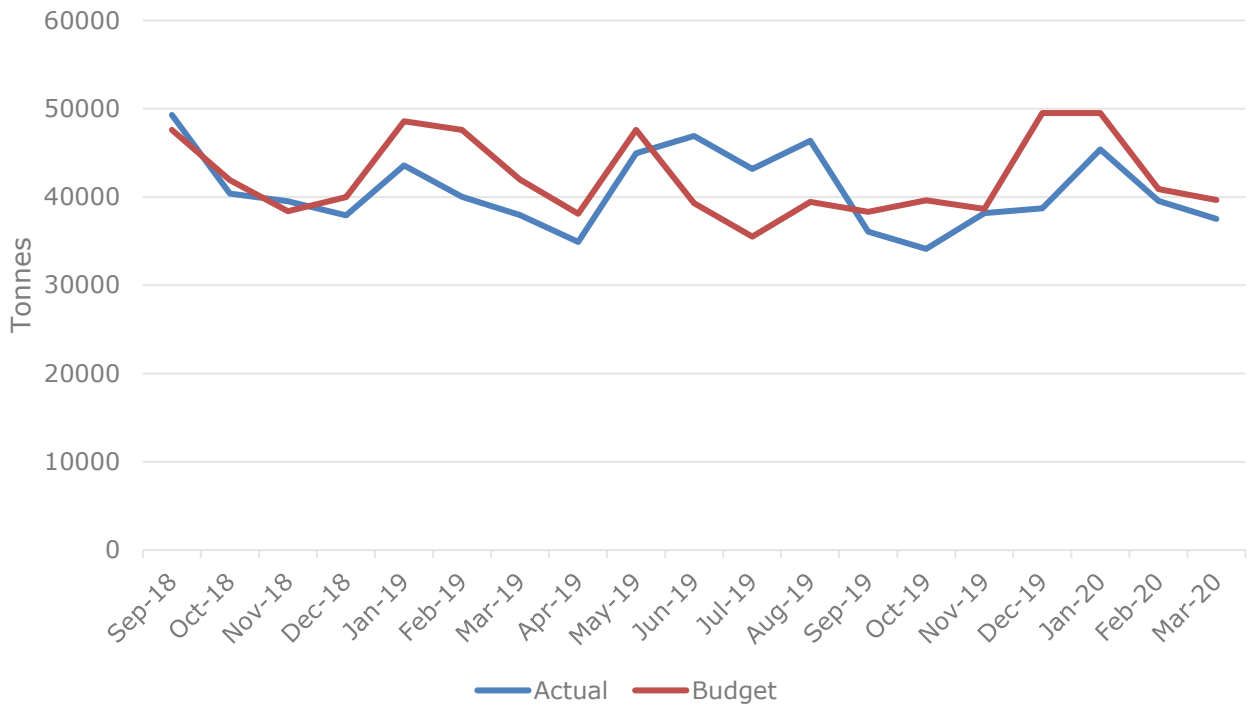
	Q1 2020	Variance to Budget (+ / better - / worse)
Boiler Availability	95.3%	+0.4%
Throughput	13.4 tonnes/hr	-0.5%
Incineration	139,045 tonnes	-3.2%
Electricity Generated	74,153 MWh	-2.2%
Electricity Exported	64,200 MWh	-2.7%
Disposal	0 tonnes	2,556 tonnes
Total tonnage received	190,282 tonnes	-1.0%

Year to Date Operational Indicators

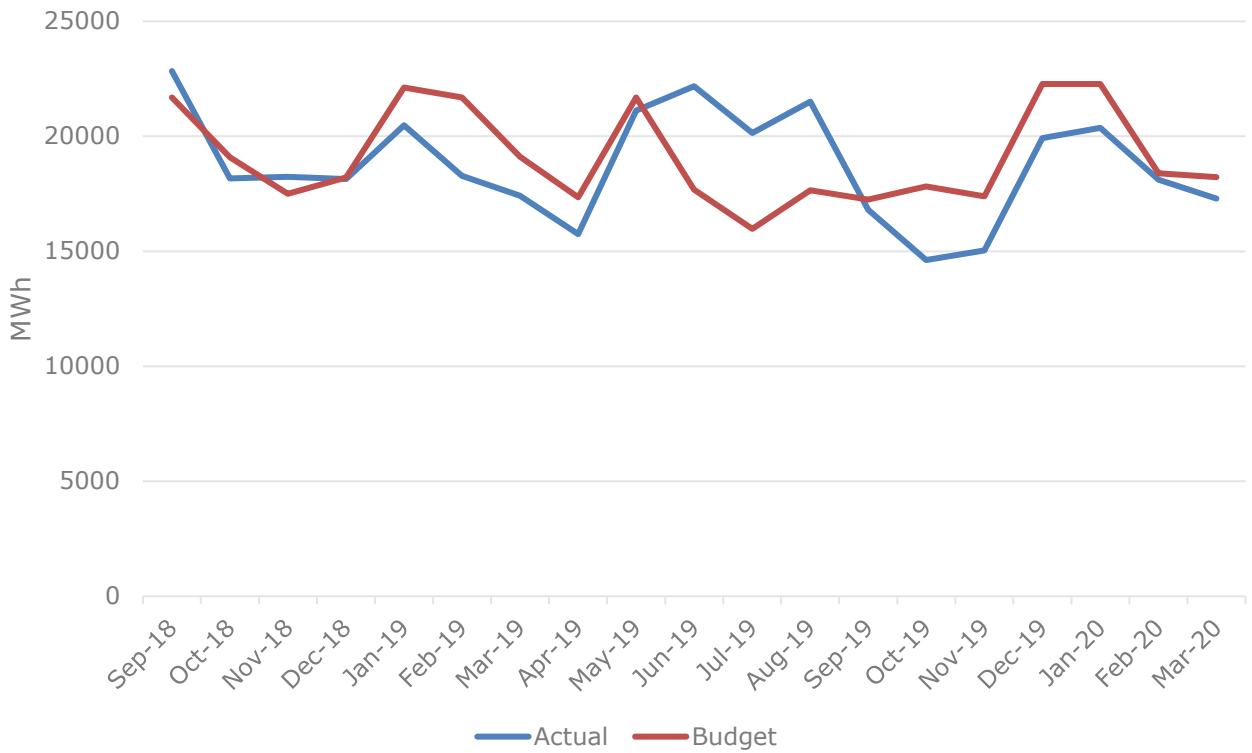
	1 st Quarter 2020	
	Actual	Budget
Total tonnes handled	190,282	192,522
Incinerated	139,045	143,680
Disposal	0	2,556
Recycled/recovered	51,237	46,286
Total	190,282	192,522
Percentage Diverted from landfill	100.0%	98.7%



Waste throughput - rolling performance against budget



Electricity export - rolling performance against budget



2. OPERATIONS

2.1 Commercial and Operational Developments

Electricity Contract – Kinect

Kinect traded in accordance with the agreed strategy.

Procurement

Two major procurement programmes have been affected by the Coronavirus pandemic.

The manufacturer of the electrical switchgear has declared bankruptcy and appointed a receiver as a result of the interruption of supply of components from China in the first quarter of the year. This has resulted in the deferral of the installation of new switchgear to 2021. The Company is currently preparing a tender document to go to market to seek an alternative supplier.

The manufacturer and installer of automated crane equipment has been unable to complete the installation in accordance with the contract and has claimed a Force Majeure event, the coronavirus pandemic, has prevented it from completion of contract. The Company is in dialogue with the supplier and is preparing a tender document to go to market to seek an alternative supplier.

RRCs

The RRC recycling rate for the period was 74.8% which is a 0.8% 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 has reviewed the impact on operational maintenance and capital projects resulting from the coronavirus pandemic.

A three week total plant shutdown was budgeted in August 2020 to install new switchgear. As a result of the impact of coronavirus on the supply of parts to the manufacturer, the switchgear manufacturer has entered receivership and is

unable to deliver its order. The Company is re-tendering the work, but lead time for manufacture means that this work now needs to be scheduled for 2021 at the earliest. The impact of this on the year has been forecast in the Company's Q1 Re-forecast.

The loss of TA2 as a result of significant fault has led to a loss of capacity for an eight week period.

In order to mitigate for some of the shortfall boiler outages for boilers 4 and 5 were brought forward.

In accordance with Covid restrictions to reduce the number of external contractors on site the outages were shorter than usual. All statutory inspections were carried out by our insurer Zurich and all critical work was carried out in the Boilers.

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 being tipped as household residual waste.

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. At the height of the pandemic the Company experienced overall absences of 10% due to Covid-19, but with significantly higher levels amongst recycling centre and maintenance employees.

The overall levels experienced in June are 3-5%. The Company has been quick to implement protective measures which mitigated the impacts and the ability to have employees tested for the virus has meant that they can return to work more quickly if not tested positive.

Regrettably, one employee has died which is believed to be as a result of contracting Covid-19, but this occurred before wide-spread testing was available.

FINANCE

3.1 Management Accounts for the Period

	1st Quarter 2020		
	Actual	Budget	Variance
	£000's	£000's	£000's
Revenue			
Disposal costs			
Direct costs			
Overheads			
Other			
Profit before depreciation interest & tax			
Depreciation			
Interest			
Profit before tax			

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

Revenue was worse than budget by [REDACTED], disposal costs were worse than budget by [REDACTED] (3.1%) and overheads were [REDACTED] (1.5%) better than budget.

The revenue position of [REDACTED] reflects on budget NLWA waste 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 above budget, with an adverse variance of [REDACTED], with increased labour and maintenance costs.

Overhead costs of [REDACTED], [REDACTED] better than budget, the overhead costs include [REDACTED] in support of the defined benefit pension scheme deficit reduction plan.

Balance Sheet as at 31st March 2020

£000	
Fixed Assets	
Working Capital	
Cash	
Total	
Other Liabilities	
Total	
Total	

At 31st March 2020, total trade debtors amounted to [REDACTED] of which [REDACTED] related to NLWA and [REDACTED] to third party customers. 58% of third party debtors was not yet due and a further 12% 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.

TA2 Insurance Claim

The Company has now settled the claim in relation to the TA2 incident.

The total claim was [REDACTED]. This was split between the product damage claim of [REDACTED] and the business interruption claim of [REDACTED].

The settlement agreed was [REDACTED] (85.2%). The product damage claim was paid in full, after deductibles and the Company received payment of 82.4% of its business interruption claim.

The business interruption claim was extremely complex in its calculation, the loss being determined by the daily additional lost steam output over and above all other expected losses arising from operational outages. The period

The total cost to the Company of the incident is [REDACTED], being made up of deductibles of [REDACTED] and the rejected business interruption claim of [REDACTED].

3.2 Staffing Report

The headcount summary shows that as at 31st March 2020 LondonEnergy employed 334 employees compared to the budget of 355.

Sickness Absence

Absence has averaged 3.9% for the period, against a budget of 3% and prior year experience of 2.0%. The results mainly reflect the impact of Covid-19. In order to ensure continuity of service the Company cancelled leave for operational staff.

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.

Q1 Reforecast

As a result of the coronavirus pandemic the installation of new switchgear and other capital projects have been deferred to 2021. This has led to a significant change in the operational and financial plan for 2020, which has been re-forecast.

The key changes to the budget are:

- Changes to capital programme

Installation of switchgear halted, installation costs capped at works already delivered.

Deferral of FGT upgrade to 2021

Deferral of significant ARK private wire supply to 2021, with the programme commissioned end of 2020

- Changes to planned boiler outages

Boiler 5 reduced scope outage

Boiler 4 reduced scope outage

Boilers 1,2,and 3 outages from August for twenty two days per boiler

- Additional costs resulting from the coronavirus pandemic (in overheads)

Assumed that ensuring operational continuity throughout the pandemic will result in [REDACTED] of additional costs.

Heads of costs: These costs will include, not are not limited to, additional overtime, holiday buy-out and call out premiums, agency workers, third party contractors, additional PPE, additional stocking of diesel and chemicals.

The impact on the results for the financial year are a reduction in the loss for the year of [REDACTED] and a reduction in the requirement for cash of [REDACTED].

	2020 Reforecast	Q1	2020 Budget	Variance
Revenue	[REDACTED]			
Disposal Costs	[REDACTED]			
Direct Costs	[REDACTED]			
Overheads	[REDACTED]			
Loss for year	[REDACTED]			
Gross Cash (31.12.20)	[REDACTED]			
Cash after insurance reserve	[REDACTED]			

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 were three 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	24 th March
Paul Wynn	Present	Present	Present
Ray Georgeson	Present	Present	Present
Don Lloyd	Present	Present	Present
Tania Songini	Present	Present	Present
Ulla Rottger	Present	Present	Present
Peter Sharpe	Present	Present	Present
Mary Czulowski	Present	Present	Present
Jim Kendall	Present	Present	Present
Martin Capstick (Observer)	Present	Present	Present

Mr Wynn was re-appointed as Chair on 26th January 2020.

Ms Songini is to be re-appointed as non-executive director and Chair of the Audit and Risk Committee on 18th June 2020,

Mr Georgeson is to be re-appointed as senior non-executive director on 30th June 2020. Mr Georgeson will have served for over eleven years on his re-appointment and will not be considered to be an independent director in line with FRC guidance. [REDACTED]

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.

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 an 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 securitised by way of a debenture on the Company.

4.11 Legal Proceedings

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

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 took place in a virtual environment in March and April 2020.

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.

London Living Wage

LondonEnergy is now an accredited London Living Wage Employer. The Company has always paid this as a minimum to employees and ensured that it is also paid by Contractors who have employees working on LondonEnergy sites, the accreditation is the official recognition for it.

Reuse and Recycling Centres Closure

LEL communications team worked with NLWA to coordinate the communication around the closure and reopening of RRCs.

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 PAUL WYNN

Date 20/02/2020

**Meeting of the Board of Directors
Thursday 20th February at 11.00
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)

██████████ Legal Manager (Minutes)

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 24th of January 2020 were considered and approved.

A clarification was sought regarding ██████████ 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

This is company confidential

5. Outstanding actions

These were reported by [REDACTED].

1. **Board Effectiveness Review:** [REDACTED], [REDACTED] and [REDACTED] will email a proposal to all Directors for comments shortly.
2. **Report back to Board on EcoPark Lease and associated documents:** completed and discussed.
3. **Update Board on PCBs:** [REDACTED] advised that this had been investigated and it was determined that there were no issues.
4. **Update the Board on final selected KPIs for 2020:** completed.
5. **Present an updated 2025 balance sheet under Main Waste Contract Prices should the land lease go ahead following the NLWA Authority meeting in December 2019:** This will be presented in due course.

8. HSQE (for Noting)

The report was noted and discussed.

[REDACTED] advised:

- There was one RIDDOR, which was a manual handling incident;
- Accidents: overall the trends are reducing;
- There were 12 incidents with members of the public (MOPs) – importantly, these MOPs were identified, and only minor injuries were reported; and
- There were 115 days of lost workdays;
- There has been a significant improvement in reports – via ERP using key indicators; and
- Overall, the Company is doing well relative to all industries.

Permits to Work (PTW) are now available via the ERP system. Safe Systems of Work is HSQE's next prioritised task.

The Board preferred the new format of the HSQE report and noted that there is a better interpretation of the immediate and root causes.

9. Priority Issues

9.1) Year End Final Financial Statement (for noting)

██████████ advised:

The information from the bonus accrual and holiday pay accrual will be available shortly. The final 2019 financial statements will be presented at the March Board Meeting.

A full stocktake has been completed for the first time since December 2009. The result has been a stock write down of ██████████ however, some of this loss has been offset by a reduction in the required obsolescence reserve, given a net additional cost in the profit and loss account of ██████████.

To ensure improved stock accuracy going forward a new cycle counting regime has been introduced and additional out of hours access control is to be introduced.

The Company is more than halfway through its audit now and completion is expected by the 3rd March. There are no reported issues to date.

9.2) Employee Annual and Pulse Survey (for information)

The Annual Survey results were presented by ██████████.

There has been a big improvement in communication, line manager relationships and belief in career development opportunities, however there are still improvements to be made.

In terms of communication, the Company is currently utilising as many channels as possible. ██████████ added all employees now have A5 cards stating the Company strategy and their department's objectives.

The next phase of the START Safely programme will commence in April.

9.3) Possible Future Format for Shareholder Group meetings (for decision)

A Shareholder's Group Meeting scheduled today did not take place.

The Board noted that a Shareholder Group meeting has not taken place for two years and is keen to understand why and to find a format that the Shareholder Group would find useful and would attend.

The Board was asked to consider looking at non-board dates and non-EcoPark location to facilitate the Shareholder.

Board agreed that a meeting with NLWA Chair LEL Chair and LEL MD should be arranged to discuss the best future format for Shareholder Group dialogue. **██████████ will come up with a proposal and advise the Board.**

10. Monthly management reports

8.1) Finance and People (for Noting)

The report was noted and discussed.

██████████ advised the Board regarding a case taken to the Employment Tribunal. Eighteen months ago the Company dismissed a plant operator 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.

Schedule of Tenders: ██████████ **will update this for the next meeting.**

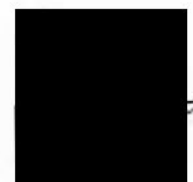
8.2) Operations (for Noting)

The Switchgear installation contract is close to agreement with Hornbill Engineering Limited. It is currently on track and the aim is to start work by August. Priority for this project remains high and it is monitored by a steering committee with NLWA representation.

An inspection of 15 vehicles at Hornsey Street found that 25% were carrying items they shouldn't have including metal bins, mattresses, etc. As a result, an increased regime of inspections has been introduced with a 10% daily inspection rate. At the end of each month, a report with photos will be sent to the applicable parties, where action will be considered and taken.

8.3) Central Services (for Noting)

The report was noted.



8.4) Development and Property (for Noting)

The report was noted.

11. Dates of Next Meetings

Tuesday, 24th of March 2020

Timings

10.30am: Audit Committee Meeting

12.00pm: Board Lunch

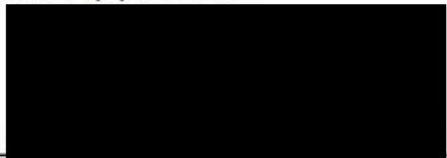
12:30pm: Board Meeting

Accounts will be brought to Board for approval.

Time of adjournment: 5:01

Board Minutes Approval

Signature _____



Name _____

Paul Wynn

Date _____

14 / 04 / 2020

**Meeting of the Board of Directors
Tuesday 24th March at 12.00
Meeting held via Videoconference**

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)

██████████ Legal Manager (Minutes)

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 and Confidential Notes from the February Board Meeting were considered and approved after a few minor amendments.

4. Any Other Business

None.

5. Outstanding actions

██████████ reported on the following:

Updated balance sheet and the main waste contract prices:
these will be presented in due course.



Reporting of emission levels: this is now reported in the HSQE report and a revised version is presented on the Company's website.

Future format of shareholders group meeting: [REDACTED] will review and suggest a proposal in due course.

Schedule of Tenders: this has now been updated and included in the Board Papers.

6. HSQE (for Noting)

The Board noted and discussed the Report.

[REDACTED] was concerned about the number of MOP, who have been injured. Due to Covid-19, MOP interactions will be limited now.

The emission levels update is now in the Report and on the website. The only exclusion from the website is the level of exceedance. [REDACTED] requested for the peak daily value to be shown: [REDACTED] **will ensure this is shown in future reports.**

The Start Safely training has been moved to September in light of Covid-19.

From April, Microsoft Team talks and Q&As will be delivered by managers to ensure understanding is aligned.

7. Priority Issues

7.1) LondonEnergy Covid-19 Service Continuity Plan

The Company's priority in the plan to ensure service delivery.

The RRCs are now closed in line with the government's announcement. All other similar RRC providers have taken similar measures and have closed all non-essential services. The Company's hook-lifts will re-purposed to assist operations and RRC staff will be redeployed accordingly.

Virtual meetings are being held as needed for NLHPP and the seven boroughs around coordination requirements.

[REDACTED] thanked the work the Company is doing including the measures and decisions it has had to make under pressure. [REDACTED] noted when dealing with uncertainty, the best way of managing these issues is to through communication, regularly and frequently and asked [REDACTED]

the Company to continue this. Communication, maintaining dialogue and sharing is very important. This along with constructive feedback is very much welcomed.

██████████ noted the urgency and how fast-acting the virus has been. As such, the Company needs to act as an early and fast mover and is unable wait due to the infection risks. ██████████ assessment over the past few interactions with the Authority has left her with the sense that the Authority has the view that the Company is overreacting. If the Company needed to seek the Authority's permission and wait for the response before taking protective action, the Company would now be in a more challenging position.

██████████ advised that the Company does not need the Authority's approval but dialogue is appreciated. This in no way takes away the Company's right to act. It is the Authority's intention to understand and not to slow, and the Authority genuinely does not intend to be obstructive.

Supply chains were discussed and a question was raised if the Company needed and was able to divert more waste. ██████████ advised that supply chains have been contacted to understand their contingency plans. There is assurance in what has been communicated so far.

The outage programme has been reviewed.

The Board noted the Company relies on the goodwill of its employees and did not expect to make layoffs at this time.

7.2) Audit Committee Recommendation on 2019 Financial Statements (for decision)

As Chair of the Audit Committee, ██████████ advised:

- The auditors reviewed how the Company handled insurance recoveries and are supportive of the approach taken;
- In the product damage claim there is a disputed amount of ██████████ in dispute and the Company has written this off in the accounts;
- The full stock count lead to a stock write-off of ██████████. From 2020 through cycle counting all stock will be counted every year, with faster moving and critical stocks being counted more frequently.,
- The policy for calculating the stock obsolescence reserve has been changed to better reflect the nature of the stock being held with a 100% reserve against all stock over 3 years-old. This was approved by the auditors;

- Defined Benefit Pension Scheme - the policy remains that the accounting surplus is not recognised as the Company is not able to use these funds;
- There were no further corrected items and no new observations.
- [REDACTED] is completing the Strategic Report and Directors Report then this will go to the auditors for review and approval.

7.3) Debenture to support Bank Facility (for decision)

This was approved and re-confirmed at the last Authority meeting. The Debenture has been reviewed by DLA (external legal counsel). The Board was requested to approve the Debenture and the Bank Facility Terms.

8. Monthly management reports

8.1) Finance and People (for Noting)

The Q1 re-forecast will be undertaken in April and there will be significant changes to the budget despite a strong start to the year.

[REDACTED] suggested that the staff turnover table should detail the quarterly totals as opposed to the rolling year. [REDACTED] **to review.**

8.2) Operations (for Noting)

The Operations Report was noted and discussed.

Decimal point error in the throughput YTD column. [REDACTED] **will correct this.**

8.3) Central Services (for Noting)

The report was noted.

8.4) Development and Property (for Noting)

The report was noted.

██████████ advised works need to continue in light of the current situation. The Company is continuing to mitigate risk where it can and guidance from government is being followed on how to operate in the current climate.

There are now additional challenges that face the project, but construction works will continue as it is defined as essential work. Morning project calls are continuing with ██████████ and ██████████

9. Dates of Next Meetings

Thursday, 30th of April – Board Effectiveness Review: **Execs will send preparatory homework, proposals and other relevant documents.**

Thursday, 21st of May - AGM and Board Meeting

Time of adjournment: 2:34pm

Board Minutes Approval

Signature

██████████

Name

PAUL WYNN

Date

5/5/2020