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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: 3 DECEMBER 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 LondonEnergy Ltd's performance and activities; B. Note the report for the Third Quarter 2020 on the Company's activities, included at Appendix A; C. Approve the Company's Budget for 2021; and D. Note the Business Plan for 2022-2025.
SIGNED:  Managing Director DATE: 23 November 2020

- 2.8. The Company brought forward the planned boiler maintenance programme for two boilers from the fourth quarter to the third quarter to mitigate some of the impact of the turbine outage, which lasted for eight weeks and impacted the second quarter. The planned boiler outages continued throughout the summer months, with the last being successfully completed, to schedule, on 2 September, concluding the planned annual maintenance schedule for the year.
- 2.9. LEL had planned to have a three week shutdown in August 2020 for the installation of new switchgear, which was reflected in the financial budget for the year. However, as previously reported, the manufacturer was declared bankrupt as a result of disruption of their supply chains due to COVID-19 and the programme was deferred to 2021. The Company re-forecast the remainder of the year in light of this change and the financial results reference variances to the forecast and not the original budget. The Company has recently awarded a new contract for provision of switchgear, to be installed in 2021.

3. RESPONSE TO CORONAVIRUS PANDEMIC

- 3.1. The Company has produced a service continuity plan to mitigate the effects of the COVID-19. This has been shared with the Authority. The Company undertook the statutory formal external risk assessments at all LEL sites in July and has been certified as Covid Secure.
- 3.2. Absence has averaged 3.3% between July and September, down from 5.2% in the second quarter. The prior year experience was 2.5% in this quarter. The results mainly reflect the impact of COVID-19 precautions.

4. BUDGET AND BUSINESS PLAN

- 4.1. The Company's 2021 Budget is appended to this report and is recommended for approval by the Authority.
- 4.2. The Company's Business Plan for the period 2022-2025 is appended to this report and is recommended for noting.
- 4.3. The key Budget assumptions are:
- 4.4. Revenue:
- 4.4.1. The volume of waste treated under LEL's contract with Hertfordshire will reduce to 10,000 tonnes. This will allow increased tonnages of NLWA waste to be treated at the energy centre. In particular the Company assumes that 65,273 tonnes of Hendon/Wembley waste will be disposed of at the EcoPark which is a significant increase on recent years. The gate fee which is paid for Hendon/Wembley waste - [REDACTED] per tonne - means that the loss of Hertfordshire tonnage will not have a material adverse impact on the Company. At the same time, increasing the volume of NLWA waste processed at the EcoPark reduces the amount of our waste which has to be disposed of to third parties, which is the most expensive disposal route. It is therefore also financially beneficial for the Authority to have more Hendon/Wembley waste treated in lieu of waste from third parties.
- 4.4.2. The capacity of the energy centre will be reduced in 2021 compared with 2020. This is largely because of a planned three week shutdown in December to install new switchgear. In addition the company's budget

assumes that unplanned outages will increase from 4.2% this year to 5.0% next year. By their nature unplanned outages are hard to forecast. However, the Company anticipates that some increases in unplanned maintenance will occur as the plant ages. The 5.0% assumption is due to rise to 5.5% in 2022

- 4.4.3. The electricity price is budgeted at [REDACTED] per Megawatt hour (2020: average price [REDACTED]).
 - 4.4.4. Inflation is set at the August 2020 Bank of England rate of 0.55%.
 - 4.4.5. The budget and business plan assumes the rail transfer station at Hendon closes at end of March 2021 and that from April 2021 all tonnages currently delivered to Hendon will be handled at the new Wembley site. Operating costs are planned accordingly. Partly as a result of increased staffing at Wembley and increased transport operations from Wembley to the EcoPark, LEL's business plan assumes 374 posts in the organisation, compared with 355 in 2020 and 332 in 2019.
 - 4.4.6. A separate report to this Authority meeting seeks approval to proposals for demolition of the existing bulky waste facility at the EcoPark and the provision of a temporary facility. The LEL business plan assumes that this does not affect tonnages and costs.
 - 4.4.7. The Authority is aiming to complete imminently a long lease from LEL for the majority of the EcoPark. It is intended that the transaction should be completed in 2020, but for transparency the LEL budget assumes proceeds are received in January 2021. The cost of the lease is £17.2m. Of this approximately half will be paid in cash and will be immediately used by LEL to build up the insurance reserve fund. The other half will take the form of a loan from LEL to the Authority.
 - 4.4.8. The development of an insurance reserve was initiated in 2019. This was in response to the reducing provision of insurance cover available from the market. For example under LEL's business interruption insurance, LEL cannot claim for the first 90 days of loss. The Company has assumed a further 30% increase in its insurance premium for 2021, in line with advice from its brokers. Insurance is addressed more fully in section 5
 - 4.4.9. The business plan assumes that £5.632 million of costs incurred by the Company will be met from the North London Heat and Power Project budget (NLHPP). These are costs which are necessary to enable the project to be delivered, including the cost of the shutdown associated with the installation of new switchgear (which will be used to power the new resource recovery facility), the management of security when the new northern access road entrance to site is opened, and increased costs of processing bottom ash from the energy centre off-site. It is agreed that the NLHPP should meet costs arising to LEL where those costs arise as a result of the need to deliver the project. The Authority will pay agreed costs on the basis of expense actually incurred and certified. Officers will liaise with LEL to agree details of costs and process payments during the year.
- 4.5. Profitability and future financial sustainability
- 4.5.1. Excluding the issue of the EcoPark lease, the Budget delivers a loss before the profit of [REDACTED]. However, this includes a [REDACTED] allowance for depreciation of assets. Earnings before depreciation are [REDACTED].

- 4.5.2. The Company's cash balance during the year reduces. This is because of its capital programme. A key factor in this is the switchgear. The switchgear will be an NLHPP project cost, but the approach agreed is for LEL to fund the purchase and installation of the new equipment and for NLHPP to meet the costs when the switchgear is installed and is successfully operating (in 2022). In the event of unexpected pressure arising which has a material adverse impact on cash available in the business, there is flexibility to bring forward payments as these are provided for already in the NLHPP budget.
- 4.5.3. The Company does not make profits throughout the business plan period. However, it is profitable on an EBITDA (profit before depreciation) basis. The Company remains cash positive for the entire business plan period.

5. INSURANCE

- 5.1. In recent years the Company has had a reduced ability to secure business interruption and property damage insurance. This is consistent with the wider position in the waste sector. This has manifested itself in reduced cover, increased deductibles before claims can be made and increased premium costs. LEL's insurance expires on 31 December, and indications from their brokers are that the premium could increase by around 30% in 2021.
- 5.2. LEL are therefore investigating the establishment of a "captive" insurance arrangement. Under this arrangement the Company would self-insure up to a limit, perhaps £10m or £15m. Beyond that limit there would be access to the reinsurance market which is only available through captive insurance arrangements. This has the potential to offer LEL fuller protection against large scale events which could generate significant losses to the Company and the Authority. LEL has incurred the modest set up costs of a captive (£18,000) to test the market and establish the potential scale and cost of reinsurance protection which it could secure. The captive insurance arrangement would be through a Company based in Guernsey. While there would be a saving from Insurance Premium Tax as a result of using the captive, the Company would not seek other tax advantages.

6. NORTH LONDON HEAT AND POWER PROJECT (NLHPP)

- 6.1. In line with sewer diversion enabling works and construction of the re-use and recycling facility the transport operation moved to a new site in November 2020.

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. There has been one reportable or dangerous occurrence under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) during the period. The injured party, an employee of a contractor, sustained fractured vertebrae when he was struck by a return roller in the boiler house as a result of a retaining bracket failure.
- 7.2. The subsequent investigation identified that the issued permit to work did not authorise the individual to be in the area where he sustained the injury. The roller had fallen due to the support bracket being corroded and failed.

8. PUBLIC RELATIONS

- 8.1. There have been thirty eight compliments and sixteen complaints in the quarter. The compliments relate the helpfulness and knowledge of Reuse and Recycling Centre staff, the new booking system, the social distancing measures, and new

steps to access bins being in place. Two complaints are in relation to information on the borough website regarding opening hours at the RRC. Four were regarding having to book an appointment, four were regarding road access changes to the South Access Road site, three concerned entry refusal due to type of waste, one complaint was about the site opening hours and one member of the public was unhappy with having to queue whilst a bin exchange was carried out. A member of the public complained about odour emanating from the EcoPark.

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)

10. LONDONENERGY LTD BOARD MINUTES

- 10.1. Signed copies of Board minutes are submitted to meetings of the Authority for Information. As a result of the LEL Board meeting virtually since the outbreak of the coronavirus pandemic Board minutes have been approved at the Board meeting and confirmed electronically. The LEL approved 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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LondonEnergy

Powering the Circular Economy

Quarterly Report to North London Waste Authority



Report to September 2020

LondonEnergy Limited

Quarterly Report to North London Waste Authority

Quarter to September 2020

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APPENDIX A

Approved Board Minutes – 3rd Quarter 2020

1.1. Key Year to Date Financial Indicators

[2020 Q3 Revenue & Contribution dashboard redacted]

[2020 Q3 Cost & Contribution dashboard redacted]

2. Key Events/Activities/Performance Issues

The Company reviewed the boiler outage programme and decided to bring forward outages that were originally scheduled for the autumn, due to TA2 being out of service for eight weeks which affected the second quarter and the start of the third quarter. As a result, all boiler outages were completed by the start of September.

The Company had nine employees vulnerable to Covid -19 who were shielding, under the government guidelines. These colleagues returned to work on 1st August 2020..

The company undertook the statutory formal external risk assessments at all LEL sites in July and has been certified as a Covid Secure workplace.

Operational Activity

The annual maintenance programme for two boilers was brought forward into the quarter, therefore constraining operational capacity. This resulted in less waste being treated under the Hertfordshire contract.

As a result all key indicators are worse than forecast for the quarter, although as a result of mitigation measures no waste was sent to RDF facilities or landfill in the quarter. On a year to date basis performance is above forecast for all key indicators.

The main operating indicators for the period are:

2020 Q3 Waste Operations: Actual v Forecast

	2020 Q3 Actual	2020 Q3 Forecast	Year to Date Actual	Year to Date Forecast
Totals Tonnes Handled	179,981	184,232	564,656	562,403
Incinerated (Tonnes)	118,345	125,365	401,742	396,996
Disposal (Tonnes)	0	1779	0	2,540
Recycled/Recovered (Tonnes)	61,636	57,088	162,914	162,867
Totals Tonnes Received	179,981	184,232	564,656	562,403
% diverted from Landfill	100.0%	99.03%	100.00%	99.55%

The performance of the Energy Centre in the quarter has been below forecast as a result of the planned outage reduction in capacity. The year to date performance is also below forecast with the main contributor being eight week unplanned maintenance shutdown of TA2 for repairs.

2020 Q3 Waste Operations: Actual v Forecast

	2020 Q3 Actual	2020 Q3 Variance to Forecast (+/Better,-/Worse) %	Year to Date Actual	Year to Date Variance to Forecast (+/Better,-/Worse) %
Boiler Availability	93.34%	-6.69%	95.74%	-1.64%
ThroughPut (Tonnes/hr)	13.35	-3.63%	13.21	-4.60%
Incinerated (Tonnes)	118,345	-3.65%	401,742	-0.77%
Electricity Generated (MWh)	63,060	-4.73%	206,579	-1.79%
Electricity Exported (MWh)	48,339	-15.58%	165,186	-9.24%
Disposal (Tonnes)	0	1779	0	2,540
Totals Tonnes Received	179,981	-2.31%	564,656	0.40%

2. OPERATIONS

2.1 Commercial and Operational Developments

Electricity Contract – Kinect

The Company previously reported that it would be impacted by the rapid downward movement in electricity prices over the quarter, as a three week shutdown in August 2020 was planned for the installation of new switchgear and therefore capacity had not been sold.

As a result of the replanning of this programme to 2021 the Company was selling electricity for the three weeks of August as markets turned down. The

impact on market process were marked with July 2020 market prices achieving an average of just below ██████/ Mwh, and the August market price averaging just under ██████/Mwh.

Against this backdrop, the Company achieved a selling price of ██████ in July and ██████ in August, with an upturn in September to ██████, giving an average for the quarter of ██████ against a forecast of ██████.

82% of the Company's selling price is hedged which has cushioned the position in July, however, the Company was selling forward three weeks of the August capacity at a time when the market was first reacting to the coronavirus pandemic in early spring, which is when the change in the timing of the capital programme became known.

The average selling price of LEL portfolio for the year is expected to be ██████ against an average market price of ██████ and a forecast of ██████.

ARK

The direct supply of electricity to ARK data centres was forecasted to commence in January 2021, however, there have been issues in the installation of the cable runs, caused by the contractor, which have put the programme back eight to ten weeks and it is now expected that supply will commence in March 2021.

This will have an adverse impact of ██████ on the first quarter budgeted revenue.

Procurement

The tender process for the supplier of the switchgear is complete and the contract has been awarded. This process follows the failure of the previous tender award as the successful bidder became insolvent due to supply chain issues resulting from the coronavirus pandemic.

The indicative timetable for the installation of the switchgear is December 2021.

RRCs

The RRC recycling rate for the period was 77.02% which is a 0.33% increase on the same period last year and shows a full recovery from the decline resulting from the RRC enforced closure in April and May.

In July the Company undertook a comprehensive survey of customer satisfaction levels when using the RRCs. This is the first time such a survey has been undertaken and the results indicate a high level of satisfaction with both the experience on site and the new booking system.

A total of 906 customers completed the RRC Customer Survey across the six Reuse and Recycling Centres.

- The highest number of responses was from South Access RRC (227) and the lowest from Western Road (102)
- 798 (88%) customers have scored between 8 to 10. When asked –‘How has your experience been on site?’ (with 10 been outstanding.)
- 697 (76%) customers scored between 8 to 10 when asked ‘How was your experience using the booking system?’ (with 10 been outstanding)
- 697 (76%) customers selected ‘Better’ or ‘the Same’ – and 387 (42%) of customers responded ‘better’ to the question ‘Do you think that your experience with the booking system (compared to coming on site without having to book) is better, the same or worse’.
- 340 (37%) customers visit the sites less than once a month.

Transport

No prohibition notices have been issued.

2.2 Key Technical Issues

Production

The loss of TA2 as a result of significant fault in the second quarter led to a loss of capacity for an eight week period.

In order to mitigate for some of the shortfall, boiler outages were brought forward and all boiler outages were completed to the amended schedule on September 2nd 2020.

During the outage period installation was undertaken of tie-in valves to connect the new turbine. This required two boilers and two turbines to be taken out of service and took eleven days to achieve. This impacted on capacity in August and also affected the results for the period.

The project to install the new turbine has continued to make progress despite the second lock down announced by Government in response to the Covid -19 outbreak. The programme was impacted however as a result of the loss of TA2 (see above) which delayed the removal of the existing “house-set” turbine. Additional challenges have included the need for extensive asbestos remediation within the work area and the complex nature of the insertion of the turbine through the eastern wall of the turbine hall. The equipment is now expected to be in-situ in January with mechanical completion during March 2021. A period of commissioning and testing will then follow.

Environmental

There were three minor incidents which caused exceedances/breaches of our half hourly and daily limits in the period which were reported to the Environment Agency as notifications.

There was an exceedance of TOC and CO due to a tube leak on a boiler.

There was an exceedance of HCL as a result of suboptimal lime dosing.

There was a CO exceedance due to a blockage in a boiler quench bath

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

2.3 Post-Quarter events

Wembley

During the quarter the opportunity to move the transfer station from Hendon Rail Head to a transfer station in Wembley that was formerly operated by Seneca was identified by NLWA.

Since the quarter end twin workstreams have progressed on entering into a lease and sub lease with the landlord of the building and planning for the operational change from Hendon, including vehicle, plant and resource mobilisation, waste-flow planning and transitional arrangements.

The expected start date for operations is January 2021, with limited operations being run concurrently at Hendon and Wembley until the end of March, when operations at Hendon will cease and full operations at Wembley will commence.

Hawley Road

In order to facilitate the NLHPP construction programme, the transport operation has been moved to a purpose built facility at Hawley Road.

The handover of the new facility was completed on October 29th 2020.

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 overall levels of absence related to the pandemic have reduced significantly from the second quarter peaked of 10%. This has been assisted by the ability to send employees for tests as required, allowing them to return to work more quickly on receiving a negative result for them or a household member.

The Company undertook Covid Secure measures at the start of the pandemic and received third party certification in July 2020.

FINANCE

3.1 Management Accounts for the Period

As a result of the deferral of the implementation of new switchgear to 2021 the budget no longer reflected the operational or financial position of the Company and a new forecast was drawn up in April 2020. With the agreement of NLWA officers, it was decided that the Company would report against the forecast for the remainder of the year as this reflected the operational capacity and targeted results more accurately.

The Company's operational result is a loss for the third quarter of [REDACTED] against a forecasted loss of [REDACTED].

The year to date result is a loss of [REDACTED], [REDACTED] worse than forecast.

Revenue was worse than forecast by [REDACTED], disposal costs were worse than forecast by [REDACTED] (7.7%) and overheads were [REDACTED] (5.4%) worse than forecast.

The revenue position of [REDACTED] reflects higher NLWA waste tonnages, offset by lower revenues from Hertfordshire and electricity revenue.

Direct operational costs of [REDACTED] for the quarter were below forecast, with a positive variance of [REDACTED], with increased labour costs offset by lower maintenance and other direct costs.

Overhead costs of [REDACTED] were [REDACTED] worse than forecast. The variances resulted from higher spending on legal and professional costs, providing Covid secure measures to protect the business, and annual bank charges in relation to the overdraft facility. Overhead costs include [REDACTED] in support of the defined benefit pension scheme deficit reduction plan.

Balance Sheet

£000	Q3 2020	Q2 2020	December 2019	Q3 2019
Fixed Assets				
Working Capital				
Cash				
TOTAL				
Other Liabilities				
TOTAL				

The quarterly cash movement of (██████) is the direct result of increased spending on planned outages in the quarter and the final payment for the new turbine of ██████. and net working capital remained relatively stable with a decrease in prepayments and a ██████ decrease of creditor balances.

[Debtor Summary - September 2020 table redacted]

At 30th September 2020, total trade debtors amounted to ██████████ of which ██████████ related to NLWA and ██████████ to third party customers. 60% of third party debtors was not yet due and a further 3% was between 0 and 30 and 34% between 30 and 60 days overdue.

There were no new liquidations during the quarter and no old, uncollectable debts were written off during the period.

3.2 Staffing Report

The headcount summary shows that as at 30st September 2020 LondonEnergy employed 340 employees compared to the forecast of 355. Gapped vacancies include seven positions supporting NLHPP which are scheduled to be phased in later in the year.

	September 2020
In employment	340
Active Vacancies	4
Gapped Vacancies	11
Total	355

Sickness Absence

Absence has averaged 3.3% for the period, down from 5.2% in the second quarter, against a forecast of 3% and prior year experience of 2.5%. The results mainly reflect the impact of Covid-19.

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.

3.5 2021 Budget and Business Plan

The LondonEnergy Board has approved the 2021 Budget and noted the 2022-2025 Business Plan.

The Budget and Business Plan are appended to this report for review by the Authority.

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 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>	23rd July	22nd September
Paul Wynn	Present	Present
Ray Georgeson	Present	Absent
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

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 in the quarter. An employee was made redundant by the Company in March 2018. A claim was made by the employee for breach of contract, disability discrimination, age discrimination and unfair dismissal. The Tribunal upheld the claim for unfair dismissal as the Company had not allowed a sufficient period of consultation in the redundancy process and the ex-employee was awarded three weeks salary in compensation. The claims for breach of contract, age discrimination and disability discrimination were dismissed by the Tribunal.

5. HSQE

5.1 Update on compliance matters:

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

There has been one reportable or dangerous occurrences during the period. The injured party, an employee of a contractor, sustained fractured vertebrae when he was struck by a return roller in the boiler house as a result of a retaining bracket failure. (RIDDOR).

The HSQE investigation identified that the issued permit to work did not authorise the individual to be in the area where he sustained the injury. The roller had fallen due to the support bracket being corroded and failed.

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.

COMMUNICATIONS

The Mayors Good Work Standard

The Company is the first UK energy and waste management company to achieve the Mayor of London's Good Work Standard. Attaining the highest possible 'Excellence' level of the Good Work Standard reflects our sustained commitment to creating the highest possible working conditions and the dedication to the wellbeing of our colleagues.

The Good Work Standard is the flagship element of the Mayor's programme to make London the best city in the world in which to work. It sets the benchmark for high employment standards with a series of criteria relating to fair pay and conditions, workplace wellbeing, skills and progression, and diversity and recruitment.

Cycle to Work Day

Between the 3- 8th August, Cycle to Workday (6 August) was promoted by sharing stories on social media from LondonEnergy staff who cycle to work. A Cycle to Work Champion who will work together with the Transport and Comms team to encourage people through the year to sign up to LEL's employee benefit CycleScheme, promote the health benefits from cycling and provide tips on bikes and accessories has been appointed.

**Meeting of the Board of Directors
Thursday 23rd July 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)

Observer

Mr. M. Capstick, NLWA Managing Director

1. Chair's Welcome

The chair outlined the priorities for the meeting. [REDACTED] would give an update on the risk register. [REDACTED] would lead on the deep dive, which is an initial discussion on the potential future structure of the Company.

Following this, departmental reports would be considered.

There are three items of Any Other Business to consider, Wembley transfer station, capacity market auction and [REDACTED] e-mail to the board of 20th July 2020 regarding RRC re-opening.

2. Apologies/Quorum

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

3. Declaration of Conflicts of Interest

No Conflicts of Interest were declared.

4. Minutes of the Previous Meeting/Matters Arising

The Minutes and Confidential Notes from the 23rd June Board Meeting were considered and approved.



5. Key HSQE Issues

██████████ stated that control of work was a key underlying theme coming from the report, with eight permit to work incidents having been registered in the year to date.

His recommendation is that permit to work and control of work need a broader review than the specific responses in the report. Taking the Galldris incident in the property and development report as an example, the report recommends a more robust survey of the area. ██████████ says that recommendations need to be broader than that and need to make clear that if in doubt information must be checked, a survey must be done rather than relying on everything looking alright.

██████████ will expand on the requirement in discussion with ██████████ Interim Head of HSQE.

██████████ brought the Board up to date on the accident suffered by an Interserve employee working in the Energy Centre undertaking cleaning duties sustained an injury which lead to a RIDDOR. The employee was still off work having been found to have fractured a vertebra, but he was improving.

6. Strategic Risks and Opportunities

██████████ gave an initial update on the Risk Register. The review process had been for the senior leadership team to review the risks, which were further reviewed by the executive directors.

In the briefing at this meeting ██████████ was highlighting the two risk categories which had the highest risk scores. The register will be further scrutinised in the next months with a final version being brought to the Audit Committee in September, who will make recommendations to the September Board.

The risk categories with the highest risk event scores were:

Risk Group 7: Future plant capacity not delivered

Risk Group 10: Unable to perform contract

██████████ made the point that it was not unusual for these risks to have the highest scores as they included risk events that were more unknown and less in the control of the Company.

The risk events in these two categories were fully discussed and a number of suggestions made which will be incorporated in the final review.

██████████ commented that in risk group 7 whilst some of the risk events clearly impacted LEL others were programme risks and it would be wrong for the Company to second guess the NLWA's view of those risk events. **It was agreed that the Company would import the risk profiles from the NLWA Programme Board risk register. ██████████ would provide this information.**

██████████ expressed his surprise that these risk categories were scoring more highly than those risk events associated with continuing to run the current EFW plant. ██████████ stated that this could be because the managers in the business felt that they understood those risks better and also had more confidence in how they would be mitigated.

The approach chosen for the meeting was to focus on the risk categories with the highest risk score per category.

██████████ was assured that the final register would be reviewed by the Audit Committee to ensure that risk events had been categorised and scored correctly, with the sorting of highest risk categories based on highest risk within the category and that this would be brought back to Board in September.

7. Priority Items

This item is Company Confidential

8. Departmental Reports

Fit for now, Ready for the Future

8.1. HSQE (for Noting)

The report was noted and discussed.

██████████ noted that the AFR chart now included minor injuries as well as RIDDOR and LTI. The chart had been restated to include this for earlier periods in order to align to other industries. ██████████ and ██████████ requested that the Company continue to report using both measures (i.e. with and without minor injuries) on two separate charts (Fig.2 and Fig 3).

██████████ had a question on exceedance of ELV where the internal audit report makes no comment on non-conformances in relation to the event. ██████████ **will review this.**

Returning to the subject of the permit to work process ██████████ queried whether users are trained in the need to abide by the process. ██████████

said that the START Safely programme emphasised the ownership of these processes.

8.2. Finance (for Noting)

The report was noted and discussed.

██████████ supported the view that the Defined Benefit Pension Scheme would probably face an increased deficit at valuation as a result of the current pandemic and asked whether the Authority could move ahead with the Deed of Protection for the Pension Scheme.

██████████ **agreed to address this as a matter of urgency**

██████████ advised that correspondence had been received in June from the NLWA contract manager indicating that the Authority wished to extend the terms of payment. She has been seeking an early meeting to discuss this but had not had a response to her requests to date.

8.3. Operations (for Noting)

The report was noted and discussed.

██████████ gave an update on the waste inspection programme.

At the start of the Covid pandemic industry reports forecast that waste streams could increase by up to 20%. To protect the plant the Company stepped up inspection of waste deliveries and removed non-conforming waste. No waste delivered was rejected in this process.

Following the peak of the current wave, waste inspections have now been reduced and are less prescriptive. NLWA receives a daily report of inspections undertaken and non-conformances.

The Company is currently preparing a toolbox talk on non-conformances to be delivered to NLWA shortly for onward rollout to the Boroughs.

The turbine house set has now been removed and preparatory work is underway to install the new turbine, with the schedule being on plan.

Become a Great Place to Work

8.4. People (for Noting)

The report was noted and discussed.

Be a key partner in the delivery of NLHPP

8.5. Development and Property (for Noting)

The report was noted and discussed.

Issues resulting from buried services, which are not identified on any drawings, will repeat itself and the Company and NLHPP contractors need to be more prepared for that. [REDACTED] questioned why the Wood survey hadn't detected the presence of the water pipes given that these are regularly detected by utility companies. He suggested the rigour of the survey should be checked given that next time it could be a power line with the potential for much more serious consequences. [REDACTED] **agreed to take this up with the NLHPP team.**

RRF procurement is complete and will be confirmed at the Programme Board on 29th July.

The ERF tender has been published. [REDACTED] **will send a link to the website.**

9. Business Issues brought Forward

No business issues were brought forward.

10. Any Other Business

E-mail of 20th July

[REDACTED] e-mail regarding the re-opening of RRCs was discussed. [REDACTED] said that he welcomed the opportunity to feedback to the Board. In response [REDACTED] restated his reply to the initial e-mail, that the Board and management is experienced and that the reasons for their actions should be given the appropriate weight and recognition by the Authority

11. Date of Next Meetings

Thursday, 20th August – Single issue Board meeting (Capacity Market Participation) at 12:00 noon

Tuesday 22nd September – Board meeting at 12.00 noon

Audit Committee meeting at 10.30am



Time of adjournment: 4.48pm

Board Minutes Approval

Signature



Name

Mr Paul Wynn

P. Wynn

Date

29 July 2020

**Meeting of the Board of Directors
Tuesday 22nd September at 12.00
Meeting held via Videoconference**

Present

Ms. M. Czulowski, Finance Director & Company Secretary
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

Apologies

Mr. R. Georgeson, Non-Executive Director

1. Chair's Welcome

The chair outlined the priorities for the meeting. As the Chair has some issues with connectivity [REDACTED] was nominated as deputy Chair if the connection was lost.

The Chair stated that he had exchanged e-mails with [REDACTED] of EY. He confirmed that the draft report had been issued to [REDACTED]. The Chair's view was that the board would receive the report shortly.

The Chair advised that the Board had a personnel matter to discuss in any other business and requested that the Observer leave the meeting for this item.

[REDACTED] would report the Audit Committee's review of the risk register.

[REDACTED] would lead on the deep dive, which would be an update on the proposed Wembley transfer station with [REDACTED] advising of the impact of this on the Company's financial position.

Following this, departmental reports would be considered.

2. Apologies/Quorum

The meeting was quorate. The Chair welcomed Mr Capstick as Observer. Apologies were received from Mr Georgeson.

3. Declaration of Conflicts of Interest

No Conflicts of Interest were declared.

4. Minutes of the Previous Meeting/Matters Arising

It was noted that the Minutes and Confidential Notes from the 23rd July Board Meeting had been approved by email on 8th August 2020.

5. Key HSQE Issues

There were no key HSQE issues.

6. Strategic Risks and Opportunities

██████████ updated the Board on the Risk Register. The review process had been for the senior leadership team to review the risks, which were further reviewed by the executive directors.

In reviewing and prioritising risks the risk register is ordered by the risks with the highest unmitigated score, with the mitigated score as the secondary ordering.

The Board approved the methodology for review of the register.

██████████ asked a question on when the insurance reserve would be reviewed. ██████████ asked what the deductible and the reserve at the end of this year.

██████████ advised that the Chair of the DB Pension Scheme trustees had told her that he had not received a letter from ██████████. ██████████ confirmed that he had not written to the Trustees. The requirement for the correspondence had been minuted as an action in the July Board.

██████████ asked about the threat of protestor action.

██████████ updated the Board on joint working with NLWA to develop a cohesive review of the NLHPP risk to LEL. He stated that the register would be updated in January following review with the NLHPP team.

7. Priority Items

This item is Company Confidential

8. Departmental Reports

Fit for now, Ready for the Future

8.1. HSQE (for Noting)

The Head of HSQE joined the Board meeting for this item only. The report was noted and discussed.

██████████ requested more information on exceedances which was given.

██████████ asked if there was anything more that could be done to avoid minor accidents in RRC. In response to ██████████ question it was confirmed that all RRC sites have safety signage.

██████████ had previously identified improvement requirements in the permit to work process. A number of sessions had been held with the appropriate staff to work through the process. The next meeting was scheduled for 5th October. ██████████ said that having kicked off the first session he was pleased that checks are being used throughout the work and will be incorporated into the new process. He was also pleased that roles and responsibilities were understood.

8.2. Finance (for Noting)

The report was noted and discussed.

It was noted that overtime in the Energy Centre was now in control and the Board offered its congratulations to the Operations Manager.

8.3. Operations (for Noting)

The report was noted and discussed.



2021 BUDGET AND 2022-25 BUSINESS PLAN



ACTIONS REQUIRED

LondonEnergy Limited Board have approved the 2021 Budget and note the 2022-2025 Business Plan and recommend it to NLWA for approval

NLWA approve the 2021 Budget.

NLWA note the 2022-2025 Business Plan.

Note that in 2019 NLWA authorised the ring-fenced capital expenditure of £2,000,000 should this be required to refurbish either or both electricity export transformers in the Budget or Business Plan period and no further authorisation required.

2021 BUDGET ASSUMPTIONS

Revenue

- The budget is based on main waste contract tonnages, Hertfordshire waste of 10,000 tonnes and 65,273 tonnes of Hendon/Wembley waste being treated at LEL.
- There is no inclusion of ELWA / other third party wastes.
- Ferrous metals prices are budgeted at [REDACTED]/t as the best current estimate of rates.
- Inflation is set at the August 2020 Bank of England rate of 0.55%.
- All NLWA gate fees are as contracted in the main waste contract.
- Electricity price budgeted at [REDACTED] (2020: average price £50.00).

Contract

- The budget and business plan assumes the rail transfer station at Hendon closes at end of Q1 2021 and from April 2021 all tonnages (currently budgeted as 129,000 tonnes) are treated by LEL at the new Wembley site.
- In the budget year 65,273 tonnes are treated at LEL with the remainder being treated at currently a newly contracted third party (63,727).
- The budget and business plan assumes a 2021 price of [REDACTED] for waste tonnages delivered to Hendon/Wembley, inflation adjusted through the business plan period. This has not yet been confirmed by NLWA.
- No adjustment has been made to tonnages for the proposed temporary FPP at the EcoPark
- The budget assumes that all transitional and implementation costs resulting from the move to Wembley are paid by NLWA and are therefore not in this budget.
- The proceeds from the sale of land to NLWA is assumed to be paid in January 2021.

Capacity Market Income

- Capacity Market payments of [REDACTED] have been assumed in the budget.

2021 BUDGET ASSUMPTIONS

• **Throughput Assumptions**

- Throughput based on 13.80 t/hr (decreased from 13.85 t/hr).
- 2,640 survey hours have been budgeted for 2021 Budget (22 days per boiler).
- 2,520 hours of shut down have been budgeted for December 21 as a result of the switchgear installation.
- 21 days full shutdown is budgeted in December 2021. This is to enable the commissioning of the new electrical switchgear. The switchgear is a critical upgrade, enabling power for the RRF and the new ERF. The cost of landfill incurred as a result of the switchgear will be charged to NLWA as part of the NLHPP works – this re-charge has been budgeted as a total cost to NLWA of £2,760k partly charged directly to the project (£1,944k) and partly recovered through the landfill tax claim (£816k).
- Unplanned outages for 2021 are budgeted at 5.0%. 2020 year to date is running at 4.2%.

• **Headcount**

- The headcount for the Budget year is increased from the 2020 Budget of 255 to 374.
- The increase is due to the new operation at Wembley, with ten additional site staff delivering a 24-hour operation and nine additional logistics staff.
- The Company headcount as at September 2020 is 340, with 4 active and 11 gapped vacancies.
- The 2020 Budgeted headcount includes 11 employees supporting NLHPP. These roles are aligned with the NLHPP programme.
- Seven of these roles have not yet been required, but the expectation is that they will be filled by the start of the Budget year.

• **Insurance**

- The insurance reserve that has been accrued in recent years to compensate for the lower level of coverage has ceased from the 2021 budget as land sale proceeds are used to fund the required reserve.
- The insurance premium has been increased in the budget by 30% in line with advice from the brokers.



TOTAL COSTS TO BE CHARGED TO NLWA

In the 2021 budget year the following expected costs are charged to NLWA	
Wembley implementation costs - not budgeted by LEL	£ 200,000
Wembley transitional costs – not budgeted by LEL	£ 150,000
Disposal costs relating to switchgear implementation	£2,760,000
Refund for loss of non ferrous metal revenue	£ 749,000
Recharge of NLHPP project costs	£ 2,123,000

2022-2025 BUSINESS PLAN ASSUMPTIONS

Revenue

- The forecast is based on main waste contract tonnages.
- Contractual Hendon/Wembley waste volume treated in 2022-2025 is 129,000 tonnes per annum.
- Hertfordshire waste volumes from 2022 to 2025 are forecast at 10,000 tonnes.
- There is no inclusion of ELWA / other third party wastes.

Contract

- The budget and business plan assumes the rail transfer station at Hendon closes at end of Q1 2021 and from April 2021 all tonnages (currently budgeted as 129,000) are treated by LEL at the new Wembley site.
- Whilst the Wembley operational costs including the picking line have been budgeted, there is uncertainty in terms of the revenue that will be generated through the picking line and therefore revenues estimated are conservative.
- The budget and business plan assumes a 2021 price of [REDACTED] for waste tonnages delivered to Hendon/Wembley, inflation adjusted through the business plan period. This has not yet been confirmed by NLWA.
- The Company is obliged under FRS102 accounting standard to recognise an impaired asset in the financial statements as soon as the probability of the event is known. The business plan assumption is that the [REDACTED] fixed asset impairment at contract end will be recognised in 2022 on signing a contract for the construction of the ERF.
- No adjustment has been made to tonnages for the proposed temporary FPP at the EcoPark

Throughput Assumptions

- Throughput based on 13.80 t/hr (decreased from 13.85 t/hr).
- 2,640 survey hours have been budgeted for 2021 Budget (22 days per boiler).
- 2,520 hours of shut down have been budgeted for December 21 as a result of the switchgear installation.
- 21 days full shutdown is budgeted in December 2021. This is to enable the commissioning of the new electrical switchgear. The switchgear is a critical upgrade, enabling power for the RRF and the new ERF. The cost of landfill incurred as a result of the switchgear will be charged to NLWA as part of the NLHPP works – this re-charge has been budgeted as a total cost to NLWA of £2,760k partly charged directly to the project (£1,944k) and partly recovered through the landfill tax claim (£816k).
- Unplanned outages for 2021 are budgeted at 5.0%. 2020 year to date is running at 4.2%.

2022-2025 BUSINESS PLAN ASSUMPTIONS

• Insurance

- The insurance reserve that has been accrued in recent years to compensate for the lower level of coverage has ceased from the 2021 budget as land sale proceeds are used to fund the required reserve.
- The insurance reserve is built to [REDACTED] in 2021, using [REDACTED] funds. The maximum exposure to a business interruption insurance loss, based on a 90 day deductible for [REDACTED] interruption, is [REDACTED].
- The insurance premium has been increased in the budget by 30% in line with advice from the brokers.

• Throughput Assumptions

- Throughput based on 13.80 t/hr each year (decreased from 13.85 t/hr).
- Unplanned outages – 5.5% in 2022 and 2023, 6% in 2024 and 2025.
- Planned outages 2,640 hours (110 days) all years. This is the same as 2021 budget.

• Inflation

- Inflation is calculated at the August 2020 Bank of England CPIH rate of:
 - 2021 – 0.55%
 - 2022 – 2.0%,
 - 2023 – 2.2%,
 - 2024 – 2.4%,
 - 2025 – 2.4%.

2021-2025 BUDGET AND BUSINESS PLAN

	2021 Budget £'000	2022 BP £'000	2023 BP £'000	2024 BP £'000	2025 BP £'000
REVENUE FROM OPERATIONS					
PROFIT FROM OPERATIONS					
NLHPP REVENUE – NON-FERROUS METALS *					
NLHPP – ASH DISPOSAL COST SAVING *					
NLHPP RECOVERIES (OVERHEADS)					
NLHPP COSTS (OVERHEADS)					
SWITCHGEAR SHUTDOWN LANDFILL COSTS - NLWA CHARGE					
SWITCHGEAR SHUTDOWN LANDFILL COSTS					
NHLPP - REFUNDED REVENUE *					
EBIT					
EBITDA					
PBT					
EXCEPTIONAL ITEMS - PROCEEDS OF LAND SALE					
EXCEPTIONAL ITEMS 2022 FIXED ASSET IMPAIRMENT					
NET PROFIT					

Business Plan = BP

* NLHPP REFUNDS REVENUE DUE TO THE NEW FORTIS CONTRACT (NON-FERROUS METAL INCOME LOST LESS DISPOSAL SAVINGS)



LondonEnergy
Powering the Circular Economy

2021-2025 BUDGET AND BUSINESS PLAN

	2021 Budget £'000	2022 BP £'000	2023 BP £'000	2024 BP £'000	2025 BP £'000
INCOME FROM OPERATIONS					
LESS: PASS THROUGH 3 rd PARTY DISPOSAL COSTS					
DISPOSAL COSTS					
LESS: PASS THROUGH 3 rd PARTY DISPOSAL COSTS DISPOSAL COST SAVING ASH - NLHPP					
CONTRIBUTION					

Business Plan = BP

2021-2025 BUDGET AND BUSINESS PLAN

	2021 Budget £'000	2022 BP £'000	2023 BP £'000	2024 BP £'000	2025 BP £'000
CONTRIBUTION					
DIRECT COSTS					
LABOUR					
MAINTENANCE					
OWN TRANSPORT					
TREATMENT CHEMICALS					
DEPRECIATION					
TOTAL DIRECT COSTS					
GROSS MARGIN					

Business Plan = BP

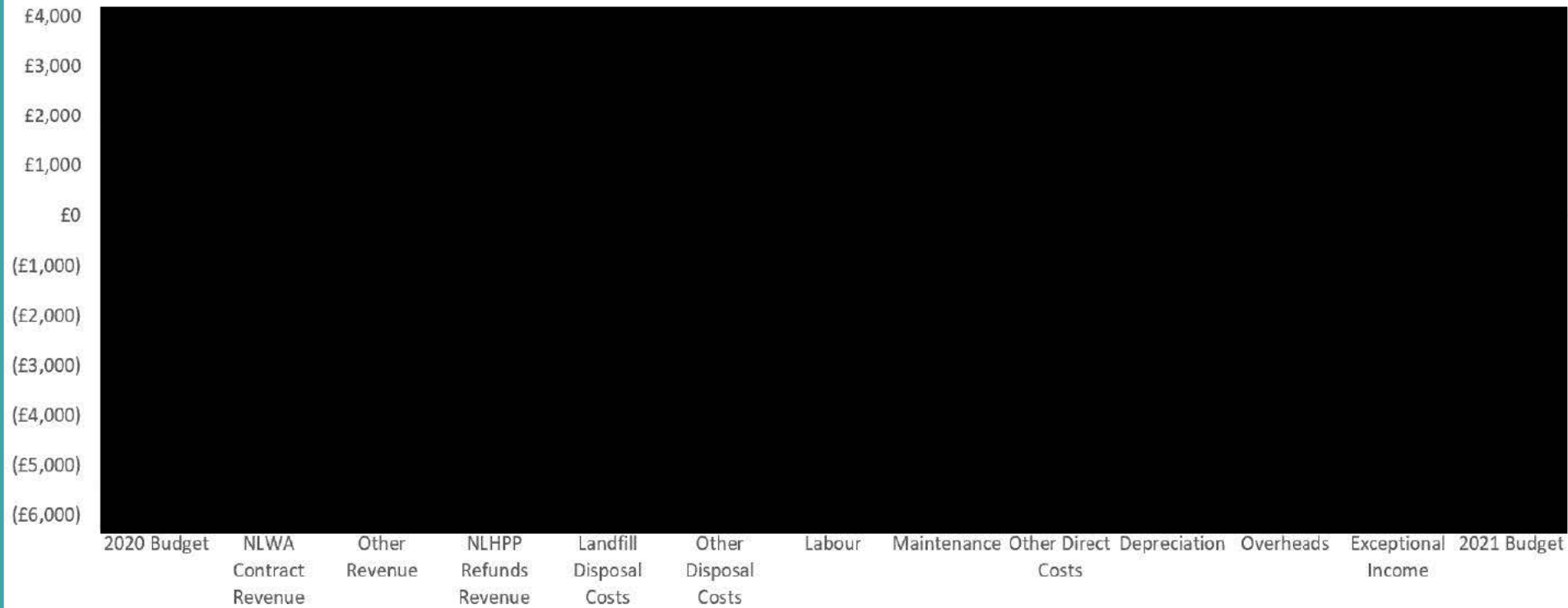
2021-2025 BUDGET AND BUSINESS PLAN

	2021 Budget £'000	2022 BP £'000	2023 BP £'000	2024 BP £'000	2025 BP £'000
GROSS MARGIN					
TOTAL OVERHEADS					
EBIT – OPERATIONS					
NLHPP INCOME (METAL INCOME + RECOVERIES)					
NLHPP COSTS (DISPOSAL SAVING + COSTS)					
SWITCHGEAR SHUTDOWN LANDFILL COSTS - NLWA CHARGE					
SWITCHGEAR SHUTDOWN LANDFILL COSTS					
EXCEPTIONAL ITEMS - PROCEEDS OF LAND SALE					
EXCEPTIONAL ITEMS 2022 FIXED ASSET IMPAIRMENT					
NET EBIT					

Business Plan = BP

2020 BUDGET COMPARISON TO 2021 BUDGET

Income Statement Comparative: 2020 Budget vs 2021 Budget



2020 BUDGET COMPARISON TO 2021 BUDGET

Revenue

- NLWA contract waste – Hendon/Wembley transfer income increase is driven by a 35k tonne increase in waste transferred from the transfer stations and treated at the EcoPark.
- Other Revenue - Hertfordshire CC revenue decline driven by a reduction of 55k tonne (65k tonne down to 10k tonne) and price reduction in the 2021 budget.
- NLHPP Revenue - NLHPP re-charge of revenue to offset the loss of non-ferrous metals revenue following transition to Fortis contract.

Disposal costs

- Driven by a 13k tonnage decrease in landfill, offsetting the net decline between NLWA contract and Herts CC tonnage.

Other direct costs

- Wembley own transport/plant costs is the main reason for the increase, commercial vehicle cost increase due to an additional 8 trucks from September 2021 to support Wembley site, there is also a derv cost increase relating to a change to bio diesel and increased numbers in the fleet.

Depreciation

- Is reduced due to a reduced CAPEX programme in the 2021 budget period.

Overheads

- Reduction in Insurance reserve contributions, offset by increase of 30% in insurance premium, increase in computer maintenance and licences, legal and professional fees and a contingency in the budget built in for additional COVID-19 costs.

Exceptional Income

- Proceeds of land sale.

2020 ACTUALS PLUS FORECAST COMPARISON TO 2021 BUDGET

Income Statement Comparative: 2020 Actuals (Jan-Sep) / Forecast (Oct-Dec)
vs 2021 Budget



2020 ACTUALS PLUS FORECAST COMPARISON TO 2021 BUDGET

Revenue

- NLWA contract waste – Hendon/Wembley transfer income increase driven by a 35k tonne increase in waste transferred from the transfer stations and treated at the EcoPark.
- Other Revenue - Hertfordshire CC revenue decline driven by a reduction of tonnage actuals and price reduction in the 2021 budget. This has been slightly offset by actual volumes of third party waste being greater than budgeted volumes, driven by large volumes in Q1 2020.
- NLHPP Revenue - NLHPP re-charge of revenue to offset loss of non-ferrous metals revenue following transition to Fortis contract.

Maintenance

- Cost increase in the 2021 budget to reflect a full boiler outage programme planned for 2021 compared to the reduced boiler outage plan in 2020.

Other direct costs

- Wembley own transport/plant costs is the main reason for the increase, commercial vehicle cost increase due to an additional 8 trucks from September 2020 to support Wembley site, there is also a derv cost increase relating to a change to bio diesel and increased numbers in the fleet.

Overheads

- Reduction in Insurance reserve contributions, offset by increase of 30% in insurance premium, increase in computer contract maintenance and licences, legal and professional fees and a contingency in the budget built in for additional COVID-19 costs. Actuals for overheads for 2020 are artificially lower due to restrictions on many activities due to COVID-19.

Exceptional Income

- Proceeds of land sale.

Note:-

The 2020 actuals include all costs up until the end of September 2020 including all boiler outages completed. One outage was moved forward from October 2020 and completed in July 2020. This outage is still represented in the forecast in October 2020. We would therefore expect the actual results of 2020 to be better than the [REDACTED] loss presented (without any Energy Centre issues) as 1 boiler outage has effectively been costed twice in this actual plus forecast 2020 model.

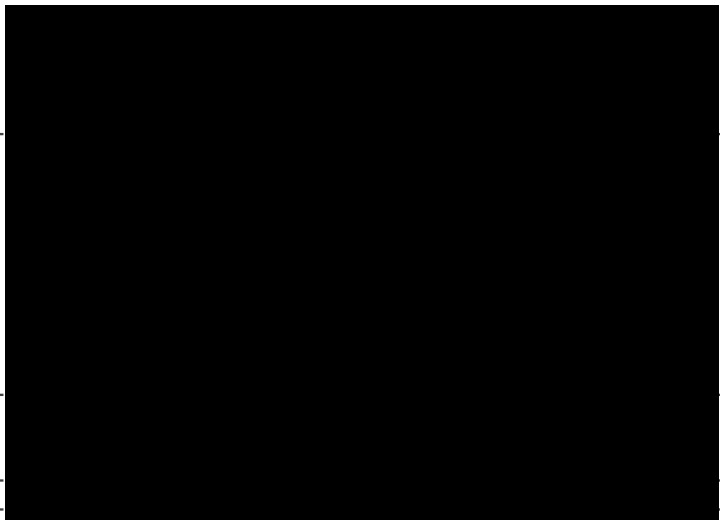
2021 BUDGET – COMPARISON

	2019 Actuals £'000	2020 Budget £'000	2020 Actuals Jan-Sep Forecast Oct-Dec £'000	2021 Budget £'000
REVENUE FROM OPERATIONS				
PROFIT FROM OPERATIONS				
NLHPP REVENUE – NON-FERROUS METALS *				
NLHPP – ASH DISPOSAL COST SAVING *				
NLHPP RECOVERIES (OVERHEADS)				
NLHPP COSTS (OVERHEADS)				
SWITCHGEAR SHUTDOWN LANDFILL COSTS - NLWA CHARGE				
SWITCHGEAR SHUTDOWN LANDFILL COSTS				
NLHPP - REFUNDED REVENUE *				
EBIT				
EBITDA				
PBT				
EXCEPTIONAL ITEMS - PROCEEDS OF LAND SALE				
NET PROFIT				

* NLHPP REFUNDS REVENUE DUE TO THE NEW FORTIS CONTRACT (NON-FERROUS METAL INCOME LOST LESS DISPOSAL SAVINGS)

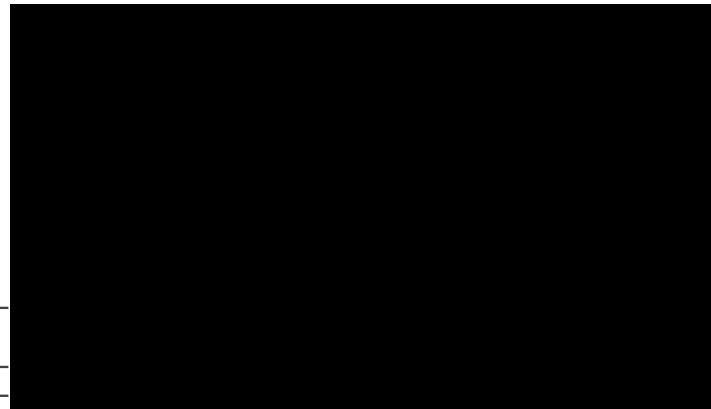
2021 BUDGET – COMPARISON

	2019 Actuals £'000	2020 Budget £'000	2020 Actuals Jan-Sep Forecast Oct-Dec £'000	2021 Budget £'000
INCOME FROM OPERATIONS				
LESS: PASS THROUGH 3 rd PARTY DISPOSAL COSTS				
DISPOSAL COSTS				
LESS: PASS THROUGH 3 rd PARTY DISPOSAL COSTS DISPOSAL COST SAVING ASH - NLHPP LANDFILL CHARGE PASS THROUGH				
CONTRIBUTION				



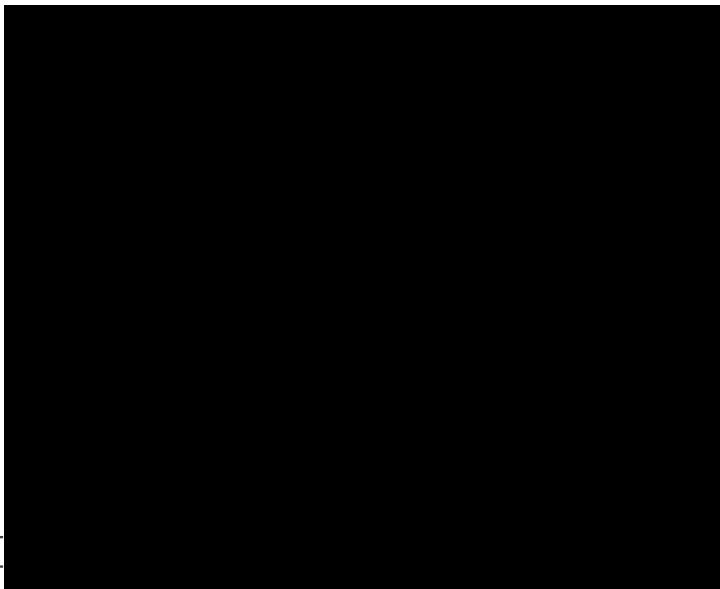
2021 BUDGET – COMPARISON

	2019 Actuals £'000	2020 Budget £'000	2020 Actuals Jan-Sep Forecast Oct-Dec £'000	2021 Budget £'000
CONTRIBUTION				
DIRECT COSTS				
LABOUR				
MAINTENANCE				
OWN TRANSPORT				
TREATMENT CHEMICALS				
DEPRECIATION				
TOTAL DIRECT COSTS				
GROSS MARGIN				



2021 BUDGET – COMPARISON

	2019 Actuals £'000	2020 Budget £'000	2020 Actuals Jan-Sep Forecast Oct-Dec £'000	2021 Budget £'000
GROSS MARGIN				
TOTAL OVERHEADS				
INSURANCE RECOVERIES				
INSURANCE REPAIR COSTS				
EBIT – OPERATIONS				
NLHPP INCOME (METAL INCOME + RECOVERIES)				
NLHPP COSTS (DISPOSAL SAVING + COSTS)				
SWITCHGEAR SHUTDOWN LANDFILL COSTS - NLWA CHARGE				
SWITCHGEAR SHUTDOWN LANDFILL COSTS				
EXCEPTIONAL ITEMS - PROCEEDS OF LAND SALE				
NET EBIT				



CASHFLOW 2021-2025

- The cash outflow in 2021 is driven by the capital plan for the year.
- The shortfall in September 2021 is within the facility that LEL has for working capital.
- In 2022 NLWA make payment for the switchgear, on commissioning and handover.
- The higher gate fee achieved for revenues from Hendon/Wembley drives the positive cash flows through the period of the budget and business plan.

2021 CASH BUDGET BY MONTH

Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000

FREE CASH BALANCE



2021 CASH BUDGET BY MONTH

Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000

Net Cash Inflow / (outflow)

Inflow / (outflow) from operating activities
 Interest / commission paid
 Taxation payments
 Capital purchases
 Sale of land

Movement

Cash B/Fwd

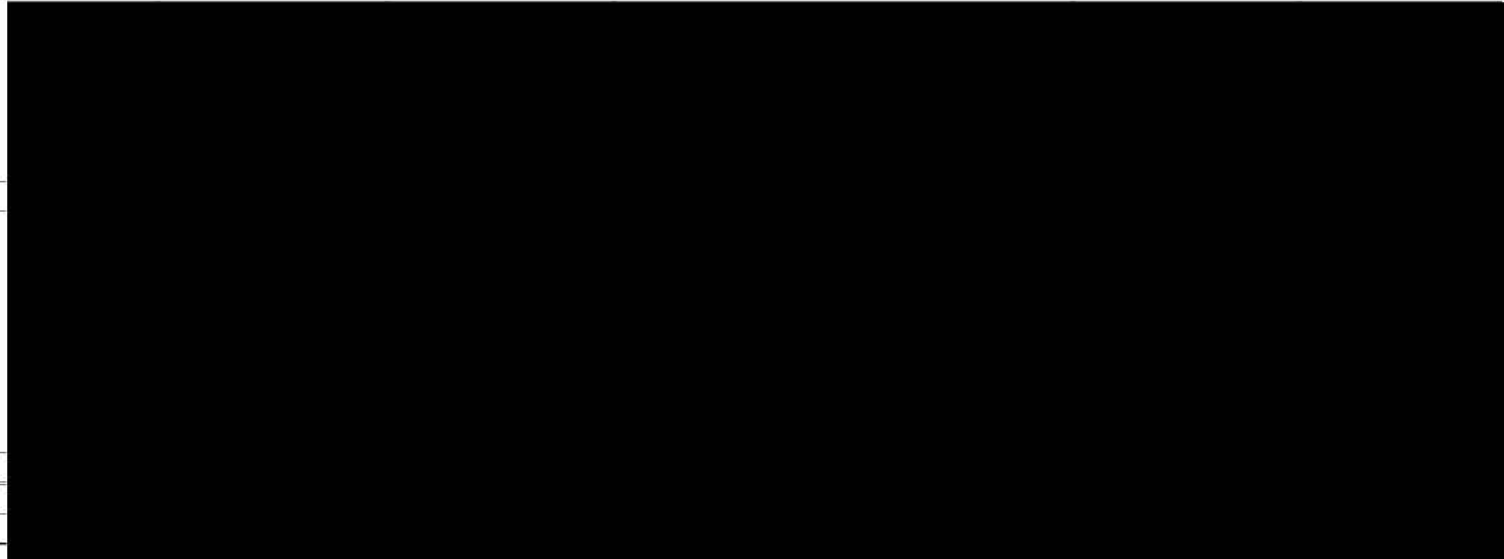
Cash C/Fwd

Less:

Insurance Reserve
 Insurance Reserve ring-fenced land sale

Cash excluding Insurance Reserve

2020 May reforecast (excl. Insurance Reserve)



2021-2025 BUSINESS PLAN

Forecast	Business Plan	Business Plan	Business Plan	Business Plan	Business Plan
2020	2021	2022	2023	2024	2025
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000

FREE CASH



2021-2025 BUSINESS PLAN CASHFLOW

Forecast	Business Plan	Business Plan	Business Plan	Business Plan	Business Plan
2020	2021	2022	2023	2024	2025
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000

Opening Cash

Receipts:-

- NLWA (tonnage, RRC, picking station Qtr)
- NLWA (LFT & NFFO)
- Electricity
- Interest Receivable
- Other
- Herts

Cash Inflow

Payments:-

- Employment Costs
- Capital Expenditure
- Purchase Ledger
- Insurance
- Rent & Rates
- VAT
- Corporation Tax (POA)
- Additional Pension scheme costs
- Interest paid
- Offsets

Cash Outflow

Net Cashflow

Closing cash balance

Less:

- Insurance Reserve
- Insurance Reserve ring-fenced land sale

Cash excluding Insurance Reserve



2021 CAPITAL BUDGET

	2021 Budget £
Buildings	
IT	
Motor Vehicles	
F&F	
Containers	
Office	
P&M	
Total	
Energy Centre	
Waste Operations	
Facilities & Estates	
IT	
Total	

2021 CAPITAL BUDGET

	£'000
2021 Capital Budget	
Previously approved in 2020 budget:-	
Turbine House Set	
FGT Upgrade	
Switch Gears and busbars	
Replacement Shredder	
Others	
New Projects	

2021 CAPITAL BUDGET

Capital Projects > £500,000

	Cost B/Fwd	£'000					Total
		2021	2022	2023	2024	2025	
Turbine House Set							
FGT Upgrade							
Switch Gears and busbars							
Turbine winding							
Replacement Shredder							

Electricity Export Transformers

- A review in conjunction with consultant engineers, Ramboll, of the extended life of the electricity export transformers (EEBT1 and EEBT2) has been undertaken.
- There is a possibility that either or both transformers will require refurbishment during the period of the Budget and Business Plan, however, the timing and extent of this refurbishment is not currently forecastable.
- A planned programme of monitoring is in place and this will highlight deterioration, which will inform any future programme.
- The cost of having to refurbish both transformers is estimated at [REDACTED].
- The requirement is not certain enough to include in the capital expenditure Budget and Business Plan at this stage.
- Should the work be required then it is possible that it would need to be commissioned with a short lead-in time, therefore, NLWA has authorised in the 2020 budget a ringfenced sum of [REDACTED] should this work be required, and no further authorisation required.

ACTIONS REQUIRED

LondonEnergy Limited Board have approved the 2021 Budget and note the 2022-2025 Business Plan and recommend it to NLWA for approval

NLWA approve the 2021 Budget.

NLWA note the 2022-2025 Business Plan.

NLWA have authorised the ring-fenced capital expenditure of [REDACTED] should this be required to refurbish either or both electricity export transformers in the Budget or Business Plan period and no further authorisation required.