

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:** ANNUAL REPORT OF DIRECTORS OF LONDONENERGY LTD

**REPORT OF:** MANAGING DIRECTOR

**FOR SUBMISSION TO:** AUTHORITY MEETING

**DATE:** 22 JUNE 2023

**SUMMARY OF REPORT:**

This provides the annual report of the Directors of LondonEnergy Ltd and sets out the performance and activities of the Company in the Authority's financial year 2022/2023.

**RECOMMENDATIONS:**

The Authority is recommended to note the report.

**SIGNED:** ..... *Zati Capstick* ..... Managing Director

**DATE:** 12 June 2023

## **1. BACKGROUND**

1.1. As the sole shareholder of LondonEnergy Ltd (LEL), the Authority receives regular updates on LEL matters and an Annual Report of the Directors of the company.

1.2. The company's Annual Report for 2022/23 is attached as Appendix A.

## **2. OVERVIEW OF LEL DIRECTORS' ANNUAL REPORT**

2.1. The Company's financial year runs from January to December and the results are for the year ended 31<sup>st</sup> December 2022.

2.2. In the year ended 31st December 2022 LondonEnergy made a loss of £27m (this included exceptional charges of £34m), against a budgeted loss of £37m (which included £33m of anticipated exceptional charges).

2.3. The exceptional charges relate to the writing down of the value of the existing Energy from Waste plant. This write down was required due to the signing of the contract to build the new Energy Recovery Facility at the EcoPark thus reducing the lifespan of the existing facilities from an accounting perspective.

2.4. Excluding these exceptional items LondonEnergy made a profit £7m.

2.5. This underlying performance was stronger than expected due to the higher energy prices at the end of 2022 offset by the significant operational issues experienced in Quarter 2 which equated to approximately a 10% loss in operational capacity for the year.

2.6. The Company provided a high degree of service at facilities including transfer stations and public reuse and recycling centres so that residents benefitted from reliable waste disposal arrangements.

2.7. The Company places priority on health and safety, and its data demonstrate LondonEnergy outperformed the waste sector overall for safety. LEL received the Gold award from the Royal Society for the Prevention of Accidents (RoSPA) for its health and safety performance. However, for the first time in many years there was a serious injury in the operational area of the EcoPark. This involved a loading shovel driven by an LEL employee colliding with a driver who was dropping off waste. Immediately following the incident, an internal review and investigation of the incident was completed, with a range of measures implemented to ensure the safety of site users. These measures were reviewed by the Health and Safety Executive to confirm that no further action was required as regards procedures on site.

2.8. In terms of the Board, during 2022 Cllr Rowena Champion and Cllr Mete Coban were appointed to the Company board following their election as Vice-Chairs of the

Authority. Two board members also resigned in the course of the year – Ursula Taylor and Tania Songini. Justin Price was appointed as Finance Director following a competitive recruitment process.

### **3. EQUALITIES IMPLICATIONS**

- 3.1. The Human Resources section of the report highlights the action which the Company is taking to develop staff and promote equality in the workplace.

### **4. COMMENTS OF THE LEGAL ADVISER**

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

### **5. COMMENTS OF THE FINANCIAL ADVISER**

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

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## **APPENDIX A: ANNUAL REPORT OF THE DIRECTORS OF LONDONENERGY LIMITED**

### **1. Introduction**

- 1.1 Since December 2009 LondonEnergy Ltd (LEL) has been owned 100% by NLWA. The Company provides a range of waste management services to the Authority through a 10-year contract that was awarded by the Authority in December 2014. This is the annual report from the Directors of LondonEnergy Limited to the Authority summarising the performance and activities of LondonEnergy Limited over the Authority's financial year 2021/22 and its financial results for the year 2021.

### **2. Directors and Board Meetings**

- 2.1 The following non-executive directors, appointed by NLWA, served during the Authority year:

Don Lloyd (Non-executive Director) appointed Chair February 2021  
Tania Songini (Non-executive Director) resigned September 2022  
Ursula Taylor (Non-executive Director) resigned May 2022  
Ulla Rottger (Non-executive Director) appointed July 2019  
Clyde Loakes (Non-executive Director) appointed January 2021  
Peter Zinkin (Non-executive Director) appointed January 2021  
Rebecca Rennison (Non-executive Director) appointed January 2021  
Ian Williams (Non-executive Director) appointed January 2021  
Doug Wilkinson (Non-executive Director) appointed January 2021  
Martin Capstick (Non-executive Director) appointed January 2021  
Rowena Champion (Non-executive Director) appointed July 2022  
Mete Coban (Non-executive Director) appointed July 2022

- 2.2 The following executive directors, who are responsible for the day-to-day activities of the Company, served during the Authority year:  
Justin Price (Finance Director) appointed January 2022  
James Kendall (Managing Director) appointed permanently December 2021
- 2.3 Directors attend LondonEnergy board meetings which are were held monthly and changed to quarterly from July 2021. Signed copies of confidential board minutes are submitted to each NLWA meeting for information. These appear on the exempt part of the agenda (the Part II section). The NLWA as shareholder is also advised of the Company's progress through Quarterly Reports to NLWA meetings.
- 2.4 The audited statutory accounts will be adopted at the Company's Annual General Meeting currently scheduled for 21<sup>st</sup> July 2023.

### **3. Finance and Operations**

- 3.1 In the year ended 31st December 2022 LondonEnergy made a loss of £27m (this included exceptional charges of £34m), against a budgeted loss of £37m (which included £33m of anticipated exceptional charges).
- 3.2 The exceptional charges relate to the writing down of the value of the existing Energy from Waste plant. This write down was required due to the signing of the contract with Acciona to build the new Energy Recovery Facility at the EcoPark thus reducing the lifespan of the existing facilities from an accounting perspective.
- 3.3 Excluding these exceptional items LondonEnergy made a profit £7m.
- 3.4 This underlying performance was stronger than expected due to the higher energy prices at the end of 2022. However, this was partially offset by interruptions to the operation of the energy from waste facility in quarter 2 which equated to approximately 10% loss in operational capacity for the year.
- 3.5 The business made significant investments in people, plant and time to enable the facility to benefit from the higher energy prices in Q4 of 2022. As a result revenue was £23m higher than budget.
- 3.6 Costs were £8m higher than budget. This was principally due to inflationary cost pressures of £3.5m (gas, chemicals, fuel etc), increased spending on staff to safeguard health and safety of £1m, higher maintenance costs on the aging energy from waste facility of £1m and higher insurance costs of £1.5m. While the latter is a cost increase compared to budget, it also reflects that the company secured increased insurance coverage as a result of creating the LEL Insurance cell at the end of 2021.
- 3.7 The continuing requirement to fund the extended asset life programme in the Energy Centre and maintain the operational assets will impact on Company reserves over the life of the Business Plan.
- 3.8 The Company remained debt-free throughout the year. Cash reserves at the end of 2022 were £19m. This balance is expected to reduce over time, as there are increased costs to running the existing plant. The Company would expect to operate at a short term loss. However increased prices for electricity provided a gain in 2021.
- 3.9 Despite the challenges with plant outages, the Company successfully delivered the requirements of its waste contracts in 2022 and the Recycling Centres achieved a recycling rate of 75%.
- 3.10 In the year the Energy Centre exported 211,000 MWh of electricity (10% less than 2021) or enough electricity to power 72,000 homes. Despite the extended outage the Company still diverted over 99% of the waste received away from landfill.

## 4. Business Review

- 4.1 LondonEnergy has continued to provide a high level of service to NLWA during the period. LEL manages the waste delivered by the seven boroughs to its centres in Hornsey Street, Wembley, and the Edmonton EcoPark. This waste is either recycled, turned into electricity in the Energy Centre or sent for further processing by third parties. In addition, the Company delivers services direct to residents at six Reuse and Recycling Centres (RRCs) across the region.
- 4.2 The Company supports the NLWA in developing the North London Heat and Power Project (NLHPP). During 2021-22 enabling works continued at the EcoPark. LEL has appointed a dedicated team with primary responsibility for the interface with the NLWA regarding the Project and engages closely with the NLHPP project team and the Authority's project consultants.
- 4.3 LEL regularly reviews and updates its management systems, including operational and maintenance regimes, to ensure that critical assets including the Energy Centre can continue to operate safely and efficiently until their replacement as part of the NLHPP. LEL's management systems are accredited to the relevant ISO standards for quality, safety, and environmental management. An external audit of the systems in March 2023 concluded that LEL's commitment to customer and to the organisation's management systems was evidenced, and that the Company's approach in operating its management systems was seen to provide an effective overall framework to support continual improvement.
- 4.4 During periods of planned maintenance, the condition of key elements of the Energy Centre are assessed and a programme of capital project works devised. During the course of 2022, NLWA instructed consulting engineers Ramboll to update their condition survey of the Energy Centre. The resulting report was issued in January 2023 and the findings will be incorporated into the capital programme, which is formally reviewed once a year by LEL and NLWA.
- 4.5 The capital programme has previously seen improvements in the Company's critical systems, including the High Voltage electrical switchgear. During 2022, the project to install a fifth turbine was completed, with the unit successfully commissioned in December. The installation of the fifth turbine will provide a significant degree of additional resilience for the Energy Centre over its final years of operation. The original turbines are in excess of 50-years old, and any failure would seriously degrade the Energy Centre's ability to treat waste. Further capital investment in the Company's critical assets is planned in order to ensure, as far as reasonably practicable, that the assets can continue to perform until the decision is taken to decommission them.

## 5. Health & Safety

- 5.1 LondonEnergy operates an extensive Health & Safety management system which is accredited to the ISO 45001. The Company investigates all incidents, reviews its practices and procedures, and gives appropriate and regular training to employees. LEL's approach places the emphasis on system-based learning from safety incidents, rather than methods that assume simplistic, linear identification of a single cause. In 2022, LEL received the Gold award from the Royal Society for the Prevention of Accidents (RoSPA) for its health and safety performance.
- 5.2 The Company uses the Health & Safety Executive's (HSE) Safety Climate Tool to assess the safety climate at work, with employees anonymously answering survey questions. In the most recent survey, the Company was assessed to have a high safety culture in place.
- 5.3 LEL reports serious incidents to the HSE under the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) regime. A RIDDOR incident is one which results in a specified injury (e.g. fractures, serious burns etc.), an absence of at least seven days or a dangerous occurrence (certain, specified near-miss events). There were four RIDDOR reportable injuries to LEL employees and one involving a borough driver during the period. All four injuries to LEL employees were minor musculoskeletal injuries (i.e. muscle strain) which resulted in an absence from work for over 7-days.
- 5.4 The RIDDOR injury which affected the borough driver was regrettably more significant and occurred on 13th May 2022 when a loading shovel driven by an LEL employee collided with a driver from LB Enfield at the Temporary Bulky Waste and Recycling Facility (TBWRF). The injured party was given medical attention by trained personnel at the scene before being transferred to hospital.

Immediately following the incident, an internal review and investigation of the incident was completed a range of measures designed to improve safety at the TBWRF implemented. These included:

- An independent review of operational safety guidance and traffic management procedures.
  - A review of staff training for both plant operators and traffic controllers.
  - Deployment of additional traffic controllers.
  - Additional equipment for employees.
  - Improvements to site infrastructure including the construction of refuge areas for traffic controllers and reapplication of road markings.
- 5.5 On 15th June, two Inspectors from the Health & Safety Executive (HSE) visited site to gather information and discuss the incident. The HSE Inspectors were keen to view the area in person and spent the day with the waste operations team at the TBWRF. As well as observing the operations, the HSE Inspectors examined procedures, risk assessments and other paperwork relating to the activities undertaken.

Subsequent to the visit, a notice of contravention was issued by the HSE highlighting inadequate segregation between pedestrians and mobile plant. LEL took all steps necessary and have since received confirmation from the HSE that the notice had been complied with and no further action was required as regards procedures on site. The TBWRF closed in February 2023 to facilitate the construction of the new Energy Recovery facility.

- 5.6 During 2023, LEL will roll out a programme of training and awareness focussed on the prevention of serious incidents and fatalities. The programme has been developed and implemented by the oil and gas industry and involves adoption of nine “life-saving rules” aimed at effectively controlling the risks most likely to cause significant harm.

## **6. Human Resources**

- 6.1 LEL has a strong commitment to investing in the development of our employees and wants to build and recognise talent across the Company. Training and development is available for employees at all levels within the organisation. Our aim is to increase productivity, job satisfaction and safety, and to equip the next generation of leaders and employees with appropriate knowledge, skills and the competencies they need to thrive. This year we focused on a supervisory skills programme for our recycling centres, a revamp of our learning management system, with 40 new bite size courses made available to all colleagues to support their development plans and we launched a new company wide competency framework, focusing on 5 core competencies.
- 6.2 Wellbeing of colleagues is important to LEL, and the leadership team always look for ways to help them maintain their health and wellbeing as part of the Company’s HR Strategy. Last year, LEL invited colleagues to participate in health and lifestyle screenings in collaboration with Westfield Health. Sessions were well received and held at the EcoPark and Hornsey Street sites. Colleagues had the opportunity to receive personalised advice about their health status and suggestions for making positive lifestyle changes from a health coach.
- 6.3 LEL utilise GoodShape to register and log all our absences which enables all our staff to have a conversation with a nurse about their symptoms and helps with predictability around return-to-work dates. The top reason for absence remains flu like viruses, although the Company has also seen an uptick in absences due to poor mental health. LEL offers support via our employee assistance programme and if needed our occupational health teams.
- 6.4 The Company employed 366 permanent staff as at 31st March 2022. About a third of these operate and maintain the Energy Centre, which is a 24 hour per day, 7 day per week operation. Half of the employees are engaged in handling or transporting waste at the various transfer stations and Reuse and Recycling Centres. The remainder are engaged in corporate functions such as health & safety, IT, finance, procurement, HR and corporate communications.



- 6.5 The LondonEnergy Employee Forum was established in 2022 with representatives from each area of the business coming together once a quarter. The representatives work with the LondonEnergy executive team to create two-way communication between the employees and the directors. The forum helps to influence and support business changes and ensures our employees are front and centre of all we do. At the last forum we discussed the transition programme and were given some proposals on how the employees would like changes to our benefits platform.
- 6.6 In addition to our employee forum the Company has built a collaborative relationship with our trades unions, and quarterly meetings are held with them to discuss employment and business concerns. We recognise the rights of every employee to join a trade union and participate in its activities.
- 6.7 An annual employee survey is undertaken each year to seek input from employees to inform the Company's employee strategies. In July 2022 we were pleased to be accredited with one star status by Best Companies. We achieved a 63% response rate and increased our engagement scores in all but one category, with a total engagement rate of 63.25%. Best companies noted that this increase in engagement was bucking national trends which had seen most organisations lose traction on their engagement index scores.
- 6.8 The Company encourages the involvement of employees in the performance of the Company through participation in a bonus scheme on successful achievement of Company performance targets which are agreed by our People and Remuneration Committee.
- 6.9 LondonEnergy Limited is proud to pay all our employees at or above the London Living Wage.
- 6.10 In addition to the current company pension scheme, LEL is also responsible for the LondonWaste pension scheme. This is a "closed scheme" i.e. it is not open to new accruals. The closed scheme has 230 members and a value of approximately £40 million. LEL's payments into the scheme are £750,000 per year.
- 6.11 The LondonWaste Limited Defined Benefit Pension Scheme continues to pursue a de-risking strategy through managed investment. Following the last triennial valuation and agreement with the Trustees and LEL Board it was decided to increase contributions into the pension scheme by £8,750 per month to reduce the £4m deficit as at the 31st Dec 2020 valuation.
- 6.12 The LondonWaste scheme had three Trustees to the end of 2022. However, due to the independent chair indicating his intention to retire, and the two employee trustees also asking to stop performing their roles, the Company ran a selection process and following approval from the Authority appointed Capital Cranfield as the sole Trustee of this closed scheme.
- 6.13 The Company will continue to review the scheme's performance and, if appropriate, will raise to the Authority's attention, the possibility of transferring

the assets, liabilities and responsibilities of the scheme to an insurance provider.

- 6.14 The Company promotes equality of opportunity and diversity across all areas, including gender and ethnicity. In April 2022 we published our gender pay gap. Women represented 11% of our workforce and 3.5% of those are Managerial-level appointments. Today, on average, the mean pay for women is higher throughout the company. Women earn £1.28 every £1 that men earn when comparing median hourly pay. When comparing mean (average) hourly pay, women's income is 37% higher than men. Women also hold 20% of the highest paid jobs and 14% of the lowest paid. The median gender pay gap is the midpoint in men's and women's hourly earnings. The median pay at LondonEnergy is 1.6% in favour of women.
- 6.15 This year we paused the graduate scheme and have 4 employees remaining on the scheme working in our Energy Centre. We have taken the decision to focus on leveraging the benefits of a structured apprentices programme that enables us to support the career development of young people from more diverse backgrounds. This year we enrolled 4 new apprentices in our spring intake to join the current cohort of 9 and are looking to expand the programme later this year.

## **7. Community**

- 7.1 Supporting our community and “giving something back” is important to our employees and they regularly volunteer with our chosen charity, The Felix Project, supporting the people in the community we serve. The Felix Project redistributes surplus food to those most in need. They work with organisations, schools, and community kitchens to provide free food to people who might otherwise go hungry. Over the last few months, the charity has seen an increase in support due to the cost-of-living crisis. Over the last year, nineteen colleagues have volunteered their time to assist in sorting the large amounts of food deliveries received and loading up the vans for distribution to local school and homeless charities in north London.
- 7.2 The Company arranges for schools and community groups to visit our site and gain a better understanding of the work we do. In March, the company welcomed Environmental Conservation students from Capel Manor College for a tour of the Energy Centre. The college is London's only specialist environmental college. It offers a range of full-time and part-time courses in further and higher education and plays a vital role in the green agenda for London.
- 7.3 LondonEnergy is the main shirt sponsor for the Enfield Town Ladies F.C. This is the first year we have sponsored a local team, and we are proud to be supporting grass roots ladies' football in our community, helping girls to ignite a passion in sport.
- 7.4 The Company supports many awareness events over the year, supporting Pride and Black History month in particular. Last year we supported the

'More Than History' fashion show. This high energy event was curated and hosted by one of the company's Site Supervisors, Shane Campbell, and featured 5 collections including the Camouflage Project collection by Julie Corion, which was inspired by the Covid pandemic and people hiding their fears and feelings during this time. Other collections included the use of upcycled fabrics to create designs around the theme 'play' and 'Nothing goes to waste' with models wearing jewellery that was sourced from our Kings Road ReUse shop.

- 7.5 The Company has also partnered with the Wiseup Network to provide mentoring and work experience opportunities for school children in the local community. This will see 4 of our LEL's employees mentoring students from the Harris Academy in Tottenham Hale. The programme gives our teams the opportunity to help shape a young person's life whilst developing crucial mentoring skills required for effective leadership in their roles. We are supporting disconnected students by being their first professional network, closing the gap to the workplace and giving students from all backgrounds a chance to showcase their talent and support our local talent pipeline.