

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: GOVERNANCE OF LONDONENERGY LTD

REPORT OF: MANAGING DIRECTOR

FOR SUBMISSION TO: AUTHORITY MEETING


DATE: 8 FEBRUARY 2024

SUMMARY OF REPORT:

This provides a regular report on the Governance of LondonEnergy Ltd. The Authority is the 100% shareholder of the company. This report covers the company's performance from October to December 2023.

RECOMMENDATIONS:

The Authority is recommended to note the comments on the company's performance and activities.

SIGNED:  Managing Director

DATE: 29 January 2024

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 update Members on the governance of the company and its financial performance.
- 1.2. The Authority is the 100% shareholder of LEL. The Authority's officers manage a close relationship with LEL, providing both challenge and support, and ensuring both organisations act in alignment to deliver sustainable waste disposal services. The LEL executives and board have the key responsibility to deliver their services and to operate in a safe, sustainable and cost-effective manner.

2. QUARTERLY REPORTS

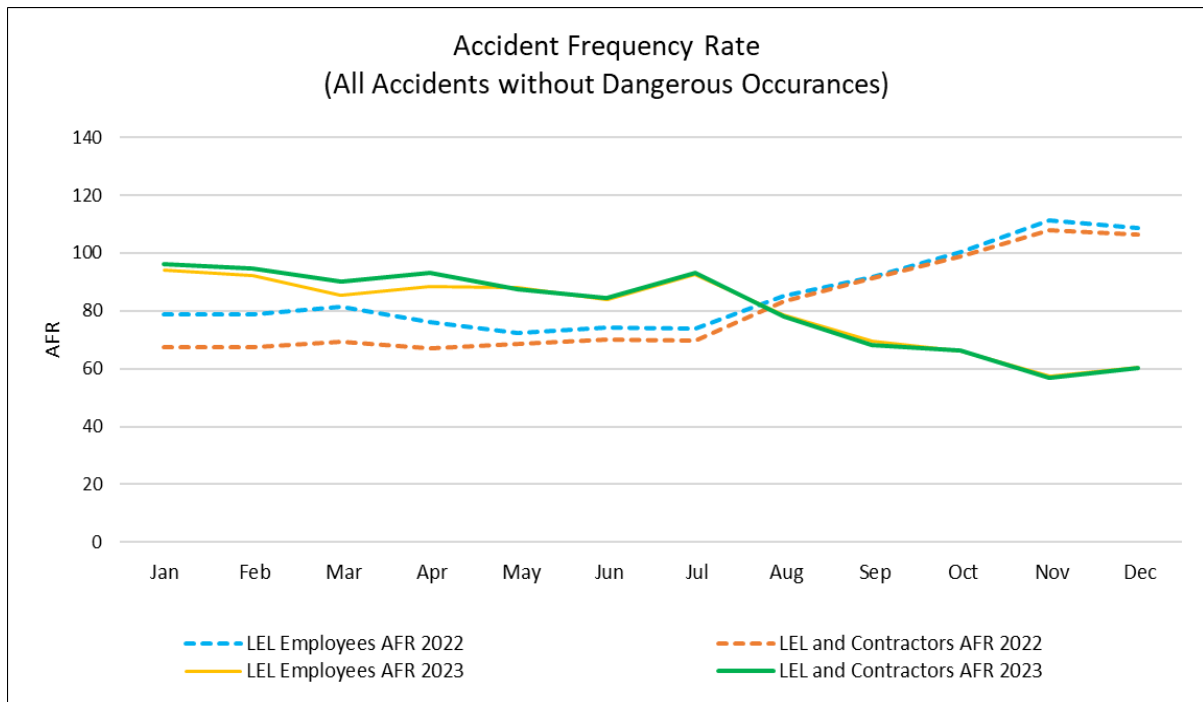
- 2.1. LEL provides quarterly reports to the Authority covering the main operational issues experienced. This report covering the fourth quarter (Q) of 2023 is at Appendix A.
- 2.2. Plant availability at the energy from waste facility during the quarter was 82%, compared with a budget assumption of 95%. This meant that both the volume of waste treated, and the electricity generated was below forecast. The tonnage of waste treated was 115,000 tonnes, which was 21,000 below budget, and the electricity generated was 58,000 MWh, compared with 72,000 MWh budgeted.
- 2.3. The overall pattern of the year was that from January to July waste treated was slightly above forecast. From August to November it was some 20% below the budgeted level, with December returning to budgeted levels of waste and electricity generated. Across 2023 the energy from waste facility disposed of some 475,000 tonnes of waste whereas LEL had hoped to achieve 506,000. The reduced availability of capacity at the energy from waste facility was as a result of higher-than-expected outages and the need for additional maintenance in response to the problems experienced.
- 2.4. The percentage of materials collected at reuse and recycling centres which was recycled averaged 73% in the fourth quarter. This was high by historic standards but a slight reduction on the third quarter, when 76% was achieved. This was likely to reflect a lower volume of garden and other green waste.
- 2.5. Mattress recycling continues to make progress and this quarter saw 4,767 mattresses recycled, taking the yearly total to 80,639.

3. CAPITAL PROJECTS

- 3.1. The installation of the new conveying systems on the flue gas treatment plant were completed in the period. The conveying system is responsible for taking gases from burning the waste and passing them over the filters and chemical processes which clean them before they are emitted to the atmosphere. As previously reported, the conveying systems had been suffering from blockages. The new systems are working well and delivering benefits in terms of improving reliability and reducing the need for reactive maintenance.
- 3.2. On-site works to overhaul turbine 4 were concluded in the period and the unit was successfully returned to service.
- 3.3. The first of the two demineralised water storage tanks was replaced and commissioned in December, with the second due to be replaced in January 2024.

4. HEALTH AND SAFETY

- 4.1. The board of LEL is legally responsible for health and safety matters and closely monitors the company's performance.
- 4.2. Regrettably the waste sector has a high injury rate, and it is important to the company and the Authority as shareholder that LEL seeks to perform contrary to this trend.
- 4.3. LEL's performance is shown in the graph below, displayed in terms of an Accident Frequency Rate (AFR). The AFR for accidents and dangerous occurrences peaked in Dec 2022 – the dotted lines in the graph show AFR in 2022. Initiatives which the Company has led with employees in 2023 have driven a strong downward trend during the second half of 2023.



5. PUBLIC RELATIONS

- 5.1. There were nine compliments and ten complaints, for the fourth quarter 2023. The compliments related mainly to the Reuse and Recycling Centre's (RRC's) helpfulness of staff and how clean the sites were, including positive feedback on the helpfulness of staff at the reuse shop at the Kings Road RRC. The complaints were all in relation to a range of items from vehicle access, inability to contact a site via telephone and a member of the public complaining about not being able to take items placed by other users away from the site. All complaints were resolved in a timely manner.

6. LONDONENEGY LTD BOARD

- 6.1 The following directors served during the period:

Don Lloyd (Non-executive Director) Chair
 Ulla Rottger (Non-executive Director)
 Martha Desmond (Non-executive Director)
 Clyde Loakes (Non-executive Director)
 Peter Zinkin (Non-executive Director)
 Rebecca Rennison (Non-executive Director)
 Rowena Champion (Non-executive Director)
 Mete Coban (Non-executive Director)
 Ian Williams (Non-executive Director)
 Doug Wilkinson (Non-executive Director)
 Martin Capstick (Non-executive Director)

James Kendall (Managing Director)
Justin Price (Finance Director)

7. EQUALITIES IMPLICATIONS

7.1. There are no equality implications arising from this report.

8. COMMENTS OF THE LEGAL ADVISER

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

9. COMMENTS OF THE FINANCIAL ADVISER

9.1. 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



Fourth Quarter Report October – December 2023

CONTENTS

1. EXECUTIVE SUMMARY

- 1.1. Overview of the fourth quarter 2023

2. OPERATIONS

- 2.1. Key Events & Technical Issues
- 2.2. Commercial and Operational Developments
- 2.3. Key Operational Indicators – Q4 2023

3. SHAREHOLDER MATTERS

- 3.1. Number and names of directors in fourth quarter 2023

4. HSQE

- 4.1. Update on compliance matters

5. COMMUNICATIONS & PEOPLE

- 5.1. People Report

1. **EXECUTIVE SUMMARY**

1.1 Overview of the Fourth Quarter – Oct - Dec 2023

Operations

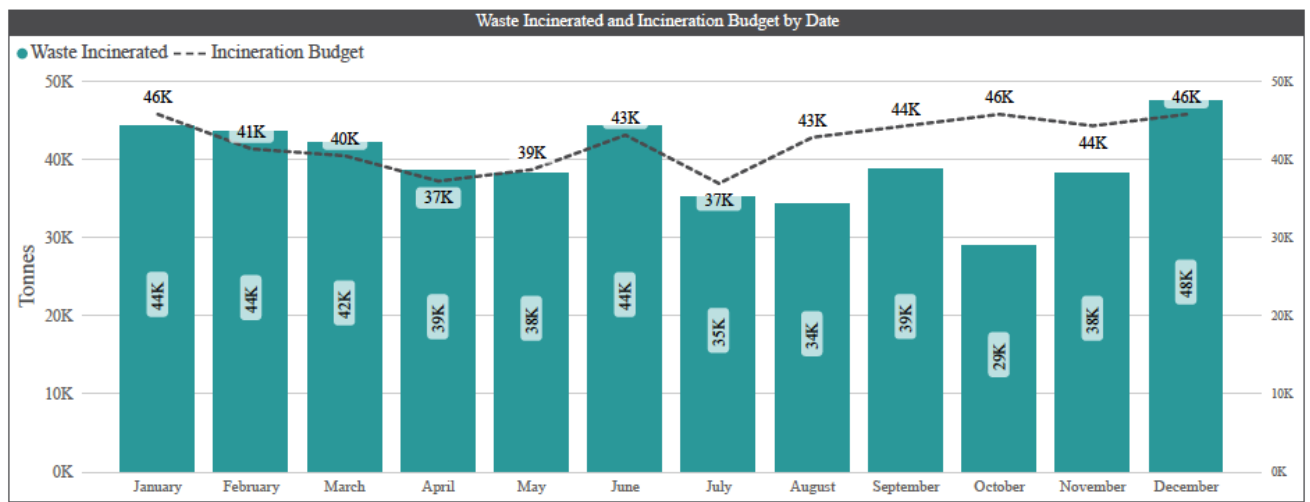
The Reuse and Recycling Centres (RRCs) performed well over the period, returning an average recycling rate of over 73%. A trial scheme to recycle carpets commenced and has proven successful – the means by which the scheme can be expanded will now be explored. The Reuse Shop at the Kings Road Recycling Centre reopened after repairs to the roof were completed.

The existing EfW faced a number of operational challenges involving boilers and export transformers. These engineering issues were resolved during the period with the facility returning to full operations by the end of the year.

LEL continued to work closely with colleagues at NLWA and NLHPP during the period to ensure effective preparations for the takeover of the RRF, which is expected to take place in Q1 2024.

2. **OPERATIONS**

Energy Centre (EC) Operations



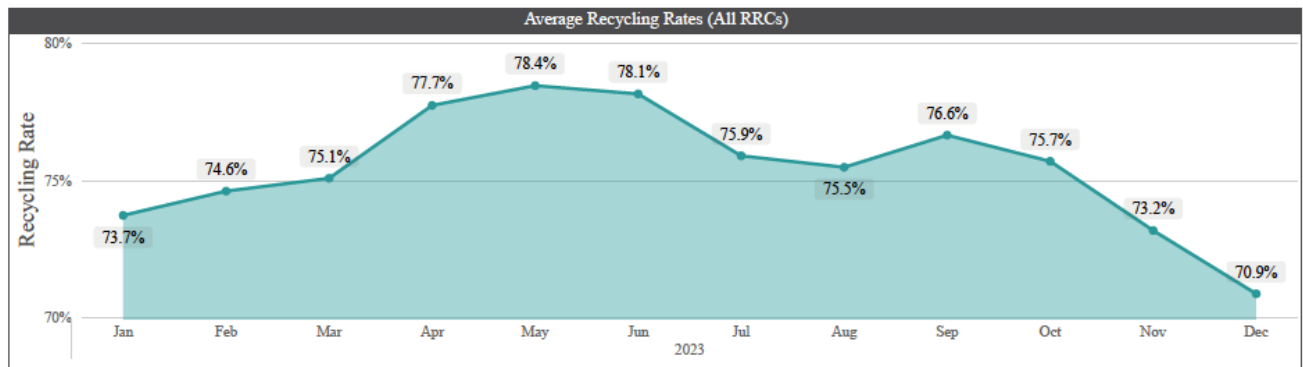
As can be seen from the graph above, waste throughput increased through the last quarter of 2023, as unplanned outages on boilers and on the export transformers were concluded, and the Energy Centre returned to full operating capacity. The amount of electricity generated by the Energy Centre also exceeded the budget forecast in December.

Recycling and Waste Operations

The Kings Road re-use shop reopened to the public on the 13 December following roof repairs and with that had their highest taking week of the year at more than £4100 - a fantastic achievement. The reuse shop continues to be a great success and is growing in popularity month on month, having had a 40% increase on sales in 2023 compared to 2022.

RRCs

The RRCs performed well over the period, returning an average recycling rate of 73%. This is slightly down on the previous quarter (76%) with the reduction being attributed to lower footfall over the winter period.



The graph above shows the average recycling rate for the six Reuse and Recycling Centres operated by LEL, on a rolling 12-month basis.

The trial of carpet recycling has been a continued success with 3 loads now being sent to the recycler, who has been happy with the quality and type of carpets they have been sent. LondonEnergy will be continuing this trial in 2024 and will look to introduce a second RRC into the trial early in the new year.

Transport

There have been no prohibition notices issued, nor MOT failures or roadside checks undertaken by the DVSA. LEL has FORS Gold Accreditation for the next twelve months and will maintain green Operator Compliance Risk Score (OCRS).

The OCRS a measure used by DVSA to decide which vehicles should be inspected. OCRS is used to calculate the risk of an operator not following the rules on roadworthiness (the condition of its vehicles) and traffic, for example drivers' hours or weighing checks. It's more likely that an operator's vehicles will be inspected if the OCRS is high – LEL's score is very low as measured by the "Green" status.

Legal & Procurement

There were two major tenders &/or RFQ completed in the period Oct - Dec 2023.

Nov

- The Solar Panel Cleaning contract for the RRF was awarded in November 2023 with services due to start once the RRF is operational.

Dec

- LEL Purchasing System (D365) Support Services contact awarded following a RFQ activity. The services commenced during the same month.

NLHPP

EcoPark South – including the Resource Recovery Facility (RRF)

During the reporting period, the Eastern Access Road and Lee Valley Park Way were successfully handed to LEL. In relation to the RRF, whilst the majority of construction work was completed by 22nd December, not all commissioning and system testing was successfully completed by Taylor Woodrow. This, in addition the delayed handover of asset documentation, meant that the facility was not able to be handed over to NLWA (and therefore LEL to operate) prior to the end of the year. Work continues to resolve the outstanding matters, with LEL collaborating closely with NLWA to ensure service to boroughs is unaffected.

During the quarter, LEL's focus was primarily directed towards matters such as training and checking assets as the 22 December handover date approached. A series of weekly 'walkarounds' of the RRF for LEL staff commenced, with any issues being fed into a Consolidated Outstanding Works List (COWL); the COWL will be categorised and form part of the agreed

takeover process, to ensure outstanding defects at point of handover are completed by Taylor Woodrow.

Energy Recovery Facility (ERF)

Plans for handover between the EfW and ERF were further developed during the quarter – this included the thinking around the potential dual running of the existing EfW and the new ERF during the period around handover from one facility to the other. Other activities during the period included:

- Review of a further 41 documents by LEL technical specialists with comments being passed back.
- Agreement and conclusion of design work in relation to the Contractors' compound.
- Meetings with UKPN to discuss location and design for electrical switch rooms.
- Enabling works for the diversion of the EfW cooling water pipe diversion to facilitate construction works by Acciona.

SHAREHOLDER MATTERS

3.1 Number and names of directors for the fourth quarter 2023

There were 13 serving directors on the LEL Board for the period, they are as follows:

- Don Lloyd (Non-executive Director) – Chair, Board
- Ulla Rottger (Non-executive Director) – Chair, Transition Committee
- Martha Desmond (Non-executive Director)
- Clyde Loakes (Non-executive Director)
- Rowena Champion (Non-executive Director)
- Mete Coban (Non-executive Director)
- Peter Zinkin (Non-executive Director) – Chair, Audit & Risk Committee
- Rebecca Rennison (Non-executive Director) – Chair, Remuneration & People Committee
- Ian Williams (Non-executive Director)
- Doug Wilkinson (Non-executive Director) – Chair, Health, Safety, Environment & Operations Committee
- Martin Capstick (Non-executive Director)
- Jim Kendall (Managing Director)
- Justin Price (Finance Director)

4. Health, Safety, Quality and Environment (HSQE).

4.1 Update on compliance matters:

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

5. PEOPLE

5.1 People Report

The headcount summary shows that as of 31 December 2023 LondonEnergy employed 383 people compared to the forecast of 381. At the end of the reporting period, the company had a total of 9 active vacancies – a significant reduction from the position at the end of the previous quarter

LEL closed its first culture survey in December. The survey gives the company a baseline for understanding the culture (as expressed in terms of employee behaviours) within the organisation and assisting in managing change as the Company transitions to new facilities at the EcoPark.