

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:** NORTH LONDON HEAT AND POWER PROJECT – FINANCE FUNCTION STRATEGY

**REPORT OF:** PROGRAMME DIRECTOR

**FOR SUBMISSION TO:** PROGRAMME COMMITTEE

**DATE:** 7 SEPTEMBER 2020

**SUMMARY OF REPORT:**

This report covers the functional strategy for the finance function on the North London Heat and Power Project.

**RECOMMENDATIONS:**

The Committee is recommended to note the approach set out in the Finance Function Strategy at Appendix A.

**SIGNED:**  ..... Programme Director

**DATE:** 25 August 2020

## 1. INTRODUCTION

- 1.1. The North London Heat and Power Project (NLHPP) team are currently developing and implementing a programme manual – a suite of documents designed to guide successful delivery of the programme. Within this, a series of strategy documents will form the top level of the manual defining the challenges to be addressed, and the strategic approaches to meeting these. The initial set of strategies identified for development and their outline purpose is included in Table 1.

<b>Strategy</b>	<b>Outline Description</b>	<b>Presented to Members</b>
Information Management	Looks at the control of our information, data and knowledge.	October 2019
Resource Management	Addresses the need for people, assets and funds.	January 2020
Risk Management	Looks at the approach to management of risk	January 2020
Health, Safety & Wellbeing	Considers all aspects of keeping all parties associated with the NLHPP safe and well	March 2020
Technical Assurance	Addresses how the Authority will oversee the development of the technical solution and design development	March 2020
Monitoring & Control	Considers aspects associated with scheduling, controlling costs and reporting on the programme.	July 2020
Delivery and Construction Management	Deals with the core construction activities and the challenges linked to interfaces, operational site working and logistics.	July 2020
Commercial	Considers the procurement and subsequent delivery of contracts	September 2020
Financing Function	Considers the challenges associated with planning, obtaining and managing the necessary financing for the programme	September 2020
Stakeholder Engagement	Addresses the challenges associated with the range of stakeholders in the programme.	November 2020
Social Value	Looks at the aspects of social and community benefits that the works will bring.	November 2020

*Table 1 - List of NLHPP Strategy Documents*

- 1.2. These strategies will be provided to with Members at suitable opportunities to enable an understanding of these challenges of those elements of the project, and how the project team will address them.
- 1.3. Each management strategy must adapt to changing or emerging needs of the Project and, as such will be reviewed periodically. It is anticipated that the Project strategies will be submitted to the Programme Committee for review and noting approximately annually. Therefore, from January 2021 onwards, the review cycle will begin again.

## **2. FINANCE FUNCTION STRATEGY**

- 2.1. This report presents the functional strategy for the financing function, which is included in its entirety in Appendix A. The focus of this strategy is to ensure that sufficient finance is available throughout the project to meet obligations as they arise. At the same time, this needs to identify the most cost-effective sources of finance available to the Authority.
- 2.2. The strategy covers the following aspects (with further detail being contained in the document, which is at Appendix A):
  - 2.2.1. Challenges – the initial challenges facing this function include the need to identify the most affordable sources of financing available to the Authority that meet the need to cover arising financial obligations. In addition, operational controls that support project planning and budgeting as well as purchasing and invoice payment that support the programme, need to be in place.
  - 2.2.2. Strategic approach – the steps that are being and will be taken to meet the challenges, including establishing a robust cost management environment within the NLHPP team and identifying possible financing opportunities (including managing the possible risks associated with them);
  - 2.2.3. Supporting plans – the next level of documents required to assist with the implementation of the functional strategy. The Financing Strategy is a key document which lays out the possible options to finance the programme.
- 2.3. The strategy then outlines some of the key risks, stakeholders and resource requirements that are considered in taking steps forward. A notable risk is changing Government policy relating to Local Government borrowing, as has been seen over the past year in relation to the Public Works Loan Board.
- 2.4. As with other strategy documents presented, this strategy cannot be delivered in isolation and will be implemented in conjunction with the other functional strategies and plans.

### **3. CURRENT STATUS**

- 3.1. In parallel to preparing the functional strategy, work has started on the preparation of the other documents required and in October 2019, Members reviewed the Financing Strategy at the Programme Committee. A policy to consult with borough Directors of Finance in advance of borrowing has been put in place and in February 2020, the first tranche of finance was drawn down following a successful bid for Local Infrastructure rate funding from the Treasury, through the Public Works Loan Board. Internal financial systems of control are being updated to reflect the changing working practices due to COVID-19 and these will continue to be monitored.

### **4. EQUALITIES IMPLICATIONS**

- 4.1. The implementation of the strategy has no equalities implications.

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

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

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

- 6.1. The Financial Adviser has been consulted during the preparation of the report and comments have been incorporated.

#### **Contact officer:**

Paul Gulliford  
Unit 1b Berol House  
25 Ashley Road  
London N17 9LJ  
020 8489 5833  
[paul.gulliford@nlwa.gov.uk](mailto:paul.gulliford@nlwa.gov.uk)

## **APPENDIX A      FINANCE FUNCTION STRATEGY**

# Contents

1	Context and Vision	5
2	Purpose	5
3	Starting Point	5
4	Challenges	5
5	Strategic Approach	6
6	Supporting Plans	6
7	Risks	7
8	Development	8
9	Resources	8
10	Functional Stakeholders	8

# 1 Context and Vision

The North London Heat and Power Project (NLHPP) is the programme of works authorised by Development Consent Order (DCO) granted in February 2017 through which the existing energy from waste (EfW) plant at the Edmonton EcoPark will be replaced with a new Energy Recovery Facility (ERF). The programme of works includes provision of a Resource Recovery Facility (RRF) for reception and transfer of waste incorporating a public Reuse and Recycling Centre, and EcoPark House (EPH), a visitor centre which will be used to provide community / education space and back up office space. In preparing for and carrying out the works in the NLHPP programme, the management team is working closely with LondonEnergy Ltd (LEL) the operators of the EcoPark and the current EfW plant.

**Create a waste management facility in which local communities take pride, which demonstrates value and is a model for public sector project delivery”**

The NLHPP leadership team have developed a vision for the programme, highlighted above. Each function of the programme organisation will play a role in delivering the vision and this document, the “functional strategy”, sets out the challenges to achieving the vision and the approach to overcoming them.

## 2 Purpose

This document is the functional strategy for the Finance function. Its purpose is to ensure that finance is available to the NLHPP programme management organisation when needed and that the programme meets its financial obligations while obtaining the most cost-effective financing available.

## 3 Starting Point

The Project is using existing NLWA processes and procedures, alongside LB Camden systems and processes to deliver the Programme. Over time these will need to be enhanced to ensure that there is a consistent approach across the Programme and wider organisation.

## 4 Challenges

The programme challenges that this strategy will support the addressing of are:

Challenge	Description
Availability of affordable financing	<ul style="list-style-type: none"><li>• The financing is believed to be available; however, there will be a challenge around making sure we get the most affordable option</li><li>• Requirements of finance providers</li></ul>
Financial planning and control	<ul style="list-style-type: none"><li>• Ensuring the NLWA operational controls are sufficient for the scale and nature of project expenditure/management</li><li>• Interface with LB Camden’s finance system</li></ul>
Purchasing, invoicing and payment	<ul style="list-style-type: none"><li>• Having reliable and well-governed methods and practices for managing contract expenditure</li><li>• Interface with LB Camden’s finance system</li></ul>

Challenge	Description
Contract management	Supporting the control and monitoring of expenditure of live construction, adviser and operator contracts
Programme team resourcing and engagement	The programme team may not have sufficient financial and cost management resources and/or understanding of finance requirements
Stakeholder management	Understanding the needs of external stakeholders in terms of financial reporting, being able to deliver to those requirements and communicating financial messages appropriately
Managing finance risks	Exchange rate, interest rate risk, inflation, etc

## 5 Strategic Approach

The approach to meeting these challenges will be based around the following key areas:

Area	Explanation	Addresses
Establish a robust cost management environment	Documentation to support the NLHPP in day to day financial management including timetables and instructions	<ul style="list-style-type: none"> <li>Financial planning and control</li> <li>Purchasing, invoicing and payment</li> </ul>
Documenting and communicating financial practices	Documentation to underpin day to day processes as well as decision making by Senior Management team	<ul style="list-style-type: none"> <li>Availability of affordable financing</li> <li>Programme team resourcing and engagement</li> <li>Stakeholder management</li> <li>Purchasing, invoicing and payment</li> </ul>
Monitoring and preparing for and pursuing financing opportunities and managing risks	Identifying the best possible sources of finance and working with the project team and key borough stakeholders to ensure that the pros and cons of the approach are understood.	<ul style="list-style-type: none"> <li>Availability of financing</li> <li>Managing finance risks</li> </ul>

## 6 Supporting Plans

The following management plans and supporting documents will be required to implement this strategy.

Strategic Plan	Purpose	Description
Financing Strategy	To set out the plan for raising the required finances to pay for the Programme	The Strategy will outline the possible routes to finance the Programme and the steps required to identify the final sources of funds
Financial Management Plan	To document the key financial management documents to support the Programme	The plan will identify the documents procedures and processes required to support sound financial



Strategic Plan	Purpose	Description
		management within the Authority
Exchange Rate Hedging Plan	To identify the key requirements to hedge against adverse exchange rate fluctuations	The plan will seek to minimise the risks to the Authority of foreign exchanges rates changing and increasing the Programme cost.
Forward Borrowing Framework	To identify the key steps and processes required if forward borrowing is required	The framework will ensure that a plan is in place to ensure that forward borrowing (if required) can be completed within a defined timeframe.
Monitoring and Control Strategy	To document the process to ensure that costs are controlled from end to end of the process.	Support the Programme Office to prepare a strategy that ensure that from the start to closeout of a project, all costs are planned captured and recorded
Cost Management Plan	To document the key aspects of cost management for NLHPP staff	Support the Programme Office to document the key financial processes to support the NLHPP team with day to day financial activities including invoice processing, task orders, and forecasting.
Risk Management Strategy and Plan	Put in place a strategy and plans to ensure that risks are identified, recorded	Support the Programme Office to ensure that the strategy and plan for recording risks are fully documented

## 7 Risks

Potential risks which threaten the successful delivery of this strategy are:

Description	Planned Mitigation(s)
Availability of resource	Recruitment and profiling of resource needs
Changing government policy	<ul style="list-style-type: none"> <li>Engagement with government on financing strategy</li> <li>Alternative plans</li> </ul>
Interface with LB Camden and NLWA governance	Identification of interfaces and engagement with stakeholders to agree working practices and methods
Timing and provision of information on cost	Cost Management, Commercial Management and Financial Management Plans and linking of financial requirements to schedule
Lack of engagement from the programme organisation	<ul style="list-style-type: none"> <li>Establish a remit and accountability for risk management in each function of the programme organisation</li> <li>Hold briefings on function requirements</li> </ul>

## 8 Development

The Finance Function Strategy is intended to be valid for the duration of the NLHPP programme; however, it is recommended that this strategy document and associated plans are reviewed periodically. This is to allow a check that new or emerging challenges and strategic opportunities continue to be addressed suitably. A roadmap will be developed as part of the risk management plan to provide a progressive development of the finance management environment.

## 9 Resources

In establishing and delivering this strategy and its subsequent management plan, some key resource requirements have been identified:

Description	Planned Mitigation(s)
<b>People</b>	<ul style="list-style-type: none"> <li>Finance Lead</li> <li>Finance Business Partner (vacant)</li> </ul>
<b>Tools</b>	<ul style="list-style-type: none"> <li>Oracle Fusion</li> <li>Purchase ordering system to be put in place</li> </ul>

## 10 Functional Stakeholders

A high-level summary of stakeholder interfaces is captured below. A full detailed stakeholder management plan with regards to this function will be prepared within the relevant management plans.

Stakeholder	Relationship
<b>Programme Office</b>	Providing cost management aspects and reporting
<b>Project Delivery</b>	Awareness of finance function requirements
<b>Governance and Legal</b>	Provision of advice on legal and governance matters
<b>Commercial</b>	Providing commercial aspects and reporting
<b>Technical Authority</b>	Engagement with processes and awareness of finance function requirements
<b>Professional Advisors</b>	Engagement with processes and awareness of finance function requirements
<b>Technical Advisors</b>	Engagement with processes and awareness of finance function requirements
<b>Legal Advisors</b>	Engagement with processes and awareness of finance function requirements
<b>Planning Advisors</b>	Engagement with processes and awareness of finance function requirements
<b>Financial Advisors</b>	Engagement with processes and awareness of finance function requirements
<b>Supply Chain/Contractors</b>	Engagement with processes and awareness of finance function requirements
<b>Operator/LEL</b>	Engagement with processes and awareness of finance function requirements
<b>Borough Officers</b>	<ul style="list-style-type: none"> <li>Engagement with processes, particularly regarding consultation</li> <li>Receipt of finance reporting</li> </ul>
<b>Members</b>	<ul style="list-style-type: none"> <li>Receipt of reporting</li> </ul>

Stakeholder	Relationship
	<ul style="list-style-type: none"> <li>• Decision makers on key finance matters</li> </ul>
<b>Public</b>	No direct engagement