

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: ANNUAL REPORT OF DIRECTORS OF LONDONENERGY LTD

REPORT OF: MANAGING DIRECTOR

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 27 JUNE 2024

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 2023/2024.

RECOMMENDATIONS:

The Authority is recommended to note the report.

SIGNED: *Zati Capstick* Managing Director

DATE: 17 June 2024

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 2023/24 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 31st December 2023.
- 2.2. In the year ended 31st December 2023 LondonEnergy made a loss of £8m, against a budgeted loss of £3m.
- 2.3. The principal cause of the greater than expected loss was that the energy from waste facility operated at 6% below budgeted capacity. This reduced income from the Authority for treating waste compared to expectations.
- 2.4. 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.
- 2.5. The Company places priority on health and safety. LEL was re-awarded the Gold award from the Royal Society for the Prevention of Accidents (RoSPA) for its health and safety performance. As part of LEL's commitment to minimise risks to employees and reduce accidents, during 2023 LEL delivered 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. LEL's health & safety performance improved significantly over the period, with the accident frequency rate (relating accidents recorded to hours worked) showing a strong downward trend during the second half of 2023, ending the year significantly lower than it was during the same period in 2022.
- 2.6. In terms of the Board, during 2023 Martha Desmond was appointed as a non-executive director. This has strengthened the expertise and support for the executive team to lead LEL through the change process it faces in the coming years.

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 2023/24 and its financial results for the year 2023.

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
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
Metecoban (Non-executive Director) appointed July 2022
Martha Desmond (Non-executive Director) appointed May 2023

- 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 held 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 18th July 2024.

3. Finance and Operations

- 3.1 In the year ended 31st December 2023 LondonEnergy made a loss of (£8m) after the Electricity Generation Levy (EGL) and tax, against a budgeted loss of (£3m). This position included a budgeted £10m rebate to the NLWA Boroughs in 2023, taking account of windfall income in 2022.
- 3.2 The Electricity Generation Levy (EGL) is a temporary tax introduced to target the

exceptional receipts from electricity generation. It is in effect from 1 January 2023 to 31 March 2028. The levy imposes a 45% charge on exceptional receipts generated from the production of wholesale electricity. No exception is made for LondonEnergy Ltd even though it is a local authority owned company and gains flow back to local authorities. Exceptional receipts are defined as amounts from wholesale electricity sold at an average price in excess of a benchmark price of £75/MWh.

- 3.3 The underlying performance in 2023 was weaker than budget due to 6% lower incineration owing to the aging nature of the plant and lower energy prices in 2023 vs budget. Lower than budgeted energy sales prices were offset by lower input fuel and chemical costs. The net adverse impact of these was (£2.6m) after EGL.
- 3.4 Excluding the £13m disposal cost mentioned above, costs were broadly on budget. Within this, there were savings on business rates of £0.7m, savings from lower diesel costs in transport of £0.7m and savings in facilities of £0.8m offset by higher asbestos clean-up costs of £0.7m and higher insurance costs of £1.7m. While the latter is a cost increase compared to budget, it also reflects that the company was able to secure increased insurance coverage as a result of creating the LEL Insurance cell at the end of 2021.
- 3.5 Due to the closure of the temporary bulky waste management facility in early 2023 and the delayed opening of the replacement Resource Recovery Facility in 2024, LEL incurred additional costs of £9m for arranging to have waste handled at alternative locations for this period. This cost was offset by £9m of income funded through the North London Heat and Power Project.
- 3.6 The Company remained debt-free throughout the year. Cash reserves at the end of 2023 were £10m after excluding the £12.2m owing for the EGL, which will be settled in 2024. 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.
- 3.7 Despite the challenges with plant outages, the Company successfully delivered the requirements of its waste contracts in 2023 and the Recycling Centres achieved an overall recycling rate of 75%.
- 3.8 In the year the Energy Centre exported 200,000 MWh of electricity (5% less than 2022) or enough electricity to power 72,000 homes. The Company 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 2023 enabling works continued at the EcoPark with the company mainly focussed on developing and deploying robust plans to take over operation of the Resource Recovery Facility. LEL has appointed a dedicated

Transition 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 During 2023, LEL's Transition team led the work of ensuring that the organisation was well prepared to take over responsibility for the Resource Recovery Facility as the date of handover approached. By the end of the year, the process of user acceptance testing of the RRF with waste had commenced. The testing involved assessing how the facility responded to deliveries of waste and necessitated close cooperation with NLWA, Taylor Woodrow and Boroughs.
- 4.4 The hard work by all teams paid off, and on Friday 15 March 2023 the Resource Recovery Facility was officially handed to LondonEnergy, marking the start of the operational ramp-up in the brand-new recycling facilities. Since then, LEL has put the RRF through a series of operational trials and performance tests. The facility entered "business as usual" operations in May 2024.
- 4.5 LondonEnergy operates in accordance with internationally recognised ISO standards for:
 - Health & Safety (ISO 45001)
 - Environmental Management (ISO 14001)
 - Quality (ISO 9001)
- 4.6 An independent auditor from the UKAS-accredited company Isoqar conducts a thorough inspection of LEL's systems annually, with a major reinspection every three years. This rigorous process ensures the validity and reliability of LEL's adherence to international standards.
- 4.7 An audit of the systems in March 2023 concluded that LEL's commitment to our customers 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.
- 4.8 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.
- 4.9 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 have been incorporated into a capital investment programme, which is formally reviewed once a year by LEL and NLWA.
- 4.10 The capital programme has previously seen improvements in the Company's critical systems, including the High Voltage electrical switchgear and the installation of a fifth turbine. During 2023, and in response to the capital projects to install new switchgear and a fifth turbine, LEL undertook a major programme of works to remediate asbestos within the turbine hall. These works were completed successfully during the period and will be followed during 2024 by a further project to manage and remediate asbestos within the boiler house. These works will

ensure that both planned and reactive operations and maintenance activities can continue to take place safely for the remainder of the Energy Centre's operational life.

5. Health & Safety

- 5.1 The Board of LondonEnergy Ltd is legally responsible for Health and Safety matters and closely monitors the Company's performance. LondonEnergy operates an extensive Health & Safety management system which is accredited to 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.
- 5.2 During 2023, LEL once again received the Gold award from the Royal Society for the Prevention of Accidents (RoSPA) for its health and safety performance. The internationally renowned RoSPA Health and Safety Awards are bestowed on organisations, teams and projects across all sectors for their unwavering commitment to protecting lives and setting the benchmark for health and safety management.
- 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), an absence of at least seven days or a dangerous occurrence (certain, specified near-miss events). There were eight RIDDOR reportable injuries during 2023. These incidents, although regrettable, were thankfully minor and were mostly the result of slips, trips and falls which led to an absence from work of over 7-days.
- 5.5 As part of LEL's commitment to minimise risks to employees and reduce accidents, during 2023 LEL delivered 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. The training was delivered using high quality virtual reality training materials which allowed employees to immerse themselves in a range of lifelike scenarios. There was very positive feedback from those undertaking the training with the overwhelming majority agreeing that the course was relevant, engaging and well-delivered.
- 5.6 Pleasingly, in part because of the success of the life-saving rules programme, LEL's health & safety performance improved significantly over the period, with the accident frequency rate (relating accidents recorded to hours worked) showing a strong downward trend during the second half of 2023, ending the year significantly lower than it was during the same period in 2022.

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. In 2023 LEL supported the company wide training in the Life Saving Rules Virtual Reality Training, compliance in anti-bribery legislation, cyber security and supporting the opening of the new Resource Recovery Facility.

- 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. In 2023 LEL continued its investment 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 use 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 seasonal viruses and LEL offers support via our employee assistance programme and if needed our occupational health teams.
- 6.4 The Company employed 378 permanent staff as at 31st March 2023. 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 and has continued throughout 2023 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 opening of our new facilities and ideas around how we support social clubs across the organisation.
- 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 August 2023 LEL were pleased to retain one star status by Best Companies. LEL achieved a 63% response rate and increased our engagement scores in all but one category and increased our engagement score to 65% The most significantly high score was in the category of Fair Deal, which details how LEL's colleagues are remunerated.
- 6.8 In 2023 LEL partnered with Wise Up Networks to offer mentoring and work experience to local students. This supports students from disadvantaged backgrounds and the talent pipeline for LEL's future roles.

- 6.9 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.
- 6.10 LondonEnergy Limited is proud to pay all our employees at or above the London Living Wage.
- 6.11 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 £23 million. LEL’s payments into the scheme are £750,000 per year.
- 6.12 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.
- 6.13 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.
- 6.14 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.
- 6.15 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.
- 6.16 During the reporting period, 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 in 2024.

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.