

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:** GOVERNANCE OF LONDONENERGY LTD

**REPORT OF:** MANAGING DIRECTOR

**FOR SUBMISSION TO:** AUTHORITY MEETING

**DATE:** 5 DECEMBER 2024

**SUMMARY OF REPORT:**

This provides a regular report on the Governance of LondonEnergy Ltd (LEL)

**RECOMMENDATIONS:**

The Authority is recommended to:

- A. Note the comments on the Company's performance and activities in the Q3 2024 Report;
- B. Note the Board Minutes for July 2024 at Appendix A;
- C. Approve LEL's proposed 2025 Budget and incorporate consequential Authority costs into plans for the Authority's 2025/26 budget; and
- D. Approve the appointment of a new board member as set out in section six.

**SIGNED:** .....  ..... Managing Director

**DATE:** 25 November 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 up-date Members on the governance of the Company and its financial performance.
- 1.2. The Authority is the 100% shareholder of LEL. The Authority officer team 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 financial performance of the Company and the main operational issues experienced. This provides shareholder information to enable Members to be briefed on key information concerning the operation of LEL. The report covering the third quarter 2024 is at Appendix A and includes a high-level view of business plan to 2027.
- 2.2. The Energy from Waste (EfW) facility treated 116k tonnes of residual waste against a budget of 115k tonnes. The good performance meant that the Energy Centre year to date is on budget for waste treatment capacity (365k tonnes against a budget of 366k tonnes). The energy from waste facility does not operate at its full theoretical maximum capacity because it has operational 'outages' during the year. These take two forms.
  - 2.2.1 Planned Outage: These are scheduled, necessary maintenance tasks that require key elements of the EfW to be brought offline for the work to be conducted. These periods result in a reduced rate of waste incineration and a commensurate reduction in electricity generation. They are planned for specific points in the year.
  - 2.2.2 Unplanned Outage: These are failures of equipment within the EfW. They require reactive maintenance to rectify the fault. Naturally, these also result in a reduced rate of waste incineration and a commensurate reduction in electricity generation until the fault is fixed and the equipment returned to service. LEL's budget allows for a percentage of unplanned outages based on historic plant performance and a recognition of the age of the equipment.
- 2.3. There were planned outages on three of the five boilers within the Energy Centre during the quarter. The outages involve replacing corroded boiler tubes (required to convert water into steam for the turbines), repairs to furnace roller grates, the flue gas treatment plant and other essential equipment. This year, the outage period also includes planned maintenance on one of the five steam turbines used

to generate electricity. This is technically complicated work made harder by the fact that the equipment is over 60-years old, and the original manufacturer no longer exists.

- 2.4 The causes of unplanned outages in this period included:
  - 2.4.1 Boiler 3 Roller Grate had broken segments and required repairs - total 67 hours of downtime.
  - 2.4.2 Boiler 5 developed a tube leak shortly after returning to service from outage and then had high vibrations on the secondary air fan which resulted in 61 hours of downtime.
  - 2.4.3 Boiler 1 suffered a blockage in the economiser which required cleaning before the unit could be returned to service.
- 2.5 Alongside the good performance in terms of tonnes of residual waste treated, the Energy Centre also delivered a strong performance in Q3 for electricity generated, with 49.0MWh of electricity exported against a budget target of 50MWh.
- 2.6 The percentage of materials recycled at Reuse and Recycling Centres averaged 73.9% in Q3 2024 (on a weighted average basis), this was very similar to the previous quarter (74.7%).

### **CAPITAL PROJECTS**

- 2.7 Following the energy from waste facility condition survey which reported in 2023, the LEL budget for 2024 includes £7.3m of capital projects to support the resilience of the plant. This involves 11 projects in the current year. In addition, the company was developing further projects which could be initiated if there is adverse performance in the year which shows particular investments need to be brought forward to maintain the operation of the facility. The four largest investments relate to:
  - 2.7.1 Boiler House Asbestos Abatement – value £2.3m. The programme was completed in August 2024 ahead of schedule and under budget.
  - 2.7.2 Boiler refurbishment for boilers 1 and 3 – value £2.1m. Contracts have been let for this work. Boilers 2 and 4 are planned for 2025
  - 2.7.3 Flue gas treatment structure repairs - £0.7m
  - 2.7.4 Bottom ash conveyor steelwork – value £0.7m
- 2.8 One other project has been completed – replacing storage tanks for de-mineralised water (essential for the operation of the boilers), value £0.3m.

### **3. HEALTH AND SAFETY**

- 3.1 The Board of LondonEnergy Ltd is legally responsible for Health and Safety matters and closely monitors the Company's performance. The report at appendix A sets out the continued improvements which have been achieved in reducing the accident frequency rate by employees and contractors in the last year. This is welcome progress but requires continued drive and initiative to maintain high levels of safety management.

### **4. PUBLIC RELATIONS**

- 4.1. There were three compliments and 10 complaints, for the third quarter 2024. The complaints were in respect to miscommunications in relation to website information (closing times) and signage (lack of road penalty notices), staff conduct, waiting time while bins were being exchanged and the refund policy at the ReUse shop. The compliments were in relation to the staff behaviours and helpfulness at sites.
- 4.2. LondonEnergy's employees take pride in delivering essential services for the people of north London, with the company's vision being to "reuse, recycle and create energy-from-waste for the benefit of our community". Each year, LEL undertakes a range of activities, in addition to delivering waste and recycling services designed to help residents access services and deliver social value. During the previous quarter, these activities included:
- 4.2.1 Mentoring Programme – In partnership with Wise Up Networks, for the second year, the Work Experience Mentoring Programme was delivered to ten participants from Leytonstone School in Waltham Forest in September. The initiative aims to provide local students with valuable work experience and mentorship opportunities, including a tour of the EcoPark facilities.
- 4.2.2 The "Be Kind" campaign – launched in July, to raise public awareness that the Reuse and Recycling Centre teams are there to help and that abuse of our colleagues will not be tolerated. campaign highlights our essential services and reinforces the importance of site rules for everyone's safety while visiting public facilities.

Further information on these initiatives is included in Appendix A.

### **5. LONDONENERGY BUDGET 2025**

- 5.1 LEL's financial year runs from 1 January to 31 December, and their budget is subject to Authority approval under the shareholder agreement, which sets out the governance between NLWA and the company. LEL's planned budget for 2025 was considered by the company board. LEL are proposing to set a budget for the

calendar year 2025 with forecast income from managing waste and generating electricity of £98.2 million. It should be noted that anticipated Electricity revenue is expected to decline by £7m in 2025 compared with 2024, and by a further £6m in the years beyond as the wholesale cost of energy returns to historical normal levels following the energy crisis.

- 5.2 As has been discussed over the past 12 months, cost pressures due to the age and condition of the energy from waste facility remain a significant challenge. As the plant ages (now entering its 55<sup>th</sup> year of operation and over 25 years past its original planned life), the reliability of the plant declines. This is consistent with the facility being in the “wear-out” period of the reliability engineering curve. In practical terms this translates into an average loss of incineration capacity of between 1% and 1.5% per year. This loss of capacity reduces income, increases disposal costs and increases the cost of unplanned maintenance.
- 5.3 To address this the NLWA commissioned advisors Ramboll to recommend actions to avoid the facility failing prior to the new ERF being commissioned.
- 5.4 This advice identified £92m of investment which would increase the resilience of the plant. As a result of critical analysis by the company, Authority engineers and further consultation with Ramboll a risk-based approach was developed to invest £25m over 3 years. We are one year into this plan and remain on track to deliver this programme. Notable successes include: the asbestos management project which finished ahead of schedule and successfully replacing 6.5km of tubing in 2 boilers with both now being returned to service after their long outages in the summer.
- 5.5 Forecasts for the next 3 years of performance have shown that the company would face a significantly adverse financial position due to the combined factors of reduced electricity income, increased maintenance cost and reduced operating capacity described above. This was identified as a looming issue when the LEL budget for 2024 was agreed a year ago, which would require increased funding from NLWA. In the meantime, there has been extensive work involving the Company and NLWA officers to identify ways in which the financial pressures can be reduced. As a result of this, the forecast funding gap has been reduced by 50%. Nevertheless, it leaves a funding gap of £7m per year after the Authority’s contractual payments under the waste management contract have been paid.
- 5.6 It is proposed that the remaining £7m per year gap is funded via the NLWA over the business plan period to the end of 2027. This will ensure that the remaining 2 years of the capital resilience plan can continue and so reducing the risk that the plant will fail. Even with this increased annual cost the incineration service provided by LEL remains materially better value than alternative 3<sup>rd</sup> party providers. More detailed financial information is provided in appendix B.

## **6. LONDONENERGY 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) *resigned on 22nd July 2024*  
Mike Hakata (Non-executive Director) *appointed 30th July 2024*  
Ian Williams (Non-executive Director)  
Doug Wilkinson (Non-executive Director)  
Martin Capstick (Non-executive Director)  
James Kendall (Managing Director)  
Justin Price (Finance Director)

Doug Wilkinson resigned from the board on 11 October when he left his role as director of environment and operational services at the London Borough of Enfield and took up appointment as chief executive of Maldon district council.

Doug was also the Authority's environmental adviser. Craig Miller, the executive director for the environment at the London Borough of Barnet has been appointed as the Authority's new environmental adviser. It is recommended that he should also be appointed to fill the vacancy in the LEL Board. The appointment of officers and Members to the LEL Board continues to play a crucial role in ensuring alignment between the operating company and the north London authorities who depend on them for delivering a key service for residents.

## **7. EQUALITIES IMPLICATIONS**

7.1 There are no equalities issues arising from this report

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

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

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

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

**List of documents used:**

None

**Contact officer:**

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Appendix A



**LondonEnergy**

Powering the Circular Economy

# **Quarterly Report to North London Waste Authority**

## **Third quarter (July - Sept) 2024**





# Third Quarter 2024 Report

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## 1. EXECUTIVE SUMMARY

### 1.1 Overview of the third quarter 2024

#### Operations

The Reuse and Recycling Centres (RRCs) performed well over the period, returning a weighted average recycling rate of 73.9% (consistent with the performance in Q2 – 74.7%). Schemes to recycle carpets, mattresses and hard plastics all continued to perform well. The new Reuse and Recycling Centre at the EcoPark opened to the public in July after a successful handover and trial operations period.

The existing EfW performed well during the period, with budgetary targets for waste treatment being met in July and August. The annual maintenance (outage) period continued during Q3, with three of the five boilers undergoing planned maintenance works. A planned outage on turbine TA3 continued, with the works expected to conclude in Q4.

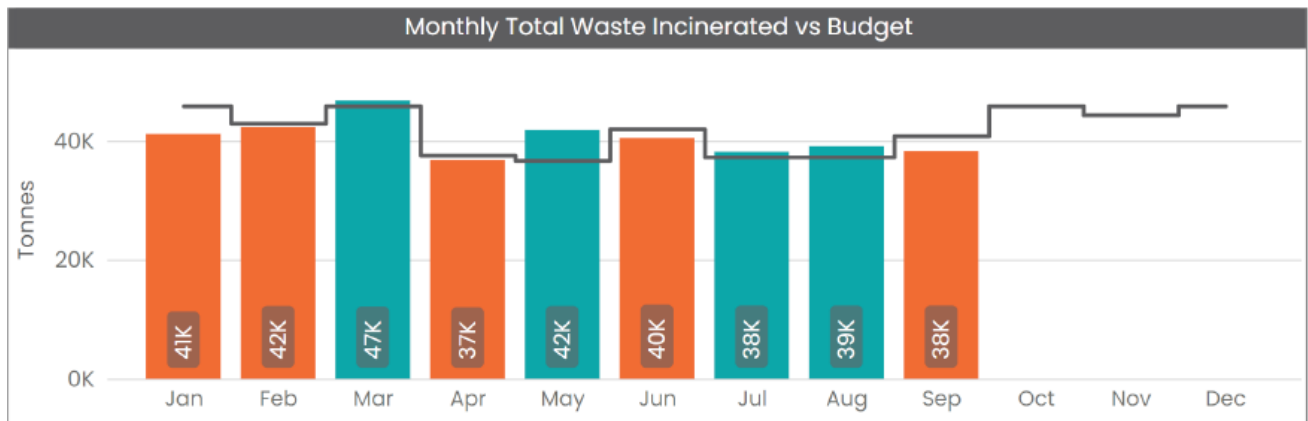
Safety performance across the organisation continues to improve, with lower accident frequency rates being recorded compared to the same period in 2023.

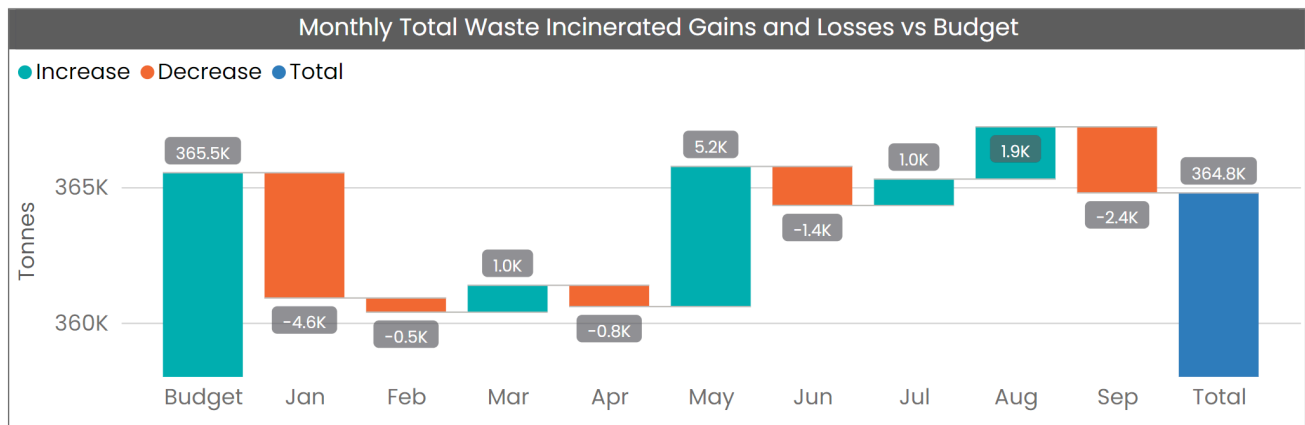
LEL continued to work closely with colleagues at NLWA and NLHPP during the period to prepare for the handover and opening of EcoPark House which is expected in Q4.

## 2. OPERATIONS

### 2.1 Energy Centre (EC) Operations

Quarter 3 saw the Energy Centre exceed budget expectations for waste throughput in July and August but fall slightly short of budget in September. This strong performance means that the Energy Centre delivered 99.8% of the budget for waste throughput over the first nine months of 2024, despite the ageing facility suffering from a range of equipment failures (unplanned downtime) that required the maintenance teams to work around the clock to return the plant to service.



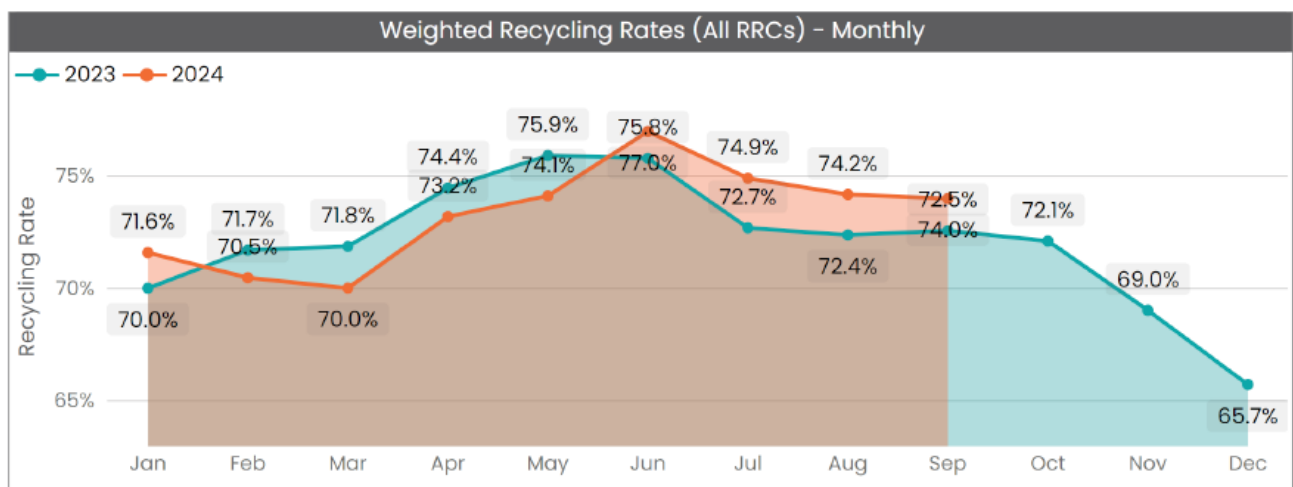


## 2.2 Recycling and Waste Operations

### RRCs

The average recycling rate across the RRCs in the reporting period was just under 74% which represents an excellent performance. The recycling of hard plastics contributed to the positive figures, with over 30 tonnes collected and sent for recycling during the period.

The Kings Road Reuse shop continued to be popular with residents, taking over £50,000 in the reporting period. Schemes to recycle mattresses and hard plastics continue to divert significant quantities of waste to recycling outlets, with over 6,700 mattresses sent for recycling in September alone.



### 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.

## **2.3 North London Heat and Power Project (NLHPP)**

### EcoPark South

EcoPark House (EPH) Handover: EcoPark House was successfully handed to LEL on 13 September, with the company immediately initiating a plan to prepare the facility for use, whilst Taylor Woodrow completed a number of small outstanding items. The first use for internal meetings/events will happen in November, with the Sea Cadets likely to move back into EcoPark in January 2025. Colleagues at the NLWA are preparing their service offering for educational visits, which are also expected to start early next year.

Reuse & Recycling Centre (RRC): The EcoPark RRC has successfully ramped up since opening to the public on 15th July 2024. The final outstanding works to correct water pooling on the car deck were completed in September. The requirement to pre-book a slot to use the facility ceased in October. From an operational perspective, the EcoPark RRC is now considered business as usual.

### Energy Recovery Facility (ERF)

LEL attended a very productive workshop with GH Cranes in Beasain, Spain in September. All outstanding issues were resolved with the waste and bottom ash cranes, access and maintenance, and crane chair ergonomics. Bunker management and crane automation software issues were clarified on behalf of the NLWA and LEL and are now under a software design improvement review at GH Cranes.

## **3. SHAREHOLDER MATTERS**

### **3.1 Number and names of directors for third quarter 2024**

There were 13 serving directors on the LEL Board for the period, with one resignation and one new appointment in July. 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) – *resigned on 22<sup>nd</sup> July 2024*
- Mike Hakata (Non-executive Director) – *appointed 30<sup>th</sup> July 2024*
- 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, Operations, Health, Safety, & Sustainability 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 or improvement notices issued by regulatory bodies in the quarter.

#### **5. PEOPLE**

##### **5.1 HR report**

The headcount summary shows that as of 30<sup>th</sup> September, LondonEnergy employed 381 people with 5 active vacancies.

	Sept 2024
In employment	381
Active Vacancies	5
Gapped Vacancies	0
<b>Total</b>	<b>386</b>

##### **5.2 Social Value – Giving back to the community.**

LondonEnergy’s employees take pride in delivering essential services for the people of north London, with the company’s vision being to “reuse, recycle and create energy-from-waste for the benefit of our community”. Each year, LEL undertakes a range of activities, in addition to delivering waste and recycling services designed to help residents access our services and deliver social value. During the previous quarter, these activities included:

###### **Mentoring Programme – Leytonstone School**

In September, LondonEnergy partnered with Wise Up Networks for the second year to offer their Work Experience Mentoring Programme, with ten participants this year coming from Leytonstone School in Waltham Forest. The initiative aims to provide local students with valuable work experience and mentorship opportunities, including a tour of the EcoPark facilities.

This programme will give students insights and hands-on experience in various departments, including Engineering, IT, Legal, HR, and more. This partnership reflects our commitment to supporting local education and providing students with the tools they need for future success.

## “Be Kind” Campaign

In July, LEL launched a 'Be Kind' campaign to raise public awareness that our Reuse and Recycling Centre team is here to help and that abuse of our colleagues is not tolerated. This campaign highlights our essential services and reinforces the importance of site rules for everyone's safety while visiting our centres.

To further support the poster and social media campaign, we have produced a short film showcasing the vital work of our Reuse and Recycling team. The film will emphasise our commitment to creating a respectful and safe environment for all. It will be shared on our internal and external websites and across our social media channels.

