



25/1/2018 – 2: Chief Operating Officer's Report

Board paper title		Paper 25/1/2018 - 2
Chief Operating Officer's Report		
Report by	Wayne Hubbard	
Job Title	Chief Operating Officer	
Date of decision	Board Meeting 25 January 2018	

Summary

This report provides and update on recent activity.

Recommendations

- To note the updates presented.

Risk Management

Risk	Action to mitigate risk
N/A – no decisions being made.	

Implications

Legal

N/A – no decisions being made.

Financial

N/A – no decisions being made.

Equalities

N/A – no decisions being made.

Originating Officer

Wayne Hubbard

Contact details

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Why the paper is being presented

The paper is presented in order to provide an update on activities since the last meeting of the Board.

Report

Staff

There are some changes to Advance London personnel (see the Advance London section of the programme update report).

Meeting with Minister

Liz Goodwin and Wayne Hubbard met with Therese Coffey in October to discuss the work of LWARB. The minister expressed support for LWARB and in particular the work of Resource London. The minister is interested in the work of Resource London’s flats taskforce and will be attending a site visit to a Peabody estate at the end of the month.

Communications and Publicity

No news releases have been issued since the last Board meeting on 23rd June; one interview has taken place with Restart Radio (Clare Ollerenshaw on the Route Map).

Presentations and events involving LWARB representatives have included:

October 2017

Andrea Crump

LLDC construction forum
Presentation at EU Policy Learning Event on resource efficiency – Seville

Wayne Hubbard

Metro Vancouver Zero Waste Conference - Circular Cities
United Nations Economic Commission for Europe Team of Specialists on Innovation and Competitiveness – Circular Cities

November

Ali Moore

Textiles Recycling Conference – ECAP

Andrea Crump

Avnir LCA conference, Lille
CircE Event – built environment, Barcelona
Presentation at World Efficiency conference, Paris

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Beverley Simonson	APSE, Improving quality and capture of recycling
Emma McKenna	Plastic packaging and the ocean, presentation on Advance London
Stuart Ferguson	2 x presentations on cities and innovation, Adelaide
Wayne Hubbard	Chair of panel, Sustainable Innovation Forum, Bonn

Audit Committee Activity

This is a summary of the Audit Committee activity, from the Committee Chair, Bassam Mahfouz.

The Audit Committee has met once (on 20 October 2017) since the last meeting of the Board.

Finance Reports

Finance reports for February – May 2017 were approved and are attached at Appendix 1.

Internal Audit Plan

An Internal Audit Plan was agreed for 2017/18 which focuses on LWARB’s core financial and HR systems and the Advance London Programme. The Advance London Programme audit was completed in December 2017 and the Audit Report will be considered by the next meeting of the Committee. The core finance audit has been completed in January 2018 and the draft report is awaited. The HR audit is being scheduled for March.

CENET

The Committee noted a report from Clare Ollerenshaw explaining that LWARB had been invited to join an EU Horizon 2020 bid New Circular Economy collaborative services to support sustainable business Networks (CENet) project.

The bid was submitted in September 2017 by the lead partner, SONAE (a large Portuguese supermarket chain). If the bid were successful, the project would start in summer 2018 and run for 4 years and be 100% funded, and would require the recruitment of staff to implement (which would require Audit Committee approval).

Unfortunately, the bid was not successful.

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Treasury Management

The committee considered the LWARB treasury management arrangements (cash is currently managed by the GLA as a callable deposit, with GLA as a direct counterpart. Interest is paid to match the returns on the GLA Group Investment Syndicate – currently approximately 0.75% gross). Given that there is now more visibility on LWARB's cash flow requirements, it was agreed that officers should engage with the market to see if greater returns could be achieved with a still acceptable level of risk by engaging fund managers to manage the fund. This work is ongoing, and no decisions regarding changing the treasury management policy have been made.

Annual Audit Letter

The Committee formally received the external auditor's (Grant Thornton) Annual Audit Letter concluding the audit of the 2016/17 accounts. The audit gave an unqualified opinion on the accounts and no adjustments were required.

Risk Management Workshop

A thorough review of the LWARB corporate risk register was initiated at a Risk Management Workshop at the end of November 2017 facilitated by the LWARB internal auditors (Mazars) attended by all Board members and the Senior Management Team. The revised Risk Register will be approved at the next meeting of the Committee and subsequently reported to the Board.

Supporting papers/appendices

Appendix 1: Finance Reports, June – August 2017.

London Waste & Recycling Board
Finance Report
June 2017

Income & Expenditure

1. The £9k grant income represents the release of deferred revenue against the ECAP and Trifocal projects.
2. The £17k project income represents interest accrued on loans.
3. Programme expenditure is 1% under budget for the YTD, anticipated to move in line with budget through the year.
4. Admin expenditure is 10% under budget for the YTD, anticipated to catch up with budget through the year.

Balance Sheet

5. Equity investments – the £181k increase reflects drawdowns to the Circularity Capital growth fund.
6. Project loans – The net 618k decrease reflects the net effect of loan repayments of £600k and the accrual of interest income over the month.
7. Tax debtors – the balance is held against the reclaim of prior year corporation tax of £86k against tax losses, since repaid (in July).
8. Deferred tax asset – The balance of £14k represents deferred tax to be offset against future profits.
9. Cash – The net £317k increase in cash over the month is reconciled to the net expenditure figure of £205k in the Cash Flow statement. The movement reflects the net effect of the £600k loan repayment, £181 equity investment drawdown, drawdowns against local authority grant agreements posted in the prior period, and the payment of programme expenditure items and overheads during the month.
10. Trade Creditors - The trade creditors balance of £99k relates to May PAYE and NIC and the posting of invoices and drawdown requests against previously committed expenditure
11. Deferred income –The £49k increase reflects the receipt of £60k of ECAP funding less amounts of £8k claimed against grant monies received (Trifocal and ECAP).
12. Provision for committed expenditure – This reflects outstanding contractual funding commitments. The £72k increase reflects the signing of grant agreements with boroughs under the Resource London programme.

London Waste & Recycling Board
Income & Expenditure (£000s)
Jun-17

	Period							YTD						
	Actual	Budget	Variance	%	Prior year	Variance (Actual to Prior Year)	%	Actual	Budget	Variance	%	Prior year	Variance (Actual to Prior Year)	%
Income														
Grant income	9		9			9		9		9			9	#DIV/0!
Income from projects	17		17		15	2	13%	52		52		45	7	15%
Bank interest receivable					17	(17)						17	(17)	
Other income														
Total Income	26		26		32	(6)	-20%	60		60		62	(2)	-2%
Programme Expenditure														
Reuse funding												730	(730)	
Commercial waste project					139	(139)						139	(139)	
Local Authority Support	129	135	(6)	-4%	45	84	186%	245	235	10	4%	333	(88)	-26%
Circular Economy	15	20	(5)	-25%	9	6	62%	74	60	14	24%	24	50	206%
Advance London	27	33	(6)	-18%		27		89	98	(10)	-10%		89	
Professional fees					21	(21)			19	(19)		34	(34)	
Total Programme Expenditure	171	188	(17)	-9%	215	(44)	-20%	408	412	(4)	-1%	1,260	(852)	-68%
Impairments					250	(250)						250	(250)	
Administrative Expenditure														
Staff costs	55	58	(3)	-5%	60	(4)	-7%	117	120	(3)	-3%	115	2	1%
Professional fees		1	(1)	-100%	2	(2)		1	3	(2)	-81%	5	(4)	-89%
Serviced Accommodation	3	5	(2)	-45%	5	(2)	-37%	9	16	(7)	-45%	14	(5)	-37%
Other overheads		6	(6)	-100%	2	(2)		15	17	(3)	-15%	7	8	129%
Total Administrative Expenditure	59	71	(12)	-16%	68	(9)	-13%	141	156	(15)	-10%	140	1	0%
Net Income / (Expenditure)	(205)	(258)	54	-21%	(501)	296	-59%	(489)	(569)	80	-14%	(1,589)	1,100	-69%

London Waste & Recycling Board
Balance Sheet (£000s)
Jun-17

	Movement over month	Month end
Fixed Assets & Investments		
Project Loans	50	628
Equity Investments	181	507
Current Assets		
Project loans	(668)	1,803
Debtors	(1)	48
Tax debtor		86
Deferred tax asset		14
Prepayments	(8)	36
Cash	317	23,905
Total Current Assets	(359)	25,893
Current Liabilities		
Trade creditors	(41)	99
Tax creditors		
Accruals	(4)	19
Deferred Income	49	200
Total Current Liabilities	3	318
Provision for Committed Project Expenditure	72	212
Net Assets / (Liabilities)	(205)	26,497
General Fund	(205)	26,497

London Waste & Recycling Board**Cash Flow (£000s)****Jun-17**

	Period	YTD
Net Income / (Expenditure)	(205)	(489)
(Increase)/decrease in project loans	618	718
(increase)/decrease in equity	(181)	(481)
(increase)/decrease in debtors	1	24
(increase)/decrease in prepayments	8	(9)
increase/(decrease) in creditors	(41)	(77)
Increase/(decrease) in accruals	(4)	(18)
Increase/(decrease) in deferred income	49	46
increase/(decrease) in provision for committed project expenditure	72	72
Net cash inflow (outflow)	317	(212)
Opening cash	23,588	24,117
Closing cash	23,905	23,905

**London Waste & Recycling Board
Finance Report
July 2017**

Income & Expenditure

1. The £8,579k London Green Fund 1 income item reflects the fair value of LWARB's share of LGF1 assets which was recognised upon the signing of contracts, enshrining LWARB's rights to the return of funds (as cash is released through exit from portfolio investments held in that vehicle). N.B. this item was disclosed as a contingent asset in the Statement of Accounts for y/e 31st March 2017.
2. Programme expenditure is 3% under budget for the YTD, but anticipated to move in line with budget through the year.
3. Admin expenditure is 2% under budget for the YTD, anticipated to move in line with budget through the year.

Balance Sheet

4. Equity investments – the £8,579 increase reflects the recognition of the LGF 1 asset described in note 1. above.
5. Project loans – The £60k increase reflects the drawdown of £50k and accrual of £10k of interest against commercial loans. .
6. Tax debtors – the decrease of £82k reflects the payment of the majority of the tax debtor owed to LWARB by HMRC. The remaining £3k was withheld in error and is currently being processed for payment.
7. Deferred tax asset – The balance of £14k represents deferred tax to be offset against future profits.
8. Cash – The net £176k decrease in cash over the month is reconciled to the net income figure of £8,457k in the Cash Flow statement. The movement reflects the drawdown of £50k against loan agreements and the payment of programme expenditure items and overheads during the month.
9. Trade Creditors - The trade creditors balance of £94k relates to the posting of invoices and drawdown requests against previously committed expenditure
10. Deferred income –The £200k balance relates to the receipt of EU grant funding from the Trifocal and ECAP projects that hasn't yet been matched to project expenditure. .
11. Provision for committed expenditure – This reflects outstanding contractual funding commitments. The £212k relates to funding agreements with Local Authorities made under the Resource London programme.

London Waste & Recycling Board
Income & Expenditure (£000s)
Jul-17

	Period							YTD						
	Actual	Budget	Variance	%	Prior year	Variance (Actual to Prior Year)	%	Actual	Budget	Variance	%	Prior year	Variance (Actual to Prior Year)	%
Income														
Grant income								9		9			9	
London Green Fund 1	8,579	8,500	79	1%	15	8,564	58464%	8,579	8,500	79	1%	60	8,519	14240%
Loan interest income	11	17	(7)	-38%		11		63	71	(8)	-12%		63	
Bank interest receivable	28		28			28		28		28		17	11	64%
Other income					2							2	(2)	
Total Income	8,617	8,517	100	1%	16	8,601	52448%	8,678	8,571	106	1%	79	8,599	10953%
Programme Expenditure														
Reuse funding												730	(730)	
Commercial waste project												139	(139)	
Local Authority Support	71	60	11	18%	95	(24)	-26%	315	295	20	7%	428	(113)	-26%
Circular Economy	12	22	(10)	-46%	30	(18)	-61%	86	82	4	5%	54	32	58%
Advance London	27	33	(5)	-17%		27		116	131	(15)	-11%		116	
Professional fees		6	(6)		35	(35)			25	(25)		69	(69)	
Total Programme Expenditure	110	121	(11)	-9%	160	(50)	-31%	517	533	(16)	-3%	1,421	(903)	-64%
Impairments												250	(250)	
Administrative Expenditure														
Staff costs	35	31	5	15%	39	(3)	-8%	152	151	2	1%	154	(1)	-1%
Professional fees	9	1	8	852%	1	8	5%	9	4	6	156%	5	5	103%
Serviced Accommodation	6	5			5	1	17%	15	22	(7)	-33%	19	(4)	-23%
Other overheads	1	6	(5)	-80%	2	(1)	-36%	16	23	(7)	-30%	9	8	92%
Total Administrative Expenditure	51	43	8	18%	46	5	11%	193	199	(7)	-3%	186	7	4%
Net Income / (Expenditure)	8,457	8,353	103	1%	(189)	8,646	-4566%	7,967	7,839	129	2%	(1,778)	9,745	-548%

London Waste & Recycling Board
Balance Sheet (£000s)
Jul-17

	Movement over month	Month end
Fixed Assets & Investments		
Project Loans	55	683
Equity Investments	8,579	9,085
Current Assets		
Project loans	5	1,808
Debtors	(2)	47
Tax debtor	(82)	3
Deferred tax asset		14
Prepayments	(12)	25
Cash	(93)	23,812
Total Current Assets	(183)	25,709
Current Liabilities		
Trade creditors	(6)	94
Tax creditors		
Accruals		19
Deferred Income		200
Total Current Liabilities	(6)	312
Provision for Committed Project Expenditure		212
Net Assets / (Liabilities)	8,456	34,954
General Fund	8,459	34,954

London Waste & Recycling Board

Cash Flow (£000s)

Jul-17

	Period	YTD
Net Income / (Expenditure)	8,457	7,967
(Increase)/decrease in project loans	(61)	657
(increase)/decrease in equity	(8,579)	(9,060)
(increase)/decrease in debtors	84	108
(increase)/decrease in prepayments	12	2
increase/(decrease) in creditors	(6)	(82)
Increase/(decrease) in accruals		(18)
Increase/(decrease) in deferred income		46
increase/(decrease) in provision for committed project expenditure		72
Net cash inflow (outflow)	(93)	(306)
Opening cash	23,905	24,117
Closing cash	23,812	23,812

**London Waste & Recycling Board
Finance Report
August 2017**

Income & Expenditure

1. Programme expenditure is 6% under budget for the YTD, anticipated to move in line with budget through the year.
2. Admin expenditure is 4% under budget for the YTD, anticipated to catch up to budget through the year.

Balance Sheet

3. Equity investments – the £2,427k decrease reflects the receipt of this amount in cash from LGF1 following the sale of a portfolio investment.
4. Project loans – The £67k increase reflects the drawdown of £50k and accrual of £17k of interest income against commercial loans.
5. Deferred tax asset – The balance of £14k represents deferred tax to be offset against future profits.
6. Cash – The net £2,308k increase in cash over the month is reconciled to the net expenditure figure of £133k in the Cash Flow statement. The movement reflects the net effect of the £2,427k of investment returns described in point 3. above, 450k of loan drawdowns and the payment of programme expenditure items and overheads during the month.
7. Trade Creditors - The trade creditors balance of £67k relates to the posting of invoices and drawdown requests against previously committed expenditure
8. Deferred income –The £86k increase relates to the receipt of EU grant funding for the ECAP project that hasn't yet been matched to project expenditure. .
9. Provision for committed expenditure – This reflects outstanding contractual funding commitments. The £9k increase relates the signing of a grant agreement with a Local authority made under the Resource London programme.

London Waste & Recycling Board
Income & Expenditure (£000s)
Aug-17

	Period							YTD						
	Actual	Budget	Variance	%	Prior year	Variance (Actual to Prior Year)	%	Actual	Budget	Variance	%	Prior year	Variance (Actual to Prior Year)	%
Income														
Grant income								9		9			9	
London Green Fund 1								8,579		8,579			8,579	
Loan interest	18	17			15	3		80	28	53	191%	75	6	8%
Bank interest receivable								28		28		17	11	64%
Other income												2	(2)	
Total Income	18	17	17	97%	15	3	19%	8,695	28	8,668	31429%	93	8,602	9210%
Programme Expenditure														
Reuse funding												730	(730)	
Commercial waste project												139	(139)	
Local Authority Support	72	70	2	3%	101	(29)	-29%	385	365	20	5%	529	(144)	-27%
Circular Economy	14	30	(16)	-53%	6	9	156%	100	112	(12)	-10%	60	40	67%
Advance London	27	33	(5)	-17%		27		144	164	(20)	-12%		144	
Professional fees		6	(6)		32	(32)			31	(31)	-100%	101	(101)	
Total Programme Expenditure	113	139	(26)	-19%	139	(25)	-18%	629	672	(44)	-6%	1,559	(930)	-60%
Impairments												250	(250)	
Administrative Expenditure														
Staff costs	31	31			41	(9)	-23%	183	182	2	1%	194	(11)	-6%
Professional fees		1	(1)	-100%	3	(3)		9	5	5	105%	7	2	31%
Serviced Accommodation	5	5			5	1	16%	21	27	(6)	-22%	24	(2)	-10%
Other overheads	1	6	(5)	-86%	2	(1)	-48%	19	29	(11)	-36%	10	8	82%
Total Administrative Expenditure	38	43	(5)	-13%	49	(12)	-24%	232	242	(10)	-4%	235	(3)	-1%
Net Income / (Expenditure)	(133)	(165)	31	-19%	(173)	40	-23%	7,834	(887)	8,721	-983%	(1,951)	9,785	-502%

London Waste & Recycling Board
Balance Sheet (£000s)
Aug-17

	Movement over month	Month end
Fixed Assets & Investments		
Project Loans	5	689
Equity Investments	(2,427)	6,659
Current Assets		
Project loans	62	1,871
Debtors	(2)	45
Tax debtor		3
Deferred tax asset		14
Prepayments	(12)	13
Cash	2,308	26,119
Total Current Assets	2,357	28,066
Current Liabilities		
Trade creditors	(27)	67
Tax creditors		
Accruals		19
Deferred Income	86	286
Total Current Liabilities	59	371
Provision for Committed Project Expenditure	9	222
Net Assets / (Liabilities)	(133)	34,820
General Fund	(133)	34,820

London Waste & Recycling Board

Cash Flow (£000s)

Aug-17

	Period	YTD
Net Income / (Expenditure)	(133)	7,834
(Increase)/decrease in project loans	(68)	590
(increase)/decrease in equity	2,427	(6,633)
(increase)/decrease in debtors	2	110
(increase)/decrease in prepayments	12	14
increase/(decrease) in creditors	(27)	(109)
Increase/(decrease) in accruals		(18)
Increase/(decrease) in deferred income	86	132
increase/(decrease) in provision for committed project expenditure	9	82
Net cash inflow (outflow)	2,308	2,002
Opening cash	23,812	24,117
Closing cash	26,119	26,119

LWARB fund forecast to 31/03/2020

At 31/08/2017

	Actual	Forecast	Forecast	Forecast
Fund forecast	March -	September		
2017- 2020	August 2017	2017 - March	2018/19	2019/20
		2018		
£000				
<u>INVESTMENT INFLOWS</u>				
Loans + bank interest*	848	1,960	110	80
London Green Fund 1**	2,427	3,788	-	-
Total investment inflows	3,274	5,748	110	80
<u>INVESTMENT OUTFLOWS***</u>				
London Green Fund II	-	-	7,000	-
Circular Economy Accelerator	- 300	- 450	- 750	-
Circularity Capital growth fund	- 205	- 295	- 500	- 500
LBWR	- 200	-	-	-
Total investment outflows	- 705	- 745	- 8,250	- 500
<u>PROGRAMME EXPENDITURE</u>				
Advance London	- 58	- 139	- 210	- 220
Resource London	- 313	- 1,921	- 2,033	- 1,833
Circular London	- 88	- 212	- 300	- 300
Programme Professional Fees	-	- 75	- 75	- 75
Total programme expenditure	- 459	- 2,347	- 2,618	- 2,428
<u>OVERHEADS</u>				
Serviced Accomodation	- 12	- 53	- 65	- 65
Staff Costs*	- 152	- 328	- 480	- 480
Professional Fees	- 9	- 11	- 20	- 20
Other Overheads	- 18	- 52	- 70	- 70
Total Overheads	- 191	- 444	- 635	- 635
b/fwd uncommitted funds	23,950	25,869	28,082	16,688
c/fwd uncommitted funds	25,869	28,082	16,688	13,205

* potential additional £850k by 2020 through revised treasury strategy (assuming 3% return on funds not committed in business plan)

Loan returns based on secured direct debt investments

** Returns of LGF1 portfolio equity investments with high visibility/certainly (secured, or currently in sale process)

Potential upside from LGF 1 of £2.3m if currently performing unsecured investments continue to perform as projected by fund manager with return likely early in next business plan period

*** Returns from accelerator, capital growth fund and London Green Fund II due in next business plan period

In addition LWARB will continue to discuss with government funding to support our work, and pursue any appropriate grants where they support the aims of our business plan