

London Waste and Recycling Board Audit Committee Meeting

12pm – 2pm Wednesday 22 February 2023
Meeting Room 8, The White Collar Factory, 1 Old Street Yard,
London EC1A 8AF



Webcast: <https://www.youtube.com/channel/UCvDI-KedJAexZNplPZU9KpA>

Agenda

Part 1: Regular business

1. Committee Membership, Introductions and apologies for absence
2. Declarations of interest
3. Minutes of the previous meeting (16 June 2022)
4. Written Resolutions passed since previous meeting
5. Finance Report
 - Summary accounts: Q3 2022/23
 - Balance sheet
 - Full Accounts 2021/22 (Appendix 2)
 - Appointment of Internal Auditors
6. HR Update
7. Risk Register
8. Any other business

Part 2: Confidential business:

- Pipeline
- Future planning (slide deck to follow)

Appendices as attachments:

1. Detailed management accounts
2. Unaudited full accounts 2021/22
3. Risk register

I. Committee Membership

At the 15 December 2022 Board meeting, the Board approved the membership of the Audit Committee as:

- Joe Murphy (Chair)
- Chantelle Nicholson
- Cllr Krupa Sheth
- Cllr Claire Holland
- Cllr Nicholas Bennett

3. Minutes of the previous meeting

12.00, 16 June 2022

Via Zoom

Committee Members Present

Joe Murphy (Chair)

Chantelle Nicholson

Cllr Claire Holland

*Approved at the ReLondon Audit Committee
Meeting on 22 February 2023*

*Signature:
Joe Murphy, Committee Chair*

Also Present

Liz Goodwin, ReLondon Chair

Wayne Hubbard, ReLondon

Adam Leibowitz, ReLondon

Jo Rogers, ReLondon

1. Introductions and apologies for absence

Apologies were received from Cllr Krupa Sheth.

JM welcomed everyone to the meeting, noted that it was his first as Chair and thanked Guy Senior for his input while in the role of Chair.

Noted that the composition of the Committee would be reviewed by the Board in September once the vacancy on the Board left by Guy Senior's departure had been filled.

2. Declarations of interest

No declarations were made over and above those already noted in the Board's register of interests.

3. Minutes of the previous meeting

Minutes of the meeting held on 17 March 2022 were agreed.

4. Written Resolutions passed since previous meeting

None.

5. Finance

Q4 2021-22 Finance Report

JR introduced the report. JM welcomed the revised format, which now gives more emphasis to income.

Noted that there is an underspend due to vacancies within the team and to work that had to be halted due to COVID (as well as some central savings, eg due to the office move).

The committee noted that while income is significantly higher than budgeted, this is largely due to sponsorship and grants rather than commercial revenues, and requested that the split between these be made more explicit.

JM noted that the budgeted income for the coming year remains at £165k, and proposed that this figure be looked at further and the Committee consider whether a more challenging target should be set, and whether that should be formally recognised in the 2022/23 budget.

The year-end cash position (£10.4m) was noted along with the current expenditure rate (approx. £3m/yr), which will leave no reserves after approximately 3 years unless income is greatly increased.

Budget

The proposed revised budget was reviewed by the Committee, which noted the changes were in relation to previously advised accruals of underspends from 2021/22 to 2022/23. The Committee approved these changes but requested that a formal materiality threshold be agreed at the next meeting, above which budget changes are to be approved by the Board (a figure of 10% of net expenditure was proposed).

Investment update

The Committee noted verbal update on investments.

Treasury Management update

The Committee noted that the Board's reserves were currently held on loan to the GLA who paid interest on these in line with their group investment fund. While this return is good when compared to bank rates, it is below inflation, which is rising.

The committee requested that the executive carry out some initial research on other possible treasury management solutions, their possible returns and likely risk profiles.

6. Internal Audit

Assurance Review and Internal Audit Report presented by the internal auditors (TIAA) were noted by the committee. JM added that they provided a very clean report on ReLondon.

7. Annual Governance and Accountability Return

The Committee noted the timeline for the approval and submission of the Annual Governance and Accountability Return for 2021/22.

The committee reviewed the reports presented and:

- Noted the Annual Internal Audit Report 2021/22 and the Assurance Review of the Annual Governance and Accountability Return prepared by ReLondon's internal auditors Ankura/TIAA Ltd.
- Approved the Annual Governance Statements (Section 1 of the AGAR)
- Approved the Accounting Statements 2021/22 (Section 2 of the AGAR)

- Recommended to the full Board that the that it approve the Governance and Accounting Statements for 2021/22.

8. HR Update

The high turnover of staff presented in the HR update was noted, but the Committee acknowledged that there was no evidence that this was specific to ReLondon. JR reported that recruitment into all of the vacant posts was well underway and good applications were being received.

9. Risk Register

AL introduced the risk register and highlighted the main proposed changes:

- Risk I (financial resources) time frame extended beyond current business plan period.
- Risk 6 (political environment) likelihood reduced now that local elections had taken place.
- Risk 9 (investments fail to deliver) likelihood reduced now that LGF has closed.
- Risk 10 (Brexit) risk deleted from register.
- Risk 11 (Covid) risk deleted from register.
- Risk 12 (commercial activity) reputation risk around sponsorship added.
- Risk 13 (Global uncertainty) new risk added.

LG added that she and the CEO review the register on a regular basis.

The Committee approved these changes to the Risk Register (noting however that risk around Covid and Brexit had not completely gone away, but agreed they were appropriately included in an overall risk around global uncertainty).

In addition, the Committee requested that the likelihood of Risk I (financial resources) be increased. As the time frame has been extended, this is now highly likely beyond the current business plan period. An increase in likelihood makes this an overall high risk which will be reported to the next meeting of the Board.

The Committee noted that number of risks included in the register was quite high and they were not all of equal importance. The Committee recommended that an opportunity be made for the full Board to consider and review entire register with a view to making it more succinct.

10. Any other business

WH reported that ReLondon was considering applying for further ERDF funding for the SME support programme to extend it to June 23 (rather than December 22). There will also be an opportunity in October to apply to the Shared Prosperity fund.

JM thanked JR, AL and whole team for their work in preparing for the meeting.

The last meeting of the Committee was scheduled for 8 September 2022. Unfortunately, a quorum was not present so the meeting could not formally go ahead. Those present did consider the items presented and the finance report was subsequently presented to the Board at its meeting on 12 October. The one decision required of the Committee (an agreement to recommend a modification of the 2022/23 budget to the Board) was agreed by a written resolution.

Minutes of the meeting held on 16th June 2022 remain to be approved by the Committee.

4. Written Resolutions

Written Resolution 01/12/22 – Review of Governance Procedures was approved by the Committee on 7 December 2022 and the recommended amendments to the Standing Orders, Audit Committee Terms of Reference and Scheme of Delegated Authority were subsequently approved by the Board at its meeting on 15 December 2022.

5. Finance report

Headlines

- Total forecasted income has shifted significantly to £429k below budget at £1.9m, steps have been taken to mitigate the impact on the year end out turn.
- 77% of total income target is secured at end December 2022. (70% at last meeting)
- Programme expenditure forecast is £525k lower than original budget.
- Total forecasted net programme expenditure is under budget by c£95k

Profit and loss summary for Q3 (to 31 December 2022)

	Q3 YTD Actual	Q3 YTD budget	Variance	% Var	FY Budget	FY Reforecast	% Var
Income							
Consultancy	8,800	40,000	(31,200)	-78%	70,000	50,000	-29%
Training Academy	28,495	42,500	(14,005)	-33%	65,000	28,500	-56%
Sponsorship	9,500	19,999	(10,499)	-52%	30,000	30,000	0%
Campaigns	128,250	150,000	(21,750)	0%	150,000	195,000	30%
Grants and fundraising	663,789	909,245	(245,456)	-27%	1,273,000	950,000	-25%
Other income	301,069	1,000	300,069	30007%	1,000	390,000	38900%
Investments income	269,219	564,750	(295,531)	-52%	753,000	269,219	-64%
Total income	1,409,122	1,727,494	(318,372)	-18%	2,342,000	1,912,719	-18.33%
Core programme activity expenditure							
Local Authority Support	950,482	937,989	12,493	1%	1,415,000	1,315,500	-7%
Core business sector support and transformation	365,028	372,747	(7,719)	-2%	487,000	466,500	-4%
Business sector support restricted grants projects*	633,777	865,622	(231,845)	-27%	1,206,000	879,468	-27%
Communications	297,201	342,499	(45,298)	-13%	470,000	420,000	-11%
Central costs	800,700	821,532	(20,832)	-3%	1,104,000	1,072,000	-3%
Investments - Fair value adjustments	4,377	0	4,377		0	4,377	
Total programme expenditure	3,051,565	3,340,389	(288,824)	-9%	4,682,000	4,157,845	-11%
Net programme expenditure	1,642,443	1,612,895	29,548	2%	2,340,000	2,245,126	-4%
Investments expenditure	1,464,288	2,000,000	(535,712)	-27%	2,000,000	1,500,000	-25.00%
RELONDON NET SPEND	3,106,731	3,612,895	(347,920)	-10%	4,340,000	3,745,126	-13.71%
Opening cash balance at 1 April 2022					10,400,000	10,400,000	
Movement in funds					(4,340,000)	(3,745,126)	
Adjustment for Non-Cash items						(600,000)	
Closing balance at 31 March 2023					6,060,000	6,054,874	

Income

Income generation has not been as successful as projected at the beginning of the year, with our commercial endeavours and financial investments performing less well. The table below shows income secured rather than received/ invoiced (actuals above).

	Budget	Secured to date	% of budget
Consultancy	£70k	£50k	71%
Training Academy	£65k	£28k	43%
Sponsorship	£30k	£19.5k	65%
Campaigns	£150k	£195k	130%
Grants for projects	£1.27m	£950k	75%
Investments income	£753k	£269k	36%
Other	£1k	£300k	N/A
Total	£2.34m	£1.8m	77%

We have secured c£50k worth of consultancy projects (most of which invoiced in Jan 2023 so not currently showing in Q3 accounts) but have struggled to secure any more than this as a result of budget constraints within Local Authorities. In addition we do not expect to secure any additional income through the Training Academy at this point in the year, due to the departure / promotion of the key staff members delivering the work.

We have secured £19.5k sponsorship (£9.5k CE week, £10k Repair Week) and are still exploring opportunities for Repair Week for financial support.

We have secured £45k more than our target for the first year of the Pan-London Food Campaign (Eat Like a Londoner) including £35k since the last meeting. We are currently in discussion with Google to provide a further £50k worth of support and there has been interest from other boroughs in signing up since.

We are £323k short of our target for grants and fundraising, we were unsuccessful in our bid to Innovate UK for a plastics Material Flow Analysis (c£250k) and delays to the Circular PSP grants (£260k) as a result of Brexit and EU funding protocols means we will only recognise £20k in this financial year, but the remainder will be received in 2023 and 2024.

Other income includes £241k released from deferred income and interest received on cash balances. We are not expecting any further returns on investments from any of the funds in the remainder of the financial year, as companies continue to recover from the impacts of the pandemic.

Programme Expenditure

Expenditure budgets have been profiled based on expected timing of activity rather than spread equally over the year. As such the costs for the year to date (end Q3) should be broadly in line with expectation, with a few points of note:

Local Authority Support: Total expenditure YTD is in line with budget but there are a mix of overs and unders within different budget lines currently. We expect to make

c£100k savings at year end as a result of vacancies in the team earlier in the year, and reductions in spend as a result of not winning the bid for the Material Flow Analysis project this year.

Business sector & support core activity: Currently expenditure is on track but we expect the year end position to be an underspend of c£30k as a result of savings on Circular Economy Week production costs and savings on salaries of vacant roles.

Business sector restricted grant projects: expenditure is 27% behind budget reflecting that grant income is 27% under budget YTD.

Communications: Expecting a year end c£50k saving as a result of the sabbatical and subsequent departure of the Love Not Landfill campaign post.

Central costs: Expenditure lines are broadly in line with budget, with the exceptions of training costs and professional fees. Training costs are underspent as a result of kicking off the development programme later than planned and we have reduced the total amount we expect to spend by £10k.

Projected full year programme expenditure is 13% lower than the original budget and the net programme expenditure is 7% lower than original budget. (More info in confidential business).

We have reduced the projection of £2m investment liabilities to £1.5m as we don't expect these to be drawn this year, but we will need to carry some of the commitment into 2023/24.

Projected year end out turn.

Currently projecting a net programme spend of £2.24m against a budget of £2.34m and with investment commitments a total net spend of £3.75m versus budget of £4.34m.

In Q2 some issues around the treatment of deferred income were identified which has led us to plan a non-cash adjustment to the year end balance by -£600k. We are still aiming to achieve a closing balance of a minimum of £6m.

Balance sheet

London Waste and Recycling Board
As at 31 December 2022

Account	31-Dec-22	30-Sep-22
Fixed Assets		
Tangible Assets		
Investment: Seeders/ Project equity Sustainable accelerator	300,001	300,001
Investment: Circularity European Growth Fund 1 LLP	2,162,153	2,146,544
Investment: Greater London Investment Fund (GLIF)/MMC	6,712,408	6,712,408
Total Tangible Assets	9,174,562	9,158,953
Current Assets		
Total Cash at bank and in hand	6,508,306	7,341,490
Debtors and prepayments	411,786	253,728
Total Current Assets	6,920,092	7,595,218
Total Creditors: amounts falling due within one year	622,200	352,487
Net Current Assets (Liabilities)	6,297,893	7,242,731
Total Assets less Current Liabilities	15,472,455	16,401,684
Total Creditors: amounts falling due after more than one year	0	9,670
Net Assets	15,472,455	16,392,014
Capital and Reserves		
Current Year Earnings	(1,642,443)	(722,883)
Profit and Loss Account	15,399,851	15,399,851
Unusable reserves - Capital adjustment fund	7,390,896	7,390,896
Usable reserves - General fund	(5,675,850)	(5,675,850)
Total Capital and Reserves	15,472,455	16,392,014

Full Accounts 2021/22

A full set of accounts for the year 2021/22 have been produced and are presented as an appendix for information. The accounts are not audited but are required for our corporation tax submission and will be published.

Appointment of Internal Auditors

HW Controls & Assurance have been appointed to fulfill the internal audit requirements for the Annual Governance and Accountability Return 2022/23 following the expiry of the contract with TIAA/Ankura Limited in January 2023. HW Controls & Assurance were appointed following an open procurement process in January.

6. HR Update

Staff turnover

Since the last scheduled meeting of the Committee on 1 December 2022, the following staff changes have occurred.

Leavers

- Senior Advisor – Circular Economy
- Commercial Manager and Built Environment Lead
- Digital Product Manager

Moves

Following an open recruitment process, the position of Senior Business Advisor has been filled by an internal promotion from within the Business Support Team.

Jo Rogers
Director of Operations and Governance
February 2023

