

London Waste and Recycling Board Audit Committee Meeting

12pm – 2pm Wednesday 21 February 2024
Boardroom, Sustainable Workspaces, County Hall, Belvedere Road,
London SE1 7PB.



Agenda

Part I: Regular business (1 hour)

1. Introductions and apologies for absence
2. Declarations of interest
3. Minutes of the previous meeting (15 November 2023)
4. Written Resolutions passed since previous meeting
5. Finance Report
6. Reserves policy and GLIF
7. Transition Plan and 2024/25 budget
8. HR update
9. Review of Governance Documentation
10. Any other business

Appendices as attachments:

- Q3 2023/24 Management Accounts
- Governance Documentation: Standing Orders, Audit Committee Terms of Reference; Scheme of Delegated Authority

Note: Members of the public may attend to observe non-confidential sections of the meeting by contacting adam.leibowitz@relondon.gov.uk at least 24 hours in advance.

3. Audit Committee Minutes

12.00 - 2.00pm Wednesday 15 November 2023
Belvedere 5, Sustainable Workspaces, County Hall, SE1 7PB
And via Zoom

Committee Members Present

Joe Murphy (Chair)
Chantelle Nicholson
Cllr Krupa Sheth
Cllr Nicholas Bennett
Ayo Abbas
Dimitra Christakou

Approved at the ReLondon Audit Committee Meeting on 21 February 2023

*Signature:
Joe Murphy, Committee Chair*

Also Present

Liz Goodwin, ReLondon Chair
Jo Rogers, ReLondon
Wayne Hubbard, ReLondon
Adam Leibowitz, ReLondon
Katie Rowberry, ReLondon
Ineta Galdikiene, ReLondon

Part I: Non-confidential Business

1. Introductions and apologies for absence

No apologies received, all members present.
The Committee noted that Ayo Abbas and Dimitra Christakou were now formally appointed to the Committee.

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 6 September 2023 were approved.

4. Written Resolutions passed since previous meeting

The Committee noted the approval of written Resolution *17/10/23 Communications and Behaviour Change Staffing* via the written resolution procedure.

5. Finance Report

2023-24 Q2 accounts

JR Introduced the report which was noted by the Committee.

The Committee asked about the cost of the move to the new offices and the anticipated savings. JR confirmed that the cost was in the region of £500 and savings

were expected to be approximately £100k per year. JR added that very positive feedback on the new office had been received from the team.

JM asked whether there would be any further input from ReLondon into the investment funds. JR confirmed that there was £95k that could be called on by Circularity Capital, but this has been planned for.

JM requested that a formal reserves policy be developed for consideration and approval by the Committee, and that whether investment returns should be considered as income or direct contributions to reserves should be included.

Treasury Management

The Committee agreed that there should be no change to the treasury management policy with ReLondon's funds remaining on loan to the GLA.

4. HR update

The Committee noted the updates presented.

JR reported that the recruitment into the two new communications roles created following the departure of the Communications and Campaigns Lead (London Recycles) was going well with both positions attracting a high number of good quality candidates.

5. Any other business

None

5. Finance Report

Headlines

- Received (invoiced) income is £1.23m year to date, slightly below budget expectation of £1.27m significantly reducing the gap from last quarter.
- Programme expenditure ytd is £2.6m: £224k or 8% below budget.
- Net programme expenditure is £1.4m: £187k or 12% below budget.
- Closing cash balance forecast is on track for budget at £3.2m

	Q3 YTD Budget	Q3 YTD Actual	Variance	% Var	2023/4 Budget	9M reforecast
Income						
Waste and recycling consultancy & training	£30,000	£27,149	-£2,851	(9.5%)	£40,000	£70,500
Circular economy consultancy & training	£25,000	£9,785	-£15,215	(60.9%)	£35,000	£100,000
Sponsorship	£80,000	£30,000	-£50,000	(62.5%)	£100,000	£30,000
Campaigns	£155,000	£172,822	£17,822	11.5%	£155,000	£211,000
Grants and fundraising	£889,968	£804,982	-£84,986	(9.5%)	£1,266,950	£1,100,000
Other income	£90,000	£188,380	£98,380	109.3%	£120,000	£230,333
Investment income	£0	£0	£0		£2,519	£0
Total income	£1,269,968	£1,233,118	-£36,850	(2.9%)	£1,719,469	£1,741,833
Core programme activity expenditure						
Local Authority Support	£454,039	£420,327	£33,712	7.4%	£762,152	£643,511
Core business sector support and transformation	£297,854	£300,982	-£3,128	(1.1%)	£451,150	£451,150
Business sector support restricted grants projects*	£707,869	£607,977	£99,892	14.1%	£997,248	£917,045
Communications	£557,358	£490,946	£66,412	11.9%	£903,187	£838,655
Central costs	£867,106	£839,770	£27,336	3.2%	£1,281,102	£1,240,313
Total programme expenditure	£2,884,226	£2,660,002	£224,224	7.8%	£4,394,840	£4,090,674
Net programme expenditure	£1,614,258	£1,426,884	£187,374	11.6%	£2,675,371	£2,348,841
Investments expenditure	£0	£360,863	-£360,863		£0	£372,845
RELONDON NET SPEND	£1,614,258	£1,787,747	-£173,489	(10.7%)	£2,675,371	£2,721,686

Opening cash balance at 1 April 2023	£6,071,458	£6,071,458
Investment	£0	£0
Adjustment for Non-Cash items	-£199,322	-£134,322
Movement in funds	-£2,675,371	-£2,721,686
Closing balance at 31 March 2024	£3,196,765	£3,215,450

Summary Business Unit Accounts at Dec 2023

Business unit / cost centre	Local Authority Support			Business sector support (consolidated)			Communications and behaviour change		
	Budget YTD	Actual YTD	FY Budget	Budget YTD	Actual YTD	FY Budget	Budget YTD	Actual YTD	FY Budget
Income	£30,000	£27,149	£40,000	£834,968	£763,979	£1,134,175	£265,000	£253,976	£285,000
Expenditure (inc overhead allocation)	£617,705	£570,830	£985,292	£1,368,253	£1,234,422	£1,872,453	£758,267	£666,735	£1,264,576
Cost to ReLondon	£587,705	£543,681	£945,292	£533,285	£470,443	£738,278	£493,267	£412,759	£979,576

Secured (invoiced and / or contracted) income at 31 Jan 2024

	FY Budget	Secured to date (end Jan)	% of budget
Waste and recycling consultancy & training	£40,000	£57,581	144%
Circular economy consultancy & training	£35,000	£100,442	287%
Sponsorship	£100,000	£30,000	30%
Campaigns	£155,000	£211,382	136%
Grants for projects	£1,266,950	£1,048,783	83%
Investments income /interest/ other	£122,519	£187,596	153%
Total	£1,719,469	£1,635,784	95%

Last year budget	Last year actual
£70,000	£35,480
£65,000	£28,495
£30,000	£19,500
£150,000	£208,250
£1,273,000	£880,840
£753,000	£269,219
£2,341,000	£1,441,784

Q3 narrative to December 2023

Income

Invoiced income for waste and recycling consultancy has almost hit ytd budget but current contracts will see a final year end income figure of c£70k. The team are now at full capacity to the end of the year and we do not expect income to grow any further.

Circular economy consultancy income is invoiced at £33k but contracts are in place and being delivered for c£100k that will be received in this financial year.

There has been no new income in sponsorship or campaigns in the last quarter. Despite interest from a number of corporate organisations (Suez, Cory, Decathlon) we were unable to secure sponsorship for Repair Week. As a reminder, £45k was secured for Eat Like A Londoner from Google and so sits within the Campaigns line rather than sponsorship. The comms team are now focused on signing boroughs up for continuation of the Eat Like a Londoner campaign after April 2024.

Further grant funding from the following sources has been secured:

- Carbon Neutral Cities Alliance: £85k for circular neighbourhoods work
- Engineering and Physical Sciences Research Council (EPSRC): £500k over five years for BuildZero project.
- Ramboll Foundation: £52k for Circular Construction in Cities
- GLA: £120k for waste data and circular economy metrics work

It is expected that upto £45k will be recognised in this financial year, c£315k in next financial year and the remainder in subsequent years.

There have been changes to the UKSPF expenditure profile which reduces the grant reclaim in the financial year, this does not impact the bottom line significantly.

The rise of UK interest rates have provided some additional income for ReLondon and the re-forecasted income target reflects this.

Expenditure

With the exception of the Core Business Transformation and Sector Support programme, all other expenditure lines are slightly lower than budget and we expect some of these to translate into actual savings on the year end.

The Local Authority Support Team expect to make savings of around £80k on year end from consultants and other project related costs in the year.

CIRCUiT, ERDF and Food Wave projects closed this year and all grant monies available to ReLondon have been claimed. The new UKSPF grant is now the primary funding source for the team, expenditure is behind budget due to

delays in the dissemination of grants, this is reflected in the grants income and has minimum impact on the bottom line.

Communications YTD expenditure is below budget as a result of vacancies in the team and whilst this will reduce by the end of the financial year, there will be savings realised.

The savings from the office move were factored into the budget at the start of the year but we expect to save a further £40k through efficiencies with office costs and professional fees.

Year end position

Despite the unbudgeted investment draw downs of £373k the current year end cash position is £3.2m broadly inline with our original budget position.

	Original budget	Reforecast
Opening balance	£6,071,458	£6,071,458
Movement of funds	-£2,874,693	-£2,856,008
Closing balance	£3,196,765	£3,215,450

Treasury management

Bank	Account type	Interest rate	Note
GLA Treasury Account	Instant access	5.19% at end December	Security of funds, reasonable interest
Allica Bank	Instant access	3.65%	Lower rate
C Hoare & Co Private Bank	95 day notice account	4.6%	Lower rate
Allica Bank	Fixed 12 months	5.1%	Lower rate

Each option is the highest rate found from a selection each account type. Recommendation that ReLondon's capital remains on loan to the GLA.

Balance Sheet

London Waste and Recycling Board

As at 31 December 2023

Account	31 Dec 2023
Fixed Assets	
Tangible Assets	
Investment: Seeders/ Project equity Sustainable accelerator	300,001
Investment: Circularity European Growth Fund I LLP	2,240,526
Investment: Greater London Investment Fund (GLIF)/MMC	6,994,898
Total Tangible Assets	9,535,425
Current Assets	
Total Cash at bank and in hand	3,586,300
Debtors and prepayments	482,307
Total Current Assets	4,068,607
Total Creditors: amounts falling due within one year	238,443
Net Current Assets (Liabilities)	3,830,164
Total Assets less Current Liabilities	13,365,589
Total Creditors: amounts falling due after more than one year	0
Net Assets	13,365,589
Capital and Reserves	
Current Year Earnings	(1,426,884)
Profit and Loss Account	13,077,426
Unusable reserves - Capital adjustment fund	5,776,644
Unusable reserves - Accumulated absences account	(39,843)
Usable reserves - General fund	(4,021,755)
Total Capital and Reserves	13,365,589

6. Reserves policy and GLIF

Reserves policy: for approval

In response to ReLondon's reducing reserves it has been requested that a reserves policy is put in place.

A reserves policy defines the amount of cash that an organisation will maintain in order to remain a going concern. Traditionally small charities and not for profits use three months operating costs as a guide for their level of reserves as this is generally the amount of time it would take to wind up the organisation, (notice periods on contracts, leases etc), special dispensation should be made for other liabilities such as delivery of service contracts

ReLondon does not currently have commitments beyond three months but given it is not yet achieving a balanced annual P&L and is not into the rhythm of continual fundraising and delivery cycles it would be more prudent to set the minimum reserves level at six months operating costs, this is currently c£2m.

For approval: Set reserves policy at £2m

Greater London Investment Fund: for information

Preparations are underway for the transfer of ReLondon's interest in the GLIF to the GLA and the early release of our guaranteed capital of £5.6m. It is expected that this will be a simple novation without need for time consuming or expensive legal document to be drawn up. However Funding London are also going through the process of replacing the EIB investment in the fund and wish to wrap the two changes up in one process, as such it is expected that this will not occur until the end of this financial year.

It should be noted that the investment currently sits in the balance sheet under 'Fixed Assets' at £7m, following the novation this will be removed and an addition of £5.6m made to 'Total cash at bank and in hand', £1.4m must be shown as a realised loss and will need to be shown on the profit and loss account. We will discuss with auditors to ensure this is recognised as an exceptional loss and communicated effectively.

The final sign offs for the transfer have been delegated to the CEO in consultation with the Chair and Audit Committee Chair.

7. Transition plan and headline budget 2024/25

Below are two models of financial plan for next five years for discussion.

Model A: stretching but possible model that is focused on restricting spending from reserves to £1.5m in 2024/25 and then reducing over five years to zero to hit a financially sustainable model by 2029. Reserves would be c£3m above policy level in 2029

	2024/25	2025/26	2026/27	2027/28	2028/29
Income	£2.5m	£2.5m	£3m	£3.6m	£4m
Expenditure	£4m	£3.7m	£3.8m	£3.9m	£4m
Net expenditure	£1.5m	£1.2m	£0.8m	£0.3m	£0
Opening balance at 1 April	£8.7m	£7.2m	£6m	£5.2m	£4.9m
Draw on reserves (net expenditure)	-£1.5m	-£1.2m	-£0.8m	-£0.3m	£0
Closing balance at 31 March	£7.2m	£6m	£5.2m	£4.9m	£4.9m

Model B: Focus is on generating income to cover business support and campaigns work, using reserves to continue to fund Local Authority Support until the reserves limit is reached. Reserves would dip below policy level by end of 2029.

	2024/25	2025/26	2026/27	2027/28	2028/29
Income	£2.4m	£2.3m	£2.6m	£3m	£3m
Expenditure	£4m	£3.7m	£3.8m	£3.9m	£4m
Net expenditure	£1.6m	£1.4m	£1.2m	£0.9m	£1m
Opening balance at 1 April	£8.7m	£7.1m	£5.7m	£4.5m	£3.6m
Draw on reserves (net expenditure)	-£1.6m	-£1.4m	-£1.2m	-£0.9m	-£1m
Closing balance at 31 March	£7.1m	£5.7m	£4.5m	£3.6m	£2.6m

Model A: Breakeven in five years

Local Authority Support

	2024/25	2025/26	2026/27	2027/28	2028/29
Income	£200k	£200k	£425k	£650k	£950k
Investment income*	£400k	£350k	£325k	£300k	£250k
Expenditure	£1.1m	£1.15m	£1.2m	£1.2m	£1.2m
Draw on reserves (net expenditure)	-£500k	-£600k	-£450k	-£250k	£0

Business Sector Support

	2024/25	2025/26	2026/27	2027/28	2028/29
Income	£1.6m	£1.45m	£1.45m	£1.55m	£1.6m
Expenditure	£1.9m	£1.55m	£1.45m	£1.55m	£1.6m
Net expenditure	-£300k	-£100k	£0	£0	£0

Comms and behaviour change

	2024/25	2025/26	2026/27	2027/28	2028/29
Income	£300k	£500k	£800k	£1.15m	£1.2m
Expenditure	£1m	£1.05mk	£1.1m	£1.15m	£1.2m
Net expenditure	-£700k	-£650k	-£300k	£0	£0

Model B: Funding LA work from reserves

Local Authority Support

	2024/25	2025/26	2026/27	2027/28	2028/29
Income	£140k	£0	£0	£0	£0
Investment income*	£400k	£350k	£325k	£300k	£250k
Expenditure	£1m	£1.15m	£1.2m	£1.2m	£1.25m
Draw on reserves (net expenditure)	-£560k	-£800k	-£875k	-£900k	£1m

Business Sector Support

	2024/25	2025/26	2026/27	2027/28	2028/29
Income	£1.6m	£1.45m	£1.45m	£1.55m	£1.6m
Expenditure	£1.9m	£1.55m	£1.45m	£1.55m	£1.6m
Net expenditure	-£300k	-£100k	£0	£0	£0

Comms and behaviour change

	2024/25	2025/26	2026/27	2027/28	2028/29
Income	£300k	£500k	£800k	£1.15m	£1.2m
Expenditure	£1m	£1.05mk	£1.1m	£1.15m	£1.2m
Net expenditure	-£700k	-£550k	-£300k	£0	£0

Model A: Draft budget 2024/25

Income	Confirmed	To secure	Total
Commercial			
Waste and recycling consultancy & training	£161,780	£60,000	£221,780
Circular economy consultancy & training	£138,000	£60,000	£198,000
Sponsorship		£60,000	£60,000
Campaigns		£250,000	£250,000
			£0
Grants and fundraising			
Southwark Pioneers	£160,000		£160,000
UKSPF	£940,000		£940,000
PSP Circular	£92,600		£92,600
Build Zero (ESPRC)	£110,000		£110,000
Circular construction (Ramboll)	£52,000		£52,000
CE Metrics	£6,000		£6,000
New grants or fundraising		£250,000	£250,000
Other			
Investment income		£0	£0
Bank interest		£400,000	£400,000
	£1,660,380	£1,080,000	£2,740,380
Expenditure			
Local Authority Support			
Staff	£542,765		£542,765
Comitted project costs	£126,000		£126,000
Core services delivery	£115,000		£115,000
	£783,765	£0	£783,765
Business Sector Support			
Staff	£972,036		£972,036
Core services delivery	£80,000		£80,000
Project costs			£0
UKSPF	£305,000		£305,000
PSP Circular	£2,000		£2,000
Southwark Pioneers	£110,000		£110,000
Ramboll	£14,000		£14,000
Build Zero	£45,000		£45,000
	£1,528,036	£0	£1,528,036
Behaviour Change and Communications			
Staff	£355,271	£37,000	£392,271
Core behaviour change campaigns	£150,000		£150,000
Sponsorship delivery costs		£5,000	£5,000
Circular Economy Week	£20,000		£20,000
Eat like a Londoner		£150,000	£150,000
Marketing and communications	£60,000		£60,000
	£585,271	£192,000	£777,271
Central costs			
Staff and board	£722,217		£722,217
Premises costs & overheads	£240,000		£240,000
Office expenses	£30,000		£30,000
Training	£25,000		£25,000
Professional fees	£50,000		£50,000
Investment draw downs	£84,000		£84,000
	£1,151,217	£0	£1,151,217
Total expenditure	£4,048,289	£192,000	£4,240,289
Net expenditure	-£2,387,909	£888,000	-£1,499,909

At this early stage in ReLondon’s income generating strategy there are no guarantees of success, by agreeing on the ‘guard rails’ on spending from reserves, the focus will be on flexing expenditure in line with income to ensure net spend limits are not exceeded.

Implications

1. Income generation

Currently there is £1.66m confirmed funding.

This budget would require a further £1.08m of additional income plus any associated project delivery costs.

Breakdown:

- £180k commercial income seems achievable
- £400k bank interest income modelled at 5% on £8m (no investments income assumed)
- £250k to pay for the Eat Like a Londoner Campaign (campaign to be scaled down if target not reached)
- **£250k additional income through grants, partnerships or other funding sources for existing costs (salaries / overheads) could be a challenge**

2. Delivery / expenditure

- Staffing costs cover permanent contracts and extensions to deliver existing project commitments.
- Project costs cover existing commitments under grant and contract liabilities plus we have included costs for ‘core services delivery’ only as detailed in table below, discretionary spend is extremely tight.
- **Any activity in addition to this would only be completed if the costs can be covered by an additional funding source.**

Local Authority Support	Business Transformation and Sector Support	Communications and Behaviour Change
Completion of Flats Above Shops project Completion of Heston in the Loop project Updating waste composition data Business as usual borough support including on London Environment Strategy (LES) and Waste Reduction and Recycling Plans (RRPs) Maintain commercial waste network	Packaging Material Flow Analysis and Action Plan London Consumption Based Emissions account Essential Food Flagship Initiative programme OWL Electricals programme Maintain Circular Cities Network	Circular Economy Week Maintain London Recycles website I skeleton core campaign Borough support with toolkit production

8. HR Update

Since the last meeting of the Committee on 15 November 2023, the following staff changes have occurred:

Starters: Communications and Campaigns Assistant

Leavers: None.

9. Review of governance documentation

The London Waste and Recycling Board Order (2008) allows that ReLondon may determine its own procedures, establish any committees it wishes and delegate its functions to any Board member, committee or employee it chooses. To these ends, the Board has an approved set of Standing Orders and a Scheme of Delegated Authority (SODA) and currently has one committee (the Audit Committee).

The Audit Committee's Terms of Reference include the responsibilities:

- To review annually the Terms of Reference of any committees of the Board;
- To review the Board's governance arrangements, to include the Board's Standing Orders.

Governance arrangements were last formally reviewed by the Audit Committee in December 2022, when some minor amendments were made.

Copies of the current Standing Orders, Audit Committee Terms of Reference and Scheme of Delegated Authority are attached for information. We have reviewed these documents and make the following recommendations. Any changes to these governance documents require approval by the Board, following review by the Committee.

Audit Committee Quorum

The Audit Committee Terms of Reference stipulate that the quorum is three members. Now that the number of places on the committee has increased from five to seven, we recommend that the quorum is increased to four or one third of the members whichever is the largest. This will bring it in line with the standard committee quorum as set out in the Standing Orders.

Scheme of Delegated Authority (SODA)

The current SODA needs to be updated to reflect changes in ReLondon structure and operations. For example, a section needs to be added making explicit who has authority to approve bids for commercial contracts. The approval limits in the SODA have not been generally updated since it was first established in 2008 and are outdated.

For information: A revised SODA will be prepared for review at the next meeting of the Committee and subsequent approval by the Board.

Jo Rogers

Director of Operations and Governance

February 2024