

London Waste and Recycling Board Audit Committee Meeting

12pm – 2pm Tuesday 17 September 2024
Boardroom, Sustainable Workspaces, County Hall, Belvedere Road,
London SE1 7PB.



Agenda

| No. | Item | Pg no | Action required | Relevant appendices |
|-----|---|-------|-----------------|------------------------------------|
| 1 | Welcome and apologies | - | - | |
| 2 | Declarations of interest | - | - | |
| 3 | Minutes of the previous meeting (4 June) | 2 | For approval | A1: Subscriptions |
| 4 | Written resolutions passed since previous meeting (none) | - | - | |
| 5 | Finance & staffing report <ul style="list-style-type: none"> • QI Management accounts • Secured income • Balance sheet • Treasury management • Staffing update | 5 | For info | A2: 2024/25 QI management accounts |
| 6 | Five-year financial plan (part redacted) | 10 | For approval | |
| 7 | Risk management review | 14 | For discussion | |
| 8 | Committee administration and reappointments | 16 | For approval | |
| 9 | AOB | - | - | |
| 10 | Confidential business (removed) | 21 | | |

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

3. Minutes of the previous meeting: for approval

12.00 - 2.00pm Tuesday 04 June 2024

Boardroom, Sustainable Workspaces, County Hall, SE1 7PB
And via Zoom

Committee Members present

Joe Murphy (Chair)
Chantelle Nicholson
Cllr Krupa Sheth
Cllr Nicholas Bennett
Cllr Jo Blackman
Ayo Abbas

*Approved at the ReLondon Audit Committee
Meeting on 4 June 2024*

*Signature:
Joe Murphy, Committee Chair*

Apologies: Dimitra Christakou

Also present

Liz Goodwin, ReLondon Chair
Lee Glover (Validera auditor)
Jo Rogers, ReLondon
Wayne Hubbard, ReLondon
Ineta Galdikiene, ReLondon
Katie, Rowberry, ReLondon

Part I: Regular business

1. Introductions and apologies for absence

Apologies were received from Dimitra Christakou.

Joe Murphy welcomed everyone to the meeting and noted that Jo Blackman was attending the meeting for the first time.

ReLondon's internal auditor, Lee Glover, also joined the meeting to give a short audit outcome review.

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 21 February 2024 were agreed and approved.

4. Written Resolutions passed since previous meeting

There were no written resolutions.

5. Committee name: proposal to change to finance and management committee

The proposed committee name has been discussed between the members and agreed to incorporate the commercial aspect of the business into the name, and better represents the committee's purpose. Jo Rogers is to come up with the amended proposal.

6. Finance Report

a) 2023-24 year-end

Jo Rogers presented a quick summary of the financial year-end results, noting that ReLondon's income was £1.6M and the expenditures were £3.7M (including a £361k unbudgeted investment drawdown). ReLondon's net programme expenditure was £0.5M below the budget, which is a great result as the delivery plan was achieved. The cash position at year-end was £3.26m, which improved by £72k than previous forecast.

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. ReLondon is getting the best possible rate.

Nicholas Bennett raised a point regarding the spending of £43k on subscriptions. The detailed breakdown will be prepared and circulated via email.

b) 2023-24 Internal audit

ReLondon's internal auditor, Lee Glover, presented the audit outcomes, noting that there is a vast improvement in terms of the financial practices throughout 2023/24 and that overall audit assurance is substantial. Only two minor areas for improvement have been identified: one of the entries (entry 7) on the risk register has been identified as having a residual risk beyond appetite, and one of the purchases made as a continuing CRM subscription in 2019 has not been assessed since then to see if ReLondon is getting value for the money. Joe Murphy agreed that it's been a great audit outcome this year, but there is a need to run through the risk register again. He suggested that the risk register review could be a specific agenda item for the next committee meeting.

c) Annual Governance and Accountability Return 2023-24

The Committee:

- Noted the 2023/24 Annual Internal Audit Reports prepared by ReLondon's internal auditors.
- Approved the Annual Governance Statements 2023/24 (Section 1 of the AGAR).
- Approved the Accounting Statements 2023/24 (Section 2 of the AGAR).
- Make a recommendation to the Board that it approves the Governance and Accounting Statements for 2023/24.

d) 2024-25 Budget and Income

Jo Rogers presented the secured income for 2024-25. It's a great result at the early start of the financial year, 70% of targeted income is already secured. It's worth noting that the secured income amount is £1.8M vs. last year's income of £1.6M. This represents great work that the team put in place by working on the strategy and focusing more on the mixed-income model. The latest and most successful achievement has been securing the Laudes Foundation learning grant of £175k for a 12-month duration.

The committee members discussed getting more clarity on income mix prediction once the business plan is circulated during the summer, which will go to the Board in October for approval.

7. SODA (Scheme of Delegation Authority).

Jo Rogers explained to the Committee the SODA changes. The committee members were happy to approve the updated SODA and flagged that there is an action for the Board to delegate some authority to the Audit Committee during the next Board meeting.

In addition to that, Ayo Abbas raised a point regarding the cyber security measures in ReLondon. It was agreed to include this in the risk register as a fraud risk.

8. Staffing updates

Jo Rogers reported that the central team restructure has been completed and a new post of Partnerships and Operations Assistant is in the recruitment process. The Business Transformation and Sector Support team is also recruiting for two fixed-term positions of Business Engagement Lead (maternity cover) and Project Data Coordinator to support the UKSPF project delivery. There was only one leaver during this period -the Strategic Adviser's fixed contract was not renewed due to business needs. The Committee noted the updates presented.

9. Any other business

None.

Minutes prepared by Ineta Galdikiene, Financial Controller

5 Finance Report: for information

Headlines

- Invoiced (actual) income is £769k year to date, £50k (7%) above budget expectation of £719k.
- Programme expenditure is £854k, £65k (7%) below budget.

| | Q1 YTD Budget | Q1 YTD Actual | Variance | % Var | 2024/25 Budget |
|---|-----------------|-------------------|--------------------|-----------------|-------------------|
| Income | | | | | |
| Waste and recycling consultancy & training | £45,379 | £33,942 | -£11,437 | (25.2%) | £231,780 |
| Circular economy consultancy & training | £13,000 | £10,483 | -£2,517 | (19.4%) | £86,000 |
| Sponsorship | £0 | £0 | £0 | #DIV/0! | £70,000 |
| Campaigns | £190,000 | £195,559 | £5,559 | 2.9% | £210,000 |
| Grants and fundraising | £400,450 | £430,520 | £30,070 | 7.5% | £1,732,600 |
| Other income | £70,000 | £98,981 | £28,981 | 41.4% | £300,000 |
| Investment income | £0 | £0 | £0 | | £0 |
| Total income | £718,829 | £769,486 | £50,657 | 7.0% | £2,630,380 |
| Core programme activity expenditure | | | | | |
| Local Authority Support | £173,863 | £160,228 | £13,635 | 7.8% | £773,560 |
| Core business sector support and transformation | £103,109 | £99,963 | £3,146 | 3.1% | £438,509 |
| Business sector support restricted grants projects* | £251,402 | £238,551 | £12,851 | 5.1% | £1,141,699 |
| Communications | £124,688 | £114,769 | £9,919 | 8.0% | £694,610 |
| Central costs | £266,692 | £241,182 | £25,510 | 9.6% | £1,181,912 |
| Total programme expenditure | £919,754 | £854,694 | £65,060 | 7.1% | £4,230,289 |
| Net programme expenditure | £200,925 | £85,208 | £115,717 | 57.6% | £1,599,909 |
| Investment Impairment (GLIF) | £0 | £1,394,898 | -£1,394,898 | #DIV/0! | £0 |
| Net ReLondon expenditure (incl. Investment Imp.) | £200,925 | £1,480,106 | -£1,279,181 | (636.6%) | £1,599,909 |
| Investments expenditure | £42,000 | £42,745 | -£745 | | £84,000 |
| RELONDON NET SPEND | £242,925 | £1,522,851 | -£1,279,926 | (526.9%) | £1,683,909 |

Q1 Narrative April – June 2024

Income

Overall total income is slightly ahead of budget at end of Q1, primarily because of £30k grants monies received earlier than expected and higher than expected bank interest due to early receipt of £5.6m GLIF money and strong interest rates.

See the secured income table below for an overview of the income position for the year to date.

Expenditure

Programme expenditure is all slightly behind budget mainly due to timing on invoices and some delayed activity due to the General Election.

The Central costs spend is the furthest behind budget at almost 10% of which a proportion is likely to translate into cost savings for items such as unspent travel budget and legal costs.

Investment impairment

There will be an 'unbudgeted' expenditure line of £1.4m on the P&L for the year due to cashing in £7m GLIF investment in return for £5.6m cash from the GLA. It does not affect our actual cash position but the loss on the balance sheet must be reflected in the P&L. We will need to communicate effectively about it with any potential funders and in our annual accounts.

Year-end cash balance

The current forecast for year-end cash balance is on track with a small variance prior to any adjustments to expenditure forecast.

| | Original Budget | Current | Variance |
|--------------------------|------------------------|----------------|-----------------|
| Opening balance | £3,200,000 | £3,268,070 | +£68,070 |
| Movement of funds | +£4,000,000 | +£3,916,091 | -£83,909 |
| Closing balance | £7,200,000 | £7,184,161 | -£15,839 |

Secured (invoiced or contracted) income at 31 Aug 2024 (Month 5 of FY)

| | FY Budget | Secured to date (end Aug) | % of budget |
|--|-------------------|---------------------------|-------------|
| Waste and recycling consultancy & training | £231,780 | £228,590 | 99% |
| Circular economy consultancy & training | £208,000 | £172,665 | 83% |
| Sponsorship | £70,000 | £0 | 0% |
| Campaigns | £210,000 | £212,559 | 101% |
| Grants for projects | £1,610,600 | £1,483,490 | 92% |
| Investments income /interest/ other | £300,000 | £130,000 | 43% |
| Total | £2,630,380 | £2,227,304 | 85% |

| Last year budget | Last year actual |
|-------------------|-------------------|
| £40,000 | £59,418 |
| £35,000 | £43,963 |
| £100,000 | £34,750 |
| £155,000 | £178,263 |
| £1,266,950 | £1,051,205 |
| £120,000 | £231,758 |
| £1,716,950 | £1,599,357 |

£2.6m was a stretching income target for 2024/25 - £1m more than last year, so it is hugely positive news to have secured 85% of this by the end of August.

c£400k required to achieve income target this year, of which we expect half to be achieved through passive income (bank interest) and the rest through additional project funding and some small sponsorship pieces.

There are currently bids under consideration to the value of £295k, if successful with them all £170k will be allocated to this financial year, we are still seeking sponsorship for circular economy and repair weeks. See pipeline in confidential section.

Focus of effort now shifts to successful delivery this year and income generation plans for next financial year.

Balance Sheet

London Waste and Recycling Board

As at 30 June 2024

| Account | 30 Jun 2024 |
|--|-------------------|
| Fixed Assets | |
| Tangible Assets | |
| Investment: Seeders/ Project equity Sustainable accelerator | 300,001 |
| Investment: Circularity European Growth Fund I LLP | 2,295,253 |
| Total Tangible Assets | 2,595,254 |
| Current Assets | |
| Total Cash at bank and in hand | 8,197,889 |
| Debtors and prepayments | 735,372 |
| Total Current Assets | 8,933,261 |
| Total Creditors: amounts falling due within one year | 361,015 |
| Net Current Assets (Liabilities) | 8,572,246 |
| Total Assets less Current Liabilities | 11,167,500 |
| Total Creditors: amounts falling due after more than one year | 0 |
| Net Assets | 11,167,500 |
| Capital and Reserves | |
| Current Year Earnings | (1,480,106) |
| Profit and Loss Account | 10,932,559 |
| Unusable reserves - Capital adjustment fund | 2,000,000 |
| Unusable reserves - Accumulated absences account | (36,267) |
| Usable reserves - General fund | (248,686) |
| Total Capital and Reserves | 11,167,500 |

Treasury management

| Bank | Account type | Interest rate | Note |
|----------------------|------------------------|-----------------|---|
| GLA Treasury Account | Instant access | 4.95% at 13 Aug | Security of funds, reasonable interest |
| Allica Bank | Instant access | 4.01% | Lower rate |
| Allica Bank | 180 day notice account | 5.01% | 0.06% higher but restrictions apply (£2m / 6 month max) |
| Allica Bank | Fixed 12 months | 4.81% | Lower rate |

Each option is the highest rate found from a selection each account type. Allica bank is offering a fixed rate for six months but requires a 12 month deposit, as such it would be possible to move £2m to 5.01% account which best case scenario would generate £1200 but could end up losing money if the interest rate fell more than 0.06% below the GLA rate.

Recommendation is to leave funds on loan to GLA.

Staffing Update

Three new starters in August:

- Partnerships and operations assistant completes the restructure of the central team.
- Business engagement lead maternity cover and project data coordinator started in fixed term positions to support the UKSPF project delivery.

No leavers

An inaugural staff survey will be undertaken in the coming quarter to benchmark staff feeling about ReLondon towards:

- Role recognition
- Management
- Work environment and contract terms
- Professional development
- Well-being and work life balance
- Organisational strategy and leadership

The survey will be repeated annually to build up a record of staff engagement and motivation to inform organisational development plans.

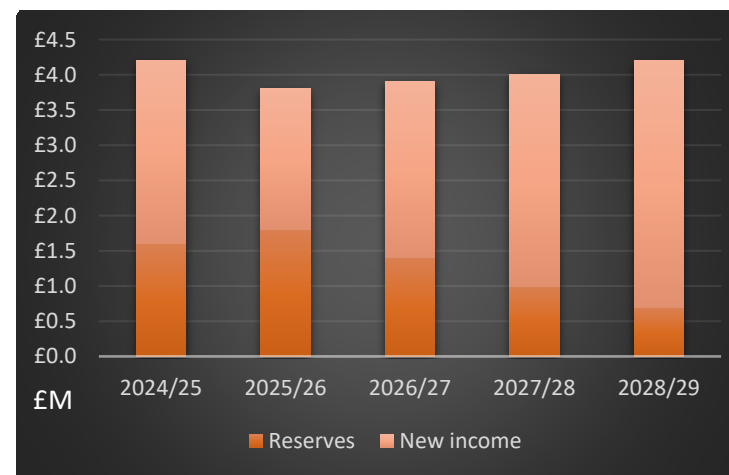
6. Five-year financial plan: for approval

The table below shows the pathway to guide and monitor ReLondon’s income and expenditure over the next five years. The plan shows our approach to identifying and securing new income streams and reducing the use of reserves*.

The plan presented aims to grow annual income generation from £1.6m last year to £3.5m by 2028/29. We will be ambitious with the understanding that this plan tracks the minimum requirements for ReLondon to continue operations as is and maintain reserves of £2m in line with the approved reserves policy.

Expenditure has been forecasted based on current operations plus inflation and will be managed in response to income secured, to reach the net expenditure target annually. The net expenditure figure will be used as the ‘guardrail’ to monitor financial performance. This will be reviewed at Audit Committee meetings and proposals made/ decisions sought where remedial action is required.

| | Last year | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 |
|------------------------------------|-----------|--------|--------|--------|-------|--------|
| Income | £1.6m | £2.6m | £2m | £2.5m | £3m | £3.5m |
| Expenditure | £3.75m | £4.2m | £3.8m | £3.9m | £4m | £4.2m |
| Net expenditure (guardrail) | £2.15m | £1.6m | £1.8m | £1.4m | £1m | £0.7m |
| Opening balance at 1 April | | £8.8m | £7.2m | £5.4m | £4m | £3m |
| Draw on reserves (net expenditure) | | -£1.6m | -£1.8m | -£1.4m | -£1m | -£0.7m |
| Closing balance at 31 March | | £7.2m | £5.4m | £4m | £3m | £2.3m |



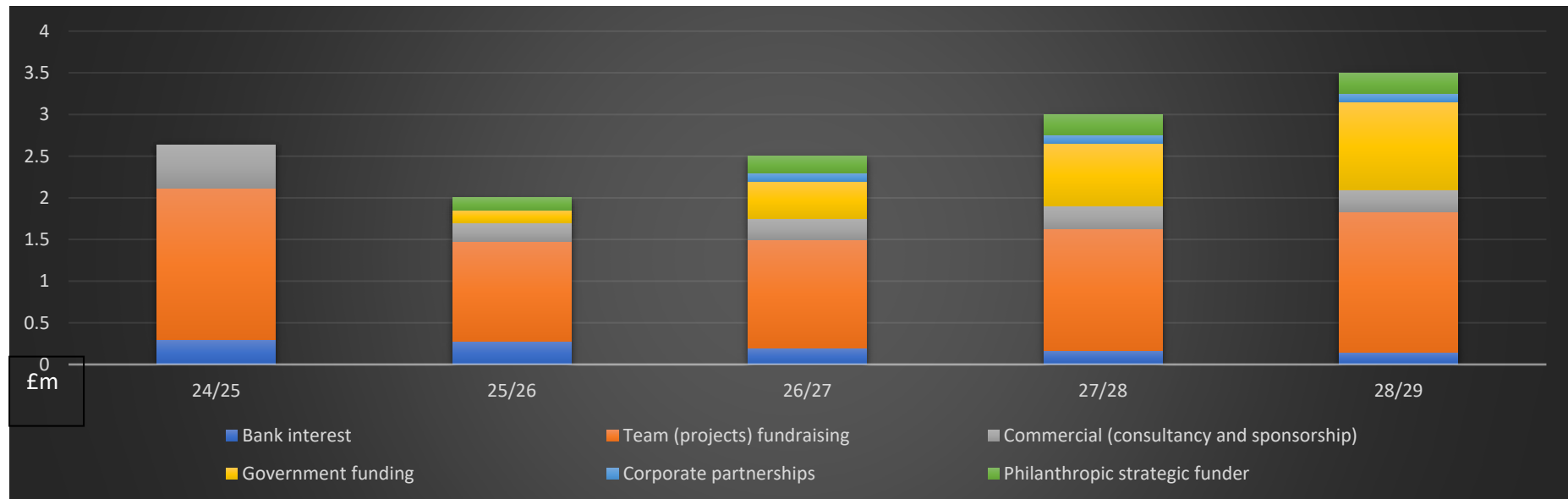
*Reserves is used as a shorthand but it should be noted that ReLondon’s reserves are historic Defra funding received in 2008/ surpluses generated over the life of the organisation

New income strategy

The new income strategy has been developed with different considerations in mind that are all subject to change, it is accepted that it will evolve as we adjust as necessary.

It is proposed that team (projects) fundraising and government funding will make up the bulk of ReLondon's income profile by 2029, which aligns with both the statutory objectives and public benefit nature of our strategic aims. We are skilled and have a track record in team fundraising for projects and will use these skills along with external affairs expertise to build new government funding sources.

Supplementing these primary sources will be income from commercial and strategic partnerships, which add credibility to our work and increase stakeholder engagement. We will prioritise funding that aligns with our strategy; high value, multi-year funding; and diversified sources of funding.



Rationale and action plan

Definitions

Many of our funded pieces of work could be categorized in more than one way as they cross over different definitions, i.e. could be regarded as consultancy and government funding, or project fundraising and strategic partnerships, but as a general steer our definitions broadly follow the descriptions below.

We will obviously be diligent in ensuring income is not double counted.

| Funding category | Type / examples | Lead |
|------------------------------------|---|--|
| Team (projects) fundraising | Grants for projects lead at team level, eg UKSPF generally applied for by ReLondon and awarded through an open process. | Programme heads and project leads |
| Commercial sales | Service contracts awarded through a commercial business process or sponsorship style income (ie a service that is paid for). | Programme heads and project leads |
| New government funding | Statutory work that is co-developed with and paid for by public body outside of an open funding process. | CEO. Head of partnerships and EA / programme heads |
| New strategic partnerships | Purpose led work that is co-developed with and paid for by a philanthropic or corporate partner outside of an open funding process. | Head of partnerships and EA |

Review and action

The plan gives a structure and milestones to enable us to monitor progress and take remedial action as required. Progress against income targets will be reviewed quarterly at Audit Committee meetings against the framework below. In the coming months we will specify KPIs relating to income secured and value of pipeline to ensure a structured and systematic review of progress.



7. Risk management review: for discussion

| 2023/24 | | Revised for 2024/25 |
|----------|--|---|
| Pounds | Insufficient financial resources | Income generation plan is unsuccessful |
| Plans | - | Mission drift / tension between income and strategy |
| Partners | Loss of support from stakeholders | Failure to keep stakeholders on board and engaged as we transition to new model |
| People | Loss of key/senior staff and retention of appropriate skills | Loss of key/senior staff and retention of appropriate skills |

Pounds: ReLondon has topped up cash by the early exit from the Greater London Investment Fund and has a robust reserves policy in place, so risk of insufficient financial resources has been eliminated for at least the next couple of years. However the long term sustainability of the organisation is dependent on the success of the income generation plan.

Plans: As ReLondon shifts into a mode that requires constant attention on income generation there is a risk that we lose sight of our aims and objectives in the pursuit of funding.

Partners: A reframing of the risk of losing stakeholder support to emphasise the need for ReLondon to actively engage stakeholders to be successful in both our strategic aims and financial plans. Recognition of the need for a formal stakeholder engagement plan.

People: ReLondon's greatest asset is its staff team, so attention needs to be given to ensuring they are engaged, motivated and appropriately rewarded.

| Risk area | Risk | I | L | Risk score | Current mitigation | Owner |
|-----------------|---|---|---|------------|---|-------|
| Pounds | Income generation plan is unsuccessful | 4 | 4 | 16 | Explicit financial plan, pipeline and targets for income. Quarterly review of progress and plans. Milestones and process for corrective action. Regular review of targets and funding asks. Reserves policy | JR/KR |
| Plans | Mission drift / tension between income and strategy | 3 | 5 | 15 | Clarity of strategy and income plan. Focusing on proactive development of bespoke ideas with funders, rather than responsive bids to call for proposals. | WH/KR |
| Partners | Failure to keep stakeholders on board and engaged as we transition to new model | 4 | 4 | 16 | Stakeholder mapping and proactive engagement plan (not yet in place). Joint focus of CEO and Head of Partnership and EA. Willingness to listen to stakeholder views of ReLondon and adapt messaging. Prioritising honest dialogue with stakeholders. | KR/WH |
| People | Loss of key/senior staff and retention of appropriate skills | 4 | 4 | 16 | Annual staff survey to be launched in autumn 2024. New succession plan in train. Learning and development programme. Performance based salary progression in place. Employee forum in place. | JR/WH |

Risk scoring

Impact: 1=insignificant, 2=minor, 3=moderate, 4=major, 5=catastrophic

Likelihood: 1=rare, 2=unlikely, 3=possible, 4=likely, 5=almost certain

Discussion questions:

- Do these risks feel right?
- What have we missed?
- Do these mitigations feel right?
- What else could be done?

8. Committee name and reappointments: for approval

Proposed name change: Strategic resources committee (SRC)

Appointments

Note that Joe Murphy, Cllr Sheth and Chantelle Nicholson have had their Board appointments renewed and will be in post for a further 4 years and remain on Audit Committee.

Ayo Abbas and Dimitra were appointed to new positions as Audit Committee (Non Board) members in October 2023 for an initial one year term.

It is proposed that these terms are extended for a further 3 years.

AA and DC requested to leave for discussion and approval of reappointment.

Jo Rogers
Director of Operations and Governance
August 2024