

Waste Credit Governance Committee

Friday, 29 July 2016, County Hall, Worcester - 2.00 pm

		Minutes
Present:		Mr P Grove (Chairman), Mr L C R Mallett (Vice Chairman), Mr R C Adams, Mr R W Banks, Mr A I Hardman and Mr P A Tuthill
Available papers		The Members had before them: A. The Agenda papers (previously circulated); and B. The Minutes of the meeting held on 12 April 2016 (previously circulated). A copy of document A will be attached to signed Minutes.
58	Named Substitutes (Agenda item 1)	None.
59	Apologies/ Declarations of Interest (Agenda item 2)	Apologies were received from Mrs S Askin and Mr P Denham.
60	Public Participation (Agenda item 3)	Mr Sheridan Tranter addressed the Committee. He asked questions in relation to Agenda item 6 – Progress summary from technical advisors. The Chairman thanked Mr Tranter for his questions and promised that he would receive a written response in due course.
61	Confirmation of Minutes (Agenda item 4)	RESOLVED that the Minutes held on 12 April 2016 be confirmed as a correct record and signed by the Chairman.
62	Actual construction period cash flow test (Agenda item 5)	The Committee considered the actual construction period cash flow test for the period 1 January to 31 March 2016. The Chief Financial Officer introduced the report and commented that there had been a slight improvement on the performance of the Company in comparison to the Base Case since the last quarter with an excess cash flow of £377K. In the ensuing debate, the following principal points were

63 Progress summary from technical advisors (Agenda item 6)

raised:

- The amount of Corporation Tax payable on the loan did not seem to reflect recent tax rate changes. The Chief Financial Officer explained that the tax allowances available to Mercia had an impact on the amount of Corporation Tax payable on the loan. Mercia had included the purchase of the glass breaker for their EnviroSort Facility as a capital allowance payable for example which consequently would bring down the amount of Corporation Tax payable on the loan
- It was noted in the Cash Flow Test that operating costs were 5% above the modelled forecast, at what point would this variance be a concern for the Council? The Chief Financial Officer commented that the Council's priority in terms of the loan was to ensure that Mercia had enough cash to support it. If the project was heading towards a position where there would be no excess cash flow then that would be a matter of concern. At that point, the Council would look to Mercia to put more cash into the project from within their group structure
- The Committee agreed that there were no matters of concern that it would wish to report to Council.

RESOLVED that the result Actual Construction Cash Flow Test be accepted.

The Committee considered the progress summary from the Technical Advisors.

The Chief Financial Officer introduced the report and made the following comments:

- Along with members of the Committee, he had visited the site earlier in the week and no further issues had been identified by the technical advisors
- The report indicated that a handover date was now targeted ahead of the planned takeover date. This was a positive development for the Waste Disposal Authority but had no impact on the loan or the risk register. The Council would only be concerned if the actual takeover date moved further towards the Long Stop date
- The report indicated that health and safety standards at the site had improved steadily in recent months and for a site of this size, the

operators were performing well. Yellow and red cards were still being issued but this showed that the operators were taking health and safety issues seriously

- There were a number of activities that remained on the critical path however the project had not yet reached the "hot commissioning" stage which was expected to take place in the middle of August
- Work was continuing to develop relations with the local community through the Community Liaison Group as well as with local businesses.

In the ensuing debate, the following principal points were raised:

- In response to a query, the Chief Financial Officer explained that variation orders were a matter to be agreed between HZI, Mercia and its sub-contractors and did not impact upon the loan arrangements. Given the scale of the project, variation orders totalling £55k indicated that the original plans had been well-prepared
- In relation to the technical queries raised by the public participant, the Chief Financial Officer commented that these were technical issues related to the work of the Waste Disposal Authority and the Community Liaison Group provided a forum for these type of questions to be answered
- Following his recent visit to the facility, the Chief Financial Officer provided members with an update of the progress on site. In particular, he indicated that the shell of the building had been completed and the site was beginning to look more like an operating facility
- The Committee agreed that there were no matters of concern that it would wish to report to Council.

RESOLVED that the summary report from Fichtner Consulting Engineers – Technical Advisors be noted.

**64 Risk register
(Agenda item 7)**

The Committee considered the Risk Register.

The Chief Financial Officer introduced the report and made the following points:

- The potential impact of Brexit on the loan arrangements as a result of reductions in foreign currency exchange rates had been assessed. It was considered that because HZI had taken over

the risk and bought currency at a higher forecast rate in advance of the referendum, there would be no risk associated with the loan arrangements

- A couple of risks associated with drawdowns had been identified as amber. However, there had been an increase in the level of drawdowns which indicated that the project was moving back on track
- A "Horizon-scan" exercise had been carried out and no changes to the risks associated with the loan had been identified
- The Committee agreed that there were no matters of concern that it would wish to report to Council.

RESOLVED that the unmitigated and mitigated risks set out in the Risk Register be accepted.

**65 Waivers/
consents
(Agenda item 8)**

The Committee considered the waivers/consents granted during the period under review.

The Chief Financial Officer reported that for the period under review no waivers/consents had been requested by the Sponsors and approved by the Council.

RESOLVED that the waivers/consents granted during the period under review be noted.

**66 Deed of
Amendment
(Agenda item 9)**

The Committee considered the Deed of Amendment agreed during the period under review.

The Chief Financial Officer indicated that the Deed of Amendment had corrected three errors contained in the Variation Agreement signed on 21 May 2014.

In response to a query, the Chief Financial Officer indicated that any cost associated with the execution of the deed would be charged to Mercia.

RESOLVED that the Deed of Amendment agreed during the period under review be noted.

The meeting ended at 2.30pm.

Chairman