

**Waste Credit Governance Committee****Tuesday, 12 April 2016, County Hall, Worcester - 2.00 pm**

		<b>Minutes</b>
<b>Present:</b>		Mr R C Adams, Mrs S Askin, Mr R W Banks, Mr P Denham, Mr A P Miller and Mr P A Tuthill
<b>Available papers</b>		The Members had before them:  A. The Agenda papers (previously circulated); and  B. The Minutes of the meeting held on 14 December 2015 (previously circulated).  A copy of document A will be attached to the signed Minutes.
<b>49</b>	<b>Named Substitutes (Agenda item 1)</b>	Mr A P Miller substituted for Mr M H Broomfield.
<b>50</b>	<b>Apologies/ Declarations of Interest (Agenda item 2)</b>	Apologies were received from Mr M H Broomfield, Mr W P Gretton, and Mr L C R Mallett.
<b>51</b>	<b>Election of Chairman for the meeting</b>	<b>RESOLVED</b> that Mr R W Banks be elected Chairman for the meeting.  <b>Mr R W Banks in the Chair</b>
<b>52</b>	<b>Public Participation (Agenda item 3)</b>	None.
<b>53</b>	<b>Confirmation of Minutes (Agenda item 4)</b>	<b>RESOLVED</b> that the Minutes of the meeting held on 14 December 2015 be confirmed as a correct record and signed by the Chairman.
<b>54</b>	<b>Actual construction period cash flow test (Agenda item 5)</b>	The Committee considered the result Actual Construction Period Flow Test.  The representative of the Chief Financial Officer introduced the report and made the following comments:

- Deloitte had undertaken due diligence checks on the cash flow information provided by Mercia and not found any inconsistencies
- The cash flow test had been met and was £3.9m above the £15.4m set out in the base case model. However this did include a unitary charge of £3.7m which was due in January 2016 and received in December 2015 which had artificially inflated the performance. Even discounting this adjustment, the cash flow would still be £0.3m above target and therefore there was no cause for concern. An adjustment to the cash flow figure would be made in the next quarter as a result
- Deloitte had confirmed that the glass breaking facility at the EnviroSort site was now operational and it was expected that income would be generated as a result
- Despite the difficulties with income generation, the cash flow test had been met which was a positive outcome. It was also anticipated that the cash flow test would be met for the next quarter.

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

- In response to a query, the representative of the Chief Financial Officer stated that cash flow reports would continue to be reported quarterly up to the takeover date in February/March 2017
- Was an excess cash flow of £0.3m considered to be reasonable at this stage? The representative of the Chief Financial Officer indicated that this level of cash flow satisfied the requirements of the cash flow test which was the minimum requirement. The level of excess cash flow was around what would be expected at this stage but it was anticipated that the level of cash flow would increase as the level of recycling increased for the next quarter. There were safeguards in place should the cash flow test not be met
- In response to a query, the representative of the Chief Financial Officer commented that should Mercia fail the cash flow test then the Council would be requesting an additional equity contribution from them.

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

**summary from  
technical  
advisors  
(Agenda item 6)**

Fichtner Consulting Engineers – Technical Advisors.

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

- The takeover date had been assessed as being back on target for February 2017 which was an improvement on the report to the last meeting
- Following the termination of the contract with Interserve, a company called Afcon had been awarded the contract for Building Services. All the due diligence checks had been completed on the company and the Chief Financial Officer had ratified the proposed arrangements
- Overall the view of Mercia, Fichtner and the Council was that health and safety standards were good for a construction site of this size. It was however reported that there had been a steady decline in the health and safety standards on site over November and December 2015. However standards had improved over January 2016 albeit there were a couple of injuries from minor incidents. There had been improvements on site including a change to the health and safety sub-contractor on site and to the processes
- The cumulative amount of payments certified to date was £79m. The net reduction to the contract price was £38K as a result of Variation Orders
- Overall there were no issues reported that affected the level of risk associated with the loan and loan repayments.

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

- It was queried whether the Committee would wish to report to Council that the contract was back on target. In response it was commented that it would be more appropriate to report issues of concern to Council that related to the repayment of the loan
- The steady decline in the standards of health and safety over November/December 2015 was a concern. Was this decline as a result of the change in the sub-contractor undertaking the health and safety work or due to a lapse in monitoring undertaken by HZI? The representative of the Chief Financial Officer indicated he did not know the reason for the decline but HZI had recognised that there were issues and taken action to remedy the matter

- In response to a query, the representative of the Chief Financial Officer undertook to provide an explanation to Members of the Committee of the health and safety arrangements for the issuing of yellow and red cards on site
- Were the financial penalties for taking waste to landfill the greatest financial risk facing the Council? The representative of the Chief Financial Officer explained that this was a long term risk however in the short term, the greatest financial risk would be if the work on the facility continued past the long stop date
- It was surprising to see so few health and safety issues on a construction site of this size.

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

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

The Committee considered the mitigated and unmitigated risks set out in the Risk Register.

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

- Overall, there had been no increased risk associated with the repayment of the loan since the last report to Council
- As a result of the contract being back on track, the score for the risk associated with the construction date delay had improved albeit without changing its rating as a low risk
- The long term borrowing rate remained low which had slightly improved the score relating to the risk associated with borrowing rates
- All sub-contract work was in place and progressing according to plan. There were a couple of areas of work being monitored but these were not on the critical path
- The Afcon contract was in its early days and as it progressed it was anticipated that the rating for risk associated with the security packages would be reduced to Green.

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

**57 Waivers/  
Consents  
(Agenda item 8)**

The Committee considered the waivers/grants granted since the last meeting.

The representative of the Chief Financial Officer

introduced the report and made the following comments:

- A waiver/consent had been granted for the appointment of Afcon for the building services contract following the HZI termination of Interserve
- A consent had been granted permitting the surrender of a small part of the lease within the EnviRecover leasehold back to the Councils, to enable the Councils, as landlord, to underlet to Western Power Distribution, who were constructing an electricity sub-station on a small plot of land. There was no increase in risk to the Councils resulting from provision of this consent, as a full Indemnity Covenant, was included in the legal documentation, on the part of the Adjacent Leaseholder, Mercia Waste, to the Landlord, the Councils.

In the ensuing debate, it was requested that a site visit to the facility be arranged for members of the Committee.

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

The meeting ended at 2.48pm.

Chairman .....