

Waste Credit Governance Committee

Friday, 18 October 2019, County Hall, Worcester - 10.00 am

Present:

Minutes

Mr P Grove (Chairman), Mr R C Adams, Mr R W Banks, Mr A I Hardman, Mr P Middlebrough 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 8 March 2019 (previously circulated).

**127 Named
 Substitutes
 (Agenda item 1)**

None.

**128 Apologies/
 Declarations of
 Interest
 (Agenda item 2)**

Apologies were received from Dr C Hotham and Mr L C R Mallett.

**129 Public
 Participation
 (Agenda item 3)**

None.

**130 Confirmation of
 Minutes
 (Agenda item 4)**

RESOLVED that the Minutes of the meeting held on 8 March 2019 be confirmed as a correct record and signed by the Chairman.

**131 Technical
 Update - EFW
 Plant Reporting
 Requirements
 (Agenda item 5)**

The Committee considered the Technical Update - EFW Plant Reporting Requirements.

In the ensuing debate, the following points were raised:

- Rob Wilson explained that Cabinet would be considering an updated financial model at its meeting on the 12 December as part of the overall savings proposals for the Council. This Committee would meet on 11 December so members would be able to see the Cabinet agenda papers including the feedback from KPMG prior to its meeting albeit without knowing the outcome. He would update members of the Committee if

Cabinet made any changes to the recommendation

- Although the timing of the Cabinet meeting was not ideal, it was considered that the Committee meeting in December should still take place
- The reason why the increase in throughput had not resulted in an increase in electricity output was queried. Jim Haywood from West Mercia Waste explained that the increase in throughput was not necessarily related to the electricity output. For example, the processing of waste with a higher calorific value resulted in the plant decreasing its throughput
- Jim Haywood undertook to provide a written answer to a technical query about the use of low grade energy at the plant
- Had the plant experienced a period of outage prior to the recent 3 week event and would such events reoccur in the future? Jim Haywood responded that the plant had an annual planned outage and this was the third such event since the plant opened. In the future, it was intended that such outages would take place every three years. This period of outage had been expected to last two week but had lasted three and a half weeks which had had a negative impact financially
- Jim Haywood stated that the outage period had had a negative impact on the financial performance of the company in the second half of year. The company had felt the impact of the down turn experienced in the recycling markets, particularly the recycled paper market partly because of the changes in their approach to recycling adopted by the Chinese Government. Fortunately, the other aspects of the business were performing well. In relation to the loan, the company remained in a good position to cover the repayments. Everything was in order with the company's other facilities. The insurance policy for the EfW plant was due for renewal in March 2020. The insurance market was an issue at present and there was a possibility that the premium might increase although the track record of the company worked in its favour
- In response to a query about insurance, Jim Haywood explained that the number of insurers in the market place for facilities of this nature was dwindling which could negatively impact on the premium. The brokers that the company had commissioned were exploring options in the international market

- In response to a query, Rob Wilson undertook to set out the reporting mechanisms at Herefordshire Council in the next Committee report
- Of the 332 defects raised by SWS, 82 remained open, was this a matter of concern in relation to the loan repayment? Jim Haywood responded that the plant had passed its performance test so the number of open defects reported was not a matter of concern.

RESOLVED: that

- a) the main categories of reports or information that the Borrower has to regularly produce and the Senior Term Loan Facility Agreement (STLFA) Assurance Statement for the Council attached as Appendix 1 to the report be noted;**
- b) the Performance operating report attached as Appendix 2 to the report be noted;**
- c) the STFLA ratio calculation provided by Mercia Waste Management as per Appendix 3 together with the signed ratio compliance certificate at Appendix 4 be noted; and**
- d) there were no matters of concern to report to Council.**

**132 Risk Register
(Agenda item 6)**

The Committee considered the Risk Register.

In the ensuing debate, the following points were raised:

- It was requested that a risk be added to the register in relation to the impact of the availability of an updated financial model on the ratio analysis testing.

RESOLVED: that

- a) the open risks set out in the Risk Register be accepted; and**
- b) There were no matters of concern to report to Council.**

**133 Work Plan
(Agenda item 7)**

The Committee considered its work programme.

RESOLVED that the work programme be noted.

The meeting ended at 10.35am.

Chairman