

## **Minutes of the Waste Credit Governance Committee**

**County Hall, Worcester**

**Friday, 24 June 2022, 10.00 am**

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### **Present:**

Cllr Bill Hopkins, Cllr Luke Mallett (Vice-Chairman), Cllr Emma Marshall, Cllr Linda Robinson and Cllr Chris Rogers

### **Available papers**

The members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 2 March 2022 (previously circulated).

**Cllr Luke Mallett, Vice-Chairman in the Chair.**

### **169 Apologies/Named Substitutes (Agenda item 1)**

Apologies were received from Cllrs Adrian Hardman, Matt Jenkins and Tony Miller.

### **170 Declarations of Interest (Agenda item 2)**

None.

### **171 Public Participation (Agenda item 3)**

None.

### **172 Confirmation of Minutes (Agenda item 4)**

**RESOLVED** that the Minutes of the meeting on 2 March 2022 be confirmed as a correct record and signed by the Chairman.

### **173 Technical Update - Energy from Waste (EFW) Plant Reporting Requirements (Agenda item 5)**

The Committee considered the Technical Update - Energy from Waste (EFW) Plant Reporting Requirements.

In the ensuing debate, the following points were raised:

- Rob Wilson explained that the Ratio Analysis as at 30 June would not be available until early August and would therefore be reported to the October Committee meeting. Negotiations were currently in progress between Mercia Waste Management (MWM) and the Council concerning the extension of the waste contract up to 2029. It would follow that if the contract was extended then the loan arrangements would also be extended. The implications of the extension of the loan arrangements on the Ratio Analysis would be reported to the October Committee meeting
- Jim Haywood from MWM reported that MWM had benefited from a strong period of trading in the waste market recently and the business was progressing well. The nature of the market was boom or bust so performance was monitored continuously. The price of recycled material had increased but MWM had a fixed rate deal so would not benefit from these rises until the contract ended which was imminent. MWM had begun to see the impact of cost pressures as a result of the rise in the cost of energy although the plant was not a huge consumer of electricity. The insurance market appeared to have calmed down, particularly now that the main insurer had produced a profit. The business integration insurance for Envirocover was significant and had to be renewed annually but MWM did benefit from its good reputation in the sector. Any increase in the cost of insurance would be included in the revised financial model
- In response to a query, Jim Haywood confirmed that there had been a minor fire at the MWM plant in Droitwich which had been reported to the insurer but had no impact on the business.

**RESOLVED** that the main categories of reports or information that the Borrower must regularly produce be noted:

- **The Historic Annual Debt Service Cover Ratio (“ADSCR”)**
- **Ratio compliance certificate**
- **The Senior Term Loan Facility Agreement (STLFA) Assurance Statement for the Council.**

## **174 Risk Register (Agenda item 6)**

The Committee considered the Risk Register.

In the ensuing debate, the following points were raised:

- Rob Wilson explained that an additional open risk had been added to the Register in relation to the extension of the loan arrangements. The necessary mitigation measures associated with risk on the financial model would be reported to the October Committee meeting

- How would the increase in business rates and the cost of living impact on the loan arrangements and did it need to be included in the Register. Rob Wilson responded that there was no impact as the loan arrangements included a fixed rate payment. It would be an issue in terms of financial assurance from the perspective of the client as part of the negotiations of the extension of the contract with MWM. This Committee needed to assure itself that following the review of the financial model that MWM could continue to repay the loan. KPMG were examining the financial model from a lenders' perspective and their findings would be reported to this Committee.

**RESOLVED that:**

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

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

Rob Wilson explained that the outcome of the KPMG report would be reported to the next Committee meeting.

**RESOLVED that the work plan be noted.**

The meeting ended at 10.30am.

Chairman .....