

## Minutes of the Waste Credit Governance Committee

Lakeview Room, County Hall, Worcester

Wednesday, 4 October 2023, 10.00 am

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### Present:

Cllr Tony Miller (Chairman), Cllr Bill Hopkins, Cllr Matt Jenkins,  
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 1 March 2023 (previously circulated).

### 190 Apologies/Named Substitutes (Agenda item 1)

Apologies were received from Cllrs Adrian Hardman, Luke Mallett and Emma Marshall.

### 191 Declarations of Interest (Agenda item 2)

None.

### 192 Public Participation (Agenda item 3)

None.

### 193 Confirmation of Minutes (Agenda item 4)

**RESOLVED** that the Minutes of the meeting held on 1 March 2023 be confirmed as a correct record and signed by the Chairman.

### 194 Technical Update - Energy from Waste Plant Reporting Requirements (Agenda item 5)

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

Sherief Loutfy introduced the report and commented that the Projected and Loan-life Annual Debt Service Cover Ratios had increased as a result of the healthy forecasted cashflows recorded by Mercia Waste Management (MWM).

Jim Haywood from MWM provided an update. He reported that there had not been vast swings in recent electricity prices. Prices were down and overall, cash generated was slightly ahead of the financial model. The company had met all its requirements under the financial model. RAAC had not been found in any of the plant and infrastructure. The company had received a very good report from its insurer who had been particularly complementary about the engagement with the EfW management team. The company was currently in the process of renewing its insurance arrangements for the rest of the business.

In the ensuing debate, the following points were made:

- What was the reason for MWM's stronger projected cashflows? Jim Haywood explained that it related to the timing of a large tax payment made during the previous quarter.
- In response to a query, Sherief Loutfy reported that no further reviews had been scheduled with KPMG.
- In response to a query about the impact of a total shut down of the EfW plant on the ratio forecasts, Jim Haywood explained that any financial impact would be covered by the company's business liabilities insurance which covered the plant and other areas of the business. Sherief Loutfy added that MWM were required contractually to keep their insurance arrangements up-to-date.
- Were any plans in place to future-proof the EfW plant, for example electric charging points. Jim Haywood indicated that he was not aware of any plans for electric charging points. The EfW plant was performing well but the company was always looking to improve and renew aspects of the plant. For example, an electronic system for the recognition of materials had been introduced which had had a significant impact on the level of rejected material at the plant.

**RESOLVED that:**

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

- **Appendix 1:**
  - **The Historic Annual Debt Service Cover Ratio ("HADSCR").**
  - **The Projected Annual Debt Service Cover Ratio ("PADSCR").**
  - **Loan Life Cover Ratio before distributions (LLCR)**
- **Appendix 2 - Ratio Compliance Certificate**

- **Appendix 3 - Senior Term Loan Facility Agreement (STLFA) Assurance Statement for the Council.**

- b) **The update on the agreed contract extension with Mercia Waste Management (MWM) be noted.**

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

The Committee considered the Risk Register.

Sheriff Loutfy introduced the report and commented that a default on the payments by MWM was the highest risk on the Register but after mitigation the risk remained very low.

In the ensuing debate, in response to a query about the likelihood of a loan default by MWM, Sherief Loutfy indicated that assumptions and cashflow were constantly monitored and the risk had been assessed as low. If it did happen due to unforeseen circumstances, then it would be reported to the Committee. Jim Haywood added that the scrutiny of the company extended to examining its capital programme and the number and length of outages at the EfW plant. The insurance arrangements were an important level of assurance.

**RESOLVED that:**

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

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

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

The meeting ended at 10.25am.

Chairman .....