

Agenda

Waste Credit Governance Committee

Monday, 15 December 2014, 10.00 am
County Hall, Worcester

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اردو۔ اگر آپ اس دستاویز کی مشمولات کو سمجھنے سے قاصر ہیں اور کسی ایسے شخص تک آپ کی رسائی نہیں ہے جو آپ کے لئے اس کا ترجمہ کر سکے تو، براہ کرم مدد کے لئے 01905 765765 پر رابطہ کریں۔ (Urdu)

کردی سۆزانی. ننگەر ناتوانی تێبگدی له نامۆرۆکی ندم بێلگهیه و دستت به ههچ کس ناگات که و بیهێگریتوه بۆت، تکایه تهلخون بکه بۆ ژماره 01905 765765 و داوا ی رهنۆینی بکه. (Kurdish)

ਪੰਜਾਬੀ। ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਮਸ਼ਹੂਰ ਸਮਝ ਨਹੀਂ ਸਕਦੇ ਅਤੇ ਕਿਸੇ ਅਜਿਹੇ ਵਿਅਕਤੀ ਤੱਕ ਪਹੁੰਚ ਨਹੀਂ ਹੈ, ਜੋ ਇਸਦਾ ਤੁਹਾਡੇ ਲਈ ਅਨੁਵਾਦ ਕਰ ਸਕੇ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਮਦਦ ਲਈ 01905 765765 'ਤੇ ਫ਼ੋਨ ਕਰੋ। (Punjabi)

DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Waste Credit Governance Committee
Monday, 15 December 2014, 10.00 am, County Hall, Worcester

Membership: Mr W P Gretton (Chairman), Mr L C R Mallett (Vice Chairman),
Mr R C Adams, Mrs S Askin, Mr M L Bayliss, Mr M H Broomfield,
Mr P Denham, Mr J W Parish and Mr P A Tuthill

Agenda

Item No	Subject	Page No
1	Named Substitutes	
2	Apologies/Declarations of Interest	
3	Public Participation Members of the public wishing to take part should notify the Director of Resources in writing or by email indicating the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case, 12 December 2014). Further details are available on the Council's website. Enquiries can be made through the telephone number/e-mail below.	
4	Confirmation of Minutes To confirm the Minutes of the meeting held on 20 October 2014. (previously circulated)	
5	Progress update from financial advisors	1 - 2
6	Progress summary from technical advisors Report to follow.	
7	Risk Register	3 - 6
8	Waivers granted A verbal update will be provided at the meeting.	

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To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer on 01905 766621, slewis@worcestershire.gov.uk

All the above reports and supporting information can be accessed via the Council's website at <http://www.worcestershire.gov.uk/cms/democratic-services/minutes-and-agenda.aspx>

Date of Issue: Friday, 5 December 2014

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Waste Credit Governance Committee
15 December 2014**5. PROGRESS UPDATE FROM FINANCIAL ADVISORS****Recommendation**

1. **The Chief Financial Officer recommends that the verbal update report from Deloitte – Financial Advisors be noted.**

Introduction

2. As set out in its Terms of Reference, the Committee will be advised by external financial advisers on behalf of the Council's s151 officer. Deloitte has been appointed as financial advisor.
3. Representatives of Deloitte will be available at the meeting, via a video conference link, to address the Committee and answer questions. Representatives of Deloitte have reported that based on the certificate that the Councils received from Mercia Waste Management on 17 October 2014, there is an excess cash flow amount of £72k and as a result the Actual Construction Period Cash Flow Test appears to have been satisfied.

Contact Points**County Council Contact Points**

Worcester (01905) 763763, Kidderminster (01562) 822511 or
Minicom: Worcester (01905) 766399

Specific Contact Points for this Report

Sean Pearce – Chief Financial Officer
01905 766268. spearce@worcestershire.gov.uk

**Background
Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to this report.

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Waste Credit Governance Committee
15 December 2014**7. RISK REGISTER****Recommendation**

1. **The Chief Financial Officer recommends that the unmitigated and mitigated risks set out in the Risk Register be considered.**

Introduction

2. As set out in its Terms of Reference, the Committee will need to review the risks being borne as a result of the funding provided by the Council to Mercia and consider whether the risks being borne by the Council, as lender, are reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice.

3. A Risk Register has been established which sets out the unmitigated and mitigated risks associated with the loan arrangements (a copy is set out as an appendix). Members are asked to consider the risks set out in the Register

**Supporting information
Contact Points**

- Appendix – Risk Register

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Waste Credit Governance Committee Risk Register
December 2014

Risk Reference	Description of risk	Gross Impact	Gross Probability	Gross Risk Score	Risk control approach	Mitigating Actions	Residual Impact	Residual Probability	Residual Risk Score	Assigned to (Risk Owners)
a	Default of loan repayments by borrower to lenders due to SPV (Mercia) or HZI falling into administration.	5	3	15	Risk transferred	Due to the security package negotiated by the Councils a fall away analysis indicated that Mercia, its Shareholders and HZI would need to enter administration at the same time to put at repayment at risk during the construction phase. The maximum exposure to the Councils has been calculated and included within the sufficiency assessment of the Council's reserves. All press articles are scanned regularly for indications of financial strength issues and followed up to ensure counterparty risk is not increased.	3	2	6	The risk owners are the Section 151 Officers of each Council supported by Ashurst as advisors in case of contract default and Deloitte to monitor Mercia's actual quarterly cash flow tests and cover ratios that have to be maintained by Mercia.
b	Construction completion date of EFW is delayed and delays repayment of loan to lenders.	4	3	12	Risk transferred	Under the contract terms agreed with Mercia, Mercia take all material risk on EFW construction delay and repayment of loan will commence around February 2017, as set out in the SLFLA and agreed final financial model. Repayments are not tied to the actual construction completion date, rather the planned date. The Council as lender has the right to call the loan into default if construction is not completed by a long stop date.	3	2	6	The risk owners are the Section 151 Officers of each Council supported by Ashurst as advisors in case of contract default.
c	PWLB borrowing rates increase more than estimated in the Councils' prudential borrowing model. Higher rates would reduce the surplus generated on the loan arrangements with Mercia.	3	2	6	Risk treated	The cost of purchasing a financial product to remove this risk (a swaption) from an investment bank was quoted at £20m. The Councils decided to manage the risk through forecasting the forward price for its debt draw downs over the construction period and hold in reserve monies to mitigate this risk where required. Currently the rates accessible by the Councils are lower than this estimate as the continued low gilt rate environment pervades.	2	2	4	The risk owners are the Section 151 Officers supported by Treasury and Financing Teams.
d	Loan drawdowns are slower than set out in the STFLA. Delayed drawdowns would result in reduced interest payments to the Councils and potentially reduced surplus if PWLB loan rates increase between the expected draw date and actual.	2	2	4	Risk treated	The Councils plan to borrow from PWLB at dates inline with drawdown requests from Mercia. Therefore although the Councils would receive reduced interest receipts, less interest would also be paid to PWLB. The Councils are monitoring market gilt rates actively and have the option to borrow from PWLB up to a year in advance of expected drawdown requests. Regular progress reports are being reviewed to ensure the construction programme and the loan drawdowns are requested in line with the plan	1	2	2	The risk owners are the Section 151 Officers supported by Treasury and Financing Teams.
e	Drawdown requests from Mercia are not actioned by the Councils or not actioned within the required contracted time period.	4	2	8	Risk treated	The Councils treasury teams have been fully briefed on the actions required to fulfil drawdown requests, checks required and the contracted timeline by the Section 151 Officer and their teams. Drawdowns to date have been actioned in line with requirements.	3	1	3	The risk owners are the Section 151 Officers supported by Treasury and Financing Teams.
f	Mercia loan principal and / or interest repayments are below the required values as per the rates agreed in the STFLA .	3	2	6	Risk treated	The Councils treasury team maintain a spreadsheet detailing drawdowns to date and expected future principal and interest payments. This is reconciled to Mercia's repayment spreadsheet and will be matched to principal and interest repayments received from Mercia during the post construction period.	3	1	3	The risk owners are the Section 151 Officers supported by Treasury and Financing Teams.

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Key

Score	Unmitigated	Mitigated
1-5	Without controls in place this represents a minimal risk to the project	With controls in place this represents a minimal risk to the project
6-12	Without controls in place this represents a significant risk to the project	this represents a significant risk to the project
13-25	Without controls in place this represents a clear and present risk to the project	this represents a clear and present risk to the project

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