

Minutes of the Waste Credit Governance Committee

Lakeview Room, County Hall, Worcester

Wednesday, 28 February 2024, 2.00 pm

Present:

Cllr Tony Miller (Chairman), Cllr Adrian Hardman, Cllr Bill Hopkins, Cllr Matt Jenkins, 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 4 October 2023 (previously circulated).

197 Apologies/Named Substitutes (Agenda item 1)

An apology was received from Cllr Luke Mallett.

198 Declarations of Interest (Agenda item 2)

None.

199 Public Participation (Agenda item 3)

None.

200 Confirmation of Minutes (Agenda item 4)

RESOLVED that the Minutes of the meeting held on 4 October 2023 be confirmed as a correct record and signed by the Chairman.

201 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 there had been a slight reduction in the Historic Annual Debt Service Cover Ratio but nothing to raise concern. Although the forecast cashflow had reduced, it remained slightly healthier than the target which provided the business with a good buffer. The Loan Life Cover Ratio had improved which was a reflection of the healthier cashflow forecast. All relevant documents had been received from MWM including the renewal of the insurance cover in accordance with the terms of the loan agreement.

Jim Haywood from Mercia Waste Management (MWM) confirmed that the insurance for the EfW plant had been renewed in December 2023 albeit it had taken longer to arrange than expected.

In the ensuing debate, the following points were made:

- In response to a query about the reasons for the cashflow reduction, Jim Haywood explained that inflation and wage rises had had an impact on cashflow. He emphasised that the EfW plant was only part of the MWM business and the overall financial performance of the business was good
- In response to a query, Jim Haywood acknowledged that the period of plant outage during the last financial period had also impacted on cashflow.

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.

202 Risk Register (Agenda item 6)

The Committee considered the Risk Register.

Sheriff Loutfy introduced the report and commented that the impact of the change of ownership arrangements for MWM had been reflected in the Risk

Register. The risk was still considered to be low impact in terms of the impact on the loan arrangements. A loan repayment had been made by MWM on 31 December in line with the contract and the total repayment was now £78.6m.

In the ensuing debate, concern was expressed about the risk impact, particularly on cashflow, of a prolonged period of plant outage and whether this should be included as a risk on the register. Jim Haywood indicated that it was expected that the plant would experience periods of outage each year. MWM had business interruption insurance but also commercial insurance for any extreme outage circumstances. Sherief Loutfy acknowledged that a risk associated with a prolonged period of plant outage together with associated mitigation should be included on the Risk Register.

RESOLVED that:

- a) **A risk with associated mitigation be added to the Risk Register in relation to periods of prolonged outages at the EfW plant; and**
- b) **There were no matters of concern to report to Council.**

203 Work plan (Agenda item 7)

RESOLVED that the work plan be noted.

The meeting ended at 2.30pm.

Chairman