

# **First briefing for the Waste Credit Governance Committee**

Sean Pearce – Chief Financial Officer

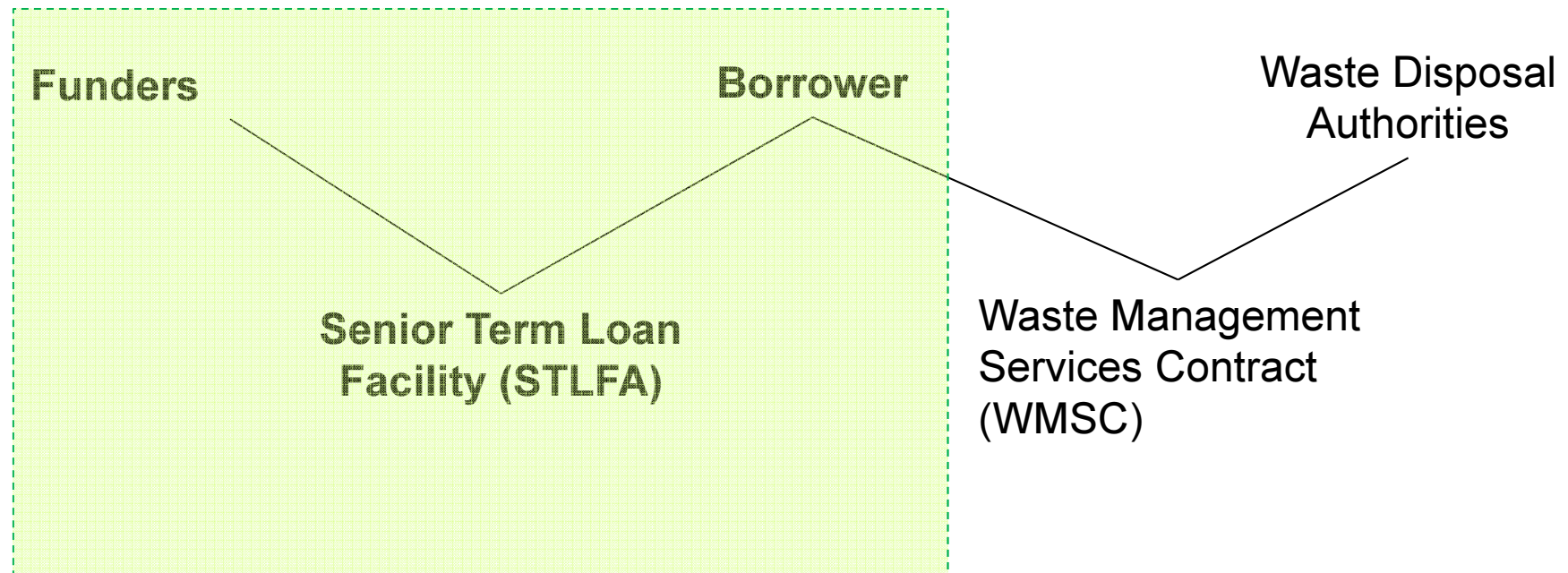
# Plan for briefing to the Committee

1. Clarification of the financing relationship with Mercia Waste Management Limited
2. Committee relationship with Full Council, Cabinet and Officers
3. Features of the loan facility to Mercia Waste Management Ltd the Senior Term Loan Facility (STLFA)
4. Retained advisors to support the Committee and officers
5. Waivers and Consents
6. Reminder of what the loan facility is for

# The financing relationship with Mercia Waste Management Limited

Role	Loan Facility	Borrower/ Service Provider	Waste Disposal Authority
<b>Organisation</b>	County of Herefordshire Council	Mercia Waste Management Services (the Special Purpose Vehicle or SPV)	Worcestershire County Council
	Worcestershire County Council		County of Herefordshire Council
<b>Governance</b>	Waste Credit Governance Committee (WCC)	Contracts Meetings	Joint Waste Advisory Steering Group
	Audit Committee (HCC)		Respective Cabinets

# The financing relationship with Mercia Waste Management Limited



# The intended Committee's relationship with Full Council, Cabinet and Officers

## Full Council

- Subcommittee of Full Council with periodic reporting of work undertaken by Committee
- Escalation of critical issues such as potential defaulting of the loan arrangements

## Cabinet

- Complete separation required by the STLFA between this Committee and the Cabinet's responsibilities as the Waste Disposal Authority
- Any conflict of interest between this Committee and Cabinet is formally intended to be handled at Council level

## Officers

- Delegation of day to day management including waivers and consents that are not material to the STLFA to the Section 151 Officers

## Key features of the loan facility

- The Councils are funding the Facility through their own Prudential Borrowing
- Funds are obtained by the Councils shortly before issuing to Mercia
- Drawdowns occur over a 33 month construction period, interest is rolled up over that period. Current drawdowns to date are circa £22 million
- Repayments are forecast to commence around February 2017 – this is a risk taken by Mercia
- The Council's main controls are around:
  - Authorisation of drawdowns
  - Technical reports on the progress of the Project by the Owners Engineer that are independently tested
  - Quarterly Construction Period Cash flow tests on Mercia
  - Cover Ratios that have to be maintained by Mercia

## Retained advisors to the Chief Financial Officer

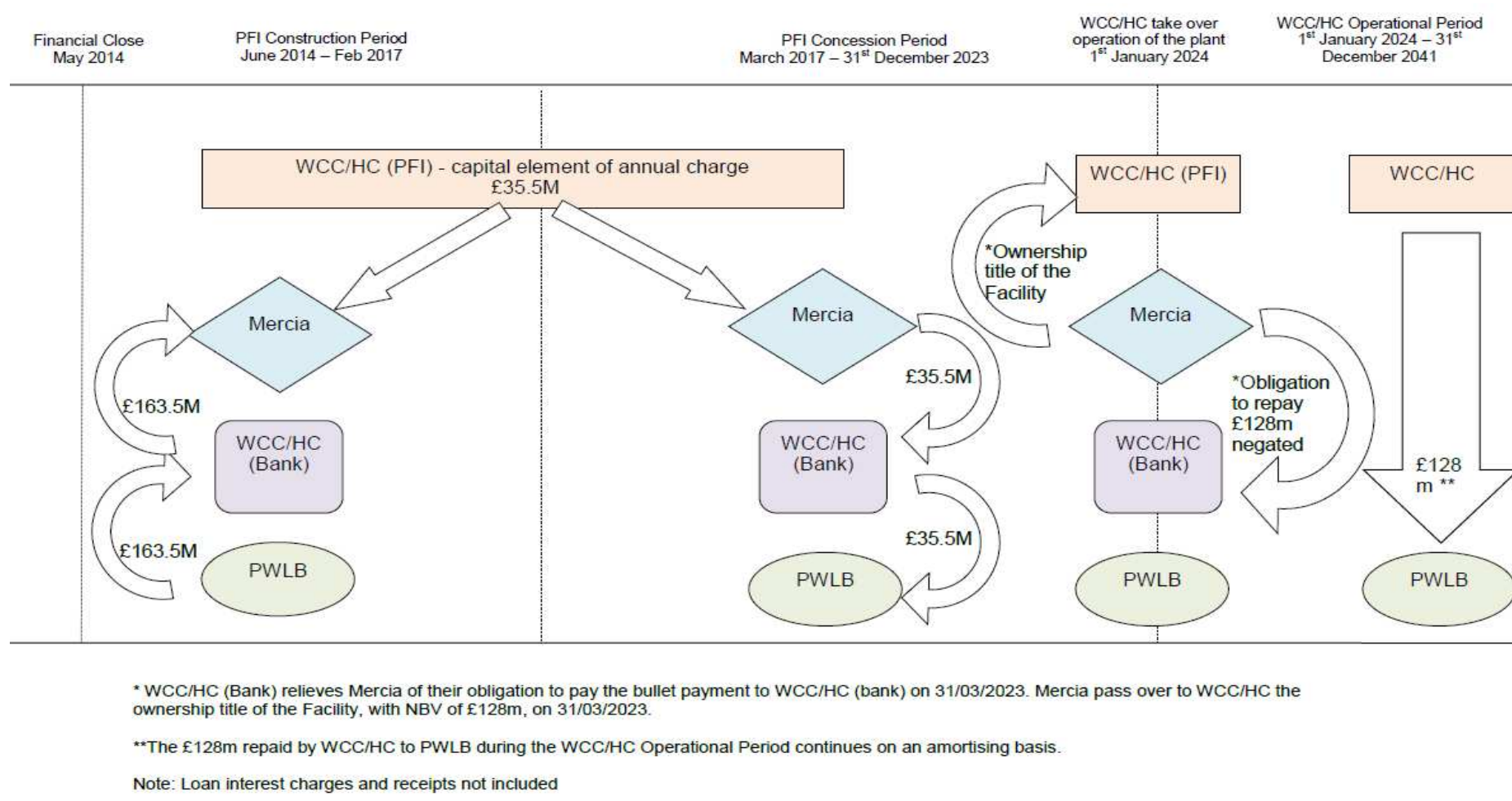
- Joint duty of care to both Councils
- Two contracts novated at financial close:
  - Fichtner Consulting Engineers Limited – Technical Advisors
  - Ashurst – Legal Advisors
- Financial Advisors are now subject to an Invitation to Tender – announcement of preferred provider is pending with contract award due shortly before the first meeting of the Waste Credit Governance Committee
- All costs are recharged to Mercia Waste Management Limited – any cost overruns are their risk

## Key features of the loan facility

- £163.5 million - Total Facility size, split into:
  - £35.5 million repayment loan over 10 years
  - £128 million Bullet Tranche
- £163.5 million – Total Facility size, split by funder:
  - £123.9 million (75.8%) Worcestershire County Council
  - £39.6 million (24.2%) Herefordshire Council
- Life of Loan is 10 years with the amortising tranche having been repaid by Year 10 and the Bullet Tranche being refinanced by the Councils
- At Year 10 the Bullet Tranche = the forecast Net Book Value of the Energy from Waste plant

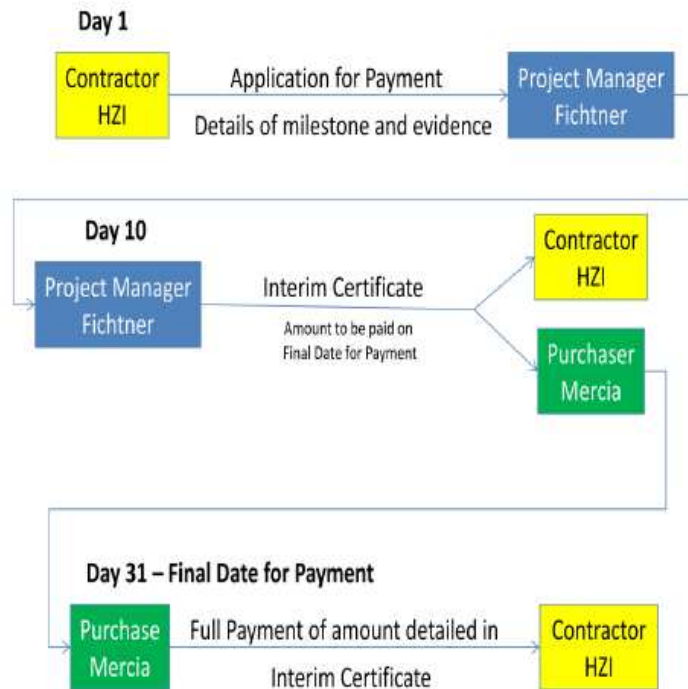


# Senior Term Loan Principal Flow Chart

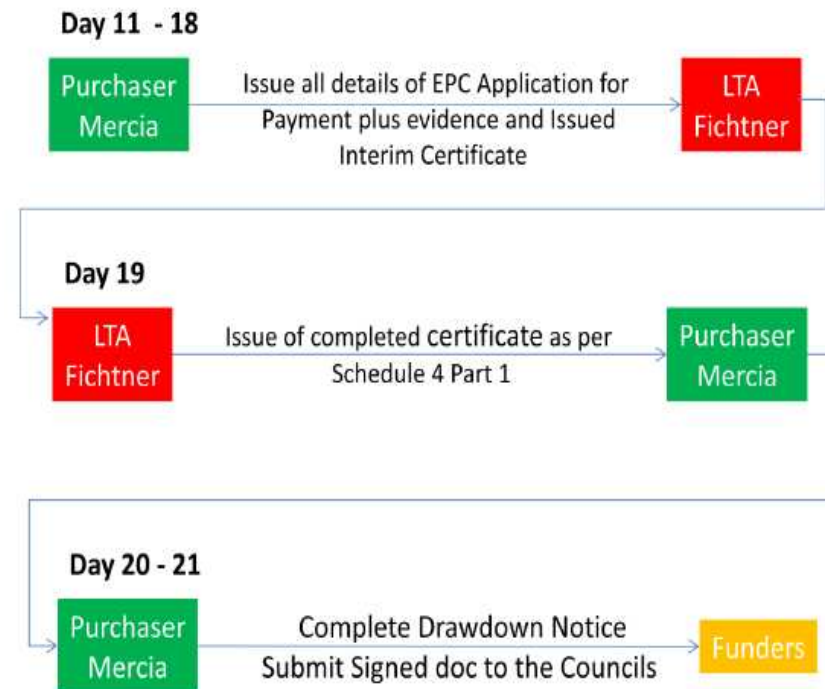


# EPC Payment Application and Drawdown Flow Chart

EPC Payment Flow Chart



EPC Drawdown Flow Chart



# Mercia Principal and Interest Payments to WCC/HC (Bank)

		01-Jan-17	01-Apr-17	01-Jul-17	01-Oct-17	01-Jan-18	01-Apr-18	01-Jul-18	01-Oct-18	01-Jan-19	01-Apr-19	01-Jul-19	01-Oct-19	01-Jan-20	01-Apr-20	01-Jul-20	01-Oct-20	01-Jan-21	01-Apr-21	01-Jul-21	01-Oct-21	01-Jan-22	01-Apr-22	01-Jul-22	01-Oct-22	01-Jan-23	01-Apr-23	01-Jul-23	01-Oct-23		
	units	total	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	

## Additional Income

£4.1m of front end fees received in May 2014.

£2.7m commitment fees to be rolled up into loan

# Waivers and Consents

One non material waiver granted to date as follows:

- Extension of time to lodge the financial close financial model with the custodian as this is largely administrative

## What the Loan Facility is being used for

