

WASTE CREDIT GOVERNANCE COMMITTEE 8 DECEMBER 2020

TECHNICAL UPDATE – EFW PLANT REPORTING REQUIREMENTS

Recommendation

- 1. The Chief Financial Officer recommends that:**
 - a) The Committee note and comment on the main categories of reports or information that the Borrower must regularly produce:**
 - Appendix 1 - The Historic Annual Debt Service Cover Ratio (“ADSCR”)**
 - Appendix 2 - Ratio compliance certificate and the**
 - Senior Term Loan Facility Agreement (STLFA) Assurance Statement for the Council and operating update attached as Appendix 3 be noted;**
 - b) The Committee consider whether to report any matters to Council.**

Introduction

1. As set out in its Terms of Reference, the Committee will be advised by external financial, technical and legal advisers on behalf of the Council's Section 151 Officer. This report covers the reporting requirements post completion.
2. The Council commissioned Ashurst LLP to identify the Borrower's Regular Reporting Obligations under the Herefordshire and Worcestershire Waste Facility Agreement for the post construction Energy For Waste (EFW) period, as set out in the STLFA
3. The main categories of reports or information that the Borrower has to regularly produce going forward are:
 - the Ratio Calculations report;
 - the Ratio Compliance Certificate;
 - reports in relation to financial and project information; and reports during the operating period
4. The Ratio calculations report was undertaken by KPMG in March 2020 to assess the position as at the end of December 2019 to meet the terms set out in the STLFA. KPMG found that all the ratios had been met and the report was circulated to all members of the Committee on the 24 March 2020.

5. The Historic Annual Debt Service Cover Ratio (“ADSCR”) Appendix 1: A historic periodic measure used to assess the project’s ability to service its current debt obligation over the preceding 12-month period as at the end of June 2020 is better than the target and is attached along with the signed Ratio compliance certificate Appendix 2.

6. Also provided is the 'cash flow after debt servicing' within the current base financial model compared to the 'actual 'cash flow after debt servicing'. This also showed a positive picture apart from March which would have been due to the impact of COVID-19 where the actual cash flow has been more than the financial model at the end of each quarter.

Financial Accounts as at the end of December 2019

7. In line with the agreement the company must provide a set of audited Financial accounts for review and were received at the beginning of November 2020. The external auditors are Deloitte LLP and independent opinion states that the information given in the strategic report and the directors report for the financial year for which the financial statements are prepared are consistent with the financial statements and have been prepared in accordance with applicable legal requirements.

Assurance Statement

8. It has been agreed that twice a year, for the March and September Committees, Mercia Waste Management (MWM) would produce a short, high level assurance statement (Appendix 3). The aim being to reassure the Lender (the Council) that there is no material matters which would impair MWM’s ability to repay the Loan in accordance with the Financial Model in the coming period. Another purpose of the statement is to cover the deficiency of the Loan Agreement Reporting in respect of the “Non – EFW” part of the MWM business.

Contact Points

Specific Contact Points for this report

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Supporting Information

Appendix 1 - The Historic Annual Debt Service Cover Ratio (“ADSCR”)

Appendix 2 - Ratio compliance certificate

Appendix 3 - the Senior Term Loan Facility Agreement (STFLA) Assurance Statement

Background Papers

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