

Waste Credit Governance Committee
17 July 2015**5. ACTUAL CONSTRUCTION PERIOD CASH FLOW TEST****Recommendation**

1. **The Chief Financial Officer recommends that the result Actual Construction Period Cash Flow Test be noted.**

Introduction

2. The Actual Construction Period Cash Flow Test (ACPCFT) is prepared by Mercia Waste Management on a quarterly basis and reviewed by Deloitte, acting in the capacity as Financial Advisers to the Councils in relation to the Senior Term Loan Facilities Agreement (STFLA), to determine whether:

“Actual Operating Cash generated during that period plus the brought forward cash balance attributable to operations is equal to, or exceeds... the amount of Operating Cash projected to be generated during that period plus the brought forward cash balance attributable to operations as shown in the Base Case Financial Model.”

3. It was agreed, during negotiations, as Mercia Waste Management is an existing operating entity, the cashflow it generates will be set aside during the construction phase and qualifies as Mercia's contribution on Equity Capital. Therefore the test confirms that Mercia have achieved their required contribution of Equity Capital to the Project that takes risk ahead of the Councils' STLFA.

Review performed by Deloitte

4. In performing the review Deloitte have agreed the terms of the calculation to the STLFA as follows:
 - Agreed the “model” Operating Cash generated during the period to the Base Case Financial Model
 - Agreed the actual Operating Cash generated during the period to management information
 - Re-performed the calculation of the ACPCFT, and
 - Compared the senior term loan facility drawdowns against those forecast in the Base Case Financial Model.

Summary of results

5. The result of the ACPCFT performed by Mercia for the period under review is an Excess Cash Flow amount as at 31 March 2015 of £1.3 million. The result shows that in the period from 1 May 2014 to 31 March 2015, the operations have produced £1.3 million more than was forecast for this period in the Base Case Financial Model. Based on this result the ACPCFT for the period under review is satisfied.

Supporting information

- Appendix 1 – Actual Construction Period Cash Flow Test.
- Appendix 2 – Timetable for the production and review of the Actual Construction Period Cash Flow Test.

Contact Points

County Council Contact Points

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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.