



Recovering Energy from Waste

Board Meeting Minutes

Monday 8th July 2019
10.00am at the Registered Office

Present: R Gray (Chairman)
P Johnson
B Hastie
K Starkey
C Penson

In attendance: H Hemming - EY (agenda items 1 and 2)
S Kaur - Minute Taker

	Action
<p>1. Statutory Accounts for Year Ended 31st March 2019</p> <ul style="list-style-type: none">• Going Concern Report• Auditor's Report to the Board by EY• Governance Letter from EY• Representation Letter to EY• Approval of Statutory Accounts <p>Ms Helen Hemming, Senior Statutory Auditor for EY, was invited by the Chairman to join the meeting. Mr Gray welcomed Ms Hemming to the meeting.</p> <p>The Board considered the report on Going Concern submitted by Mr Penson, which assessed the facts and circumstances relevant to the Company's decision to draw up the financial statements for the year ended 31st March 2019 on a Going Concern basis.</p> <p>It was agreed that no material uncertainties that may cast doubt upon the ability of the Company to continue as a going concern have been identified by the Directors.</p> <p>An error in the disposition of sales between C shareholder and other waste sales was noted in the 2020/21 numbers in Appendix 1 and it was agreed that these would be amended and recirculated to Board members.</p>	<p>Mr Penson</p>

Ms Hemming then presented the Auditor's Report summarising the audit of the Company's financial statements for the year ended 31st March 2019. She gave an overview of the financial performance of the Company, confirming that on a turnover of £29.8 million, the profit before tax was £12.0 million.

She further updated the Board on issues arising from the audit, confirmed that EY considered themselves to be independent, that they agreed that the accounts could be drawn up on a going concern basis and an unqualified audit opinion would be included in the financial statements.

Ms Hemming referred to two items which had been included on the summary of audit differences. The first of £0.1m related to assets where the original useful economic life attributed to them had been incorrect, so this had been corrected in the year meaning that depreciation which would otherwise have been charged in previous years was charged in the current year. The second related to recent developments in the McCloud judgement on age discrimination in state backed defined benefit pension schemes which has a potential impact on the Company's LGPS pension liability. EY's calculation of the potential increase in liabilities of (£0.3m) was a worst case estimate. Ms Hemming confirmed that these items were not material to the financial statements and did not require amendment of the accounts.

The Board agreed that Mr Penson should contact the LGPS to request that Barnett Waddingham produce a report more accurately quantifying the impact of the McCloud Judgement on the company's defined benefit pension liability.

Ms Hemming drew the Board's attention to the Letter of Representation. The letter was signed by Mr Starkey and Mr Penson and given to Ms Hemming. A copy was retained by the Company.

The financial statements for the year ended 31st March 2019 were then signed by Mr Starkey and Mr Penson on behalf of the Company and Ms Hemming on behalf of EY. Four copies were signed, two were retained by the Company, one was given to Ms Hemming for EY's records and one was given to Ms Hemming for filing with Companies House.

Mr Penson

2. Ernest Young Fees Presentation

Following a proposed increase in fees from EY, at the Board's request Ms Hemming gave a presentation to explain the increasing trend in fees. Ms Hemming proposed an increase from £21,000 in 2018/19 to £30,000 in 2019/20.

The Board expressed their dissatisfaction with the proposed increase and therefore proposed an alternative fee of £24,000 for 2019/20. Ms Hemming stated that she would need to seek internal approval and that she would inform Mr Penson of the outcome of her discussions. The Board agreed if

<p>the proposal is not accepted then they would consider going out to the market.</p>	<p>Mr Penson</p>
<p>Ms Hemming then left the meeting.</p>	
<p>3. Minutes of Previous Meeting The minutes of the previous meeting on 1st May 2019 were agreed and signed by Mr Gray.</p>	
<p>4. Matters Arising There were no matters arising.</p>	
<p>5. Environment, Health & Safety Report Mr Starkey began his report by referring to the trend charts for injury frequency rate and he gave a summary of injuries by type.</p> <p>There was only 1 injury reported involving a member of staff, who tripped on an uneven floor which has been actioned.</p> <p>There were 12 hazards and near misses reported in the month, all of which are being actioned. There were 2 damage incidents, which both involved waste vehicles in the tipping hall.</p> <p>There was one exceedance of our operating permit and one instance of abnormal operation where the by-pass damper opened on unit 1. There were no complaints received and no other environmental incidents reported.</p> <p>The exceedance related to an unauthorised release from Unit 1 during the extractive monitoring undertaken in May. The cause is being investigated and a Schedule 1 notice has been submitted to the EA. Initial findings revealed PAC dosing was working correctly and all other emission limits were within the legal values. Exova, the emissions monitoring company, has carried out a re-test to confirm the result. The results are expected in the near future.</p>	
<p>Mr Starkey to update Board members at the next meeting regarding the findings from the investigation and the EA response.</p>	<p>Mr Starkey</p>
<p>Mr Starkey to draft a press statement as a precautionary measure regarding the exceedance.</p>	<p>Mr Starkey</p>
<p>Mr Starkey concluded his report by referring to the 2019 Improvement Programme, item 5 requires a further few weeks trial and the remaining projects were all on target to be completed within the designated timescales.</p>	

6. Commercial Report

Mr Starkey updated the meeting on the current status of issues relating to certain waste contracts and the heat network.

7. Company Performance Report

Mr Starkey presented the plant performance for the two months ended 26th May 2019 with a verbal update also given on the third month ended 30th June.

Waste throughput was in line with the budget and 5% lower than last year.

A and B shareholder waste throughput was 10% lower than budget and in line with last year. C Shareholder waste throughput was 4% lower than budget and 86% higher than prior year. Non-shareholder waste was 45% ahead of budget and 48% lower than last year.

A and B Shareholder waste accounted for 45% of total throughput compared with 43% for the same period last year.

Plant availability was 90% compared with a budget of 90% and a prior year performance of 91%, and average waste throughput per unit hour was [REDACTED] tonnes against a budget of [REDACTED] tonnes and prior year performance of [REDACTED] tonnes.

In the current year there was a planned minor outage on unit 3 compared with a minor unit outage along with G2 overhaul in the same period in the prior year.

Electricity export was 1% ahead of budget and 7% higher than last year.

Mr Penson reported to the Board on the Company's financial performance.

The profit before tax and pension provision for the first 2 months is £2,030k which is £321k ahead of budget and £250k higher than last year. Revenues are £73k higher than budget due to higher than expected waste sales due to better throughput rate and a more favourable sales mix and costs are £223k lower than budget with cost savings in most categories.

Mr Penson presented a revised forecast for the year ending 31st March 2020. The forecast profit before interest, pensions and tax is £12.6m compared with a budget of £11.3. The year-end cash position is forecast to be £11.0m, compared with a budgeted figure of £9.6m, due to a better than budgeted opening position and better forecast trading.

8. Review of Risk Register

Mr Starkey and Mr Penson presented the Risk Register to the Board.

<p>9. Energy Expansion Mr Starkey updated Board members on the energy expansion project. The Board approved the cost of £12,420 for the next stage of work.</p> <p>10. Register of Directors' Interests Mr Penson presented the Register of Directors' Interests which was noted.</p> <p>11. Contracts for Board Authorisation Mr Starkey presented the Board Contract Authorisation Record which was considered and agreed by the Board.</p> <p>12. Any other business</p> <p><i>Data Protection Officer (DPO)</i> The Board considered the requirement to appoint a Data Protection Officer. It was agreed that the following actions would be undertaken:</p> <ul style="list-style-type: none"> - Review with SHM the need to appoint a DPO and whether the Company qualifies for any of the exemptions under section 7 of the Data Protection Act 2018. - If the appointment of a DPO is required explore options and costs of appointing an external DPO. - Explore options for appointing and training an internal DPO. <p>Mr Penson to report back at the next Board meeting.</p> <p>Capital Re-organisation Mr Penson updated the board on progress on the capital re-organisation project, with all shareholders' legal departments having approved the documentation and Solihull, Warwickshire and Leicestershire having confirmed that the necessary internal authorisations have been obtained. Confirmation is awaited from Coventry.</p>	<p>Mr Penson</p>
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Dates of next meetings

The dates of the next meetings were confirmed as:

Management Review Meeting	Monday 23 rd September 2019 commencing at 10.00am at the Registered Office
Board Meeting	Monday 4 th November 2019 commencing at 10.00am at the Registered Office
Shareholder Panel Meeting	Wednesday 22 January 2020 commencing at 16.00pm at Coventry City Council (no date set for possible September 2019 informal meeting)

There being no further business, the Chairman closed the meeting at 12.15pm.

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Chairman