



Recovering Energy from Waste

Board Meeting Minutes

Monday 6th November 2023
10.00 am at the Registered Office

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

Minute Taker S Kaur

	Action
<p>1. Minutes of Previous Meeting The minutes of the previous meeting on 10th July 2023 were approved and signed by Mr Gray.</p> <p>2. Matters Arising</p> <p><i>Contracts Requiring Shareholder Panel Approval</i> Mr Gray had queried whether non-capital contracts with an annual value over £1 million needed Shareholder approval. [REDACTED]</p> <p>[REDACTED]</p> <p>it was agreed that the amendment would be made the next time a more significant change was required to the Articles of Association and the Shareholders Agreement. In the meantime the Board confirmed that any non-capital contract with a value greater than £1 million which could not be deemed to have been approved by the budget setting process would be presented to the Shareholder Panel for approval.</p>	<p>Mr Penson</p>

West Midlands Pension Fund

Mr Penson updated the Board regarding the proposed plan to enter into a deferred debt arrangement (DDA) should a cessation event occur and informed them that further discussions had been held but the process was likely to continue into the next financial year.

3. 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.

Two injuries were reported in August, both involved members of the public cutting their hands on their own waste. There were no injuries reported in September and October.

There were no breaches of permitted emission limit values (ELVs), environmental incidents reported, nor abnormal operations or environmental complaints received in August, September and October.

The National Infrastructure Commission's (NIC) Second National Infrastructure Assessment was launched in October 2023 and it included recommendations for the recycling and waste management sector amongst which are potential restrictions on energy from waste capacity which does not include carbon capture and storage (CCS) and a call for the government to make good on its pledge to include energy from waste in the Emissions Trading Scheme from 2028. These recommendations could pose a threat to the Company's future business. Mr Starkey informed the Board that since the company performance report was written the NIC have clarified the position which is that local authorities to do enter into any contracts post 2050 with EFWs with no CCS fitted.

The government has 6-12 months to respond to the recommendations set out in the Assessment and it is not required to accept them.

A fourth toggleblok valve was installed successfully at the HWRC protecting the river from run off during emergencies.

Work continues to improve BREF compliance on all units for NOx and NH3.

The deadline for compliance with BREF Improvement Condition 1 has been extended by the Environment Agency to May 2024 as more time is required. The reports for Improvement Condition 2, 3 and 4 have all been submitted.

Fichtner are working on the BREF emission limit derogation application. The derogation is unlikely to be issued for approximately 18 months due to the backlog at the EA, however they will issue a local position statement. The Company has submitted additional data to aid completion of the cost benefit analysis tool.

The Company's borehole permit expires in March 2025. CPC have already submitted the borehole renewal due to the long delays in the National Permitting Service in the EA (12-24 months). The EA need to carry out a catchment assessment in the area and this may not be completed until the end of 2024. Until then they will not issue the variation. In the worst case the EA may not renew the borehole permit so from April 2025 the Company may be reliant on more expensive towns water.

Mr Starkey concluded his report by referring to the 2023 improvement programme. All projects were on target to be completed within the designated timescales.

4. Commercial Report

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

Mr Starkey provided an update on the issues associated with Nitrous Oxide (N2O/Laughing Gas) cylinders which are continuing to find their way into the Company's waste stream. These are exploding and causing damage to the plant and taking it offline. Solihull's Moat Lane street cleansing waste has been identified as a source of the cylinders and waste from that source is no longer being delivered. The Company is continuing to work with all customers to identify potential N2O contaminated loads.

5. Company Performance Report

G1 Update

Mr Starkey gave an update to the Board with regard to the G1 turbine failure.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Mr Johnson commended the work carried out by Engineering Manager Ben Millard in initiating the taking of 3D scans of the blades during a previous outage, an action which had facilitated the reverse engineering approach and saved considerable time and money.

Mr Penson updated the Board on the financial impact of the claim. The turbine failure is covered by the property damage insurance policy with FM Global who have provided a claim coverage confirmation. [REDACTED]

[REDACTED]

The cost of the turbine re-instatement is currently estimated at [REDACTED].

The value of the business interruption loss in total is estimated to be in the region of [REDACTED].

[REDACTED]

Company Performance

Mr Starkey presented the plant performance for the six months ended 24th September 2023.

The waste received is 3% lower than budget and 3% lower than last year. A and B Shareholder waste throughput was 17% lower than budget and 2% lower than last year. C Shareholder waste throughput was 5% lower than budget and 11% behind last year. Non-shareholder waste received was 138% higher than budget and 36% higher than last year.

A and B Shareholder waste accounted for 45% of total throughput in the current and prior years. A, B and C Shareholder waste accounted for 87% of total throughput compared with 90% in the same period last year.

Plant availability was 87% compared with a budget of 88% and prior year performance of 89%. Average waste throughput per unit hour was [REDACTED]

tonnes compared with a budget of [REDACTED] tonnes and a prior year performance of [REDACTED] tonnes.

Mr Starkey explained that availability was lower than budget due to the nitrous oxide cylinder expositions, and that throughput was lower because of changes in combustion required to try to achieve the new BREF NOx emission limit values.

Electricity export was severely affected by the G1 loss in May and was consequently well behind the budget and the prior year.

Mr Penson reported to the Board on the Company's financial performance. The profit before tax and pension provision for the six months is £7,133k which is £4,856k lower than budget and £1,066k behind last year. Revenues are £6,191k lower than budget and £517k higher than prior year. The lower than budget and prior year performance is due principally to the G1 loss.

Electricity generation revenues are £6,196k lower than budget and £647k lower than prior year due to the G1 loss

Mr Penson reported that total EfW costs are £1,291k lower than budget. There have been significant cost savings in transport and disposal (£433k) due to the lower than budgeted cost of IBA disposal, operating costs (£911k) due to the lower than budgeted cost of consumables, partially offset by higher maintenance costs (£413k) caused by higher than anticipated costs during the major and total plant outages as well as the unplanned breakdowns caused by the nitrous oxide canister explosions.

Mr Penson presented a revised forecast for the year ending 31st March 2024. The forecast profit before interest, pensions and tax was £12.6m compared with a budget of £26.7m. The year-end cash position is forecast to be £17.6m, compared with a budgeted figure of £14.7, due mainly to a better than budgeted opening position and cash receipts for the business interruption claim of [REDACTED] which have been forecast based on the loss model and discussions with insurers.

6. Dividend

Mr Penson updated the board on the planned dividend payments for the current year, the budget and the five year plan. The Board agreed with the schedule of proposed dividends as set out subject to any further adjustments necessitated by the finalisation of the budget and the five year plan.

7. Review of Risk Register

Mr Starkey updated the Board on the items listed in the Business Risk Register, which were discussed and approved.

<p>8. Any other Business Budget Meeting 14th December 2023 Mr Johnson to join the meeting via Teams.</p> <p>Board Meeting Dates for 2024 Mr Penson informed the Board that dates for meetings in 2024 would shortly be circulated for Board members' agreement. Mr Johnson and Andrew Felton will both attend the February 2024 Board meeting on behalf of Solihull.</p> <p>Appointment of Director Mr Penson informed the Board that he was still investigating the process for the appointment of a new B shareholder director and that he would liaise with Andrew Kinsey of Solihull as necessary.</p> <p>West Midlands Pension Fund Actuarial Costs Mr Penson informed the Board that the cost of non-standard work and reports carried out by the new actuary Hymans Robertson appeared to be much more costly than under the previous incumbent. Mr Johnson agreed to raise the matter with the Fund.</p> <p>The Board agreed that in the light of the increased costs, and because the headroom in distributable reserves is considerable, an interim actuarial valuation for dividend declaration purposes would not be commissioned for the dividend payable in March 2024.</p> <p>G1 Turbine Update It was agreed that a G1 turbine update report will be presented to the Shareholder Panel in January 2024.</p>	<p>Mr Penson</p> <p>Mr Penson</p> <p>Mr Johnson</p> <p>Mr Starkey</p>
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Dates of next meetings

The dates of the next meetings were confirmed as:

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|---------------------------|-------------------------------------------------------------------------------------------|
| Management Review Meeting | Monday 4 th December 2023 commencing at 10.00am.
Method of meeting: Teams |
| Board Meeting | TBC |
| Shareholder Panel Meeting | Wednesday 24 th January 2024 commencing at 4.00pm.
Method of meeting: Teams |

There being no further business, the Chairman closed the meeting at 11.35 am.

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Chairman