



## Addendum – 14.03.16 CLG

### Response on query about contract values

*'The £125m quoted by Hitachi Zosen Inova (HZI) is the cost of constructing EnviRecover.*

*The £195m quoted in the 2013/14 accounts for Worcestershire County Council refers to the Project Finance being utilised by Mercia Waste Management rather than the cost of constructing EnviRecover.*

*For information the table below contains the response from the Waste Credit Governance Committee to a similar question raised in October 2015. This has been included because it may assist in explaining the difference between the two figures.*

<b>Question</b>	<b>Response</b>
<p><i>Why has the £195 million build cost for the incinerator not been made explicit to the public? Without greater transparency this can only lead to the potential to be misleading.</i></p>	<p><i>Reports provided in December 2013 and January 2014 confirm that the Councils agreed a Contract Variation for all services provided under the Waste Management Services Contract. As you would expect, the addition of a Residual Waste Treatment Facility impacts on all services provided by Mercia prior to the Contract Variation. The financing of this Contract Variation was shown to be Value for Money in the December 2013 report by utilising project finance from the Councils as opposed to Commercial Banks. Mercia required loan financing that sits alongside their Equity Finance for the Contract Variation as would be expected in all project finance transactions.</i></p> <p><i>The Councils will make annual payments to Mercia in respect of the Contract Variation Uplift in respect of construction and operation of all services provided by Mercia to 2023 and then, as set out in the October 2014</i></p>

*Waste Credit Governance Committee, provide settlement of outstanding debt finance.*

*Therefore your reference to £165 million and £195 million refers to the Project Finance being utilised by Mercia rather than the construction cost of the Residual Waste Facility.*