

## Waste Infrastructure Delivery Programme Contract Management Training



**Norfolk County Council**

**Contract Administration - Refinancing**

**8<sup>th</sup> May 2013 – NAME REDACTED**



1



## Objectives of the Module



- Understand aims of Refinancing
- Understand the impact of Refinancing
- To consider the Authorities and the Contractors roles



2



## Objectives of the Module



- How to undertake a Refinancing
- This will involve specialist adviser support to achieve optimal positions for the Authority



3



## Agenda



- Refinancing – 5 min
- Exercise – What's in/out of a Refinancing – 20 min
- Authority and Contractors Role – 5 mins
- Undertaking a Refinancing – 10 min



4



## Refinancing – Background



- Why is Refinancing in the contract?
- The principle aims of a Refinancing
  - Swapping cheaper debt for equity
- When are good times to undertake Refinancing?
- What is the typical Refinancing Gain?



## Refinancing – Exercise 1 (20 mins)



**In table groups determine in [15] mins**

- (i) What is excluded or included in a Refinancing?

**Feedback (5 mins)**



## What is excluded or included in a refinancing



### What is excluded – Exempt Refinancing e.g.

#### routine matters

- Alterations required as part of any Variation under this Contract
- A change in taxation or accounting treatment
- Day to day matters e.g. monies between project accounts
- Late provision of information, consents or licences

RULES  
1. YOU CAN....  
2. YOU CAN'T...  
3. YOU CAN....  
4. YOU CAN'T

## What is excluded or included in a refinancing



### What is excluded – Exempt Refinancing e.g.

#### routine matters

- Amendments to sub contracts
- Forecast assumptions required under the Finance Agreements
- Delays in construction altering the advancement of Senior Debt

RULES  
1. YOU CAN....  
2. YOU CAN'T...  
3. YOU CAN....  
4. YOU CAN'T

## What is excluded or included in a refinancing



- **What is included**

- reduction in interest margins;
- reduction or release of reserve accounts;
- release of contingent junior capital;
- extension in the maturity of debt;
- increase in the amount of debt



## Refinancing – Role of the Parties



- **Contract Management Team**

- Give written permission for the Refinancing
- Request a Refinancing
- Watch out for any undermining of provisions in the Contract



## Refinancing – Role of the Parties



- **Contract Management Team**
  - Use the unrestricted access to Refinancing information to undertake its own due diligence
  - May exercise its option to terminate for breach of Refinancing provisions



## Refinancing – Role of the Parties



- **Contractor**
  - Shall not enter into new arrangements that may material adverse its ability to perform its obligations
  - Shall act promptly, diligently and in good faith
  - Provide full details of proposed Refinancing





## Refinancing – Role of the Parties



- **Contractor**
  - Use all reasonable endeavours to obtain the most favourable available terms
  - Evidence any inability to favourable funding terms



## How to undertake a Refinancing



- Establish contractual provisions
- Request in accordance with the contract
- Agree process and carry out due diligence
- Check proposals and exercise rights to information
- Ensure provisions adhered to and contractor demonstrates favourable funding terms

## Further Reading



- WIDP Contract – Clause 52 – Refinancing
- WIDP Contract – Clause 75 – Termination for Breach of Refinancing Provisions
- WIDP Contract – Clause 76 – Compensation on Termination for Breach of Refinancing Provisions

## Further Reading



- WIDP Contract – Sch 16 – Refinancing
- WIDP Contract – Sch 17 – Compensation on Termination
- WIDP Contract Management Guidance