



CASE STUDY

Cramlington CHP Plant: Financial Management

Vercity

Cramlington CHP Plant

Sector

Renewable Energy

Client

Cramlington Renewable Energy
Developments

Project value

£138m (Original construction cost)

The biomass CHP plant in Cramlington, Northumberland, delivers electricity and heat directly to two local pharmaceutical companies and low carbon electricity to the National Grid. Vercity has been a long term partner for the project on its journey from construction in 2016 through subsequent operation and a corporate restructuring.

The project

The CHP plant features a boiler with a capacity of 90 TPH (tonnes per hour) which is fuelled by wood from sustainable local forestry and agricultural by-products.

Generating both heat from the boiler and electricity using the steam the plant outputs 28 MW of electricity. The generation is sufficient to power 52,000 homes and offsets 56,000 tonnes of carbon dioxide emissions a year.



How Vercity supports the project

Vercity has provided financial and company secretarial services to support the project since construction in 2016. Vercity has supported the project on its journey in a number of ways, including:

Restructuring Support

Facing volatile operating costs and energy prices the Company undertook a corporate and debt restructure in 2021. Vercity played a key role in liaising with all stakeholders to ensure that this transaction was successfully achieved.

There were a number of complex accounting transactions associated with the restructure for which Vercity provided technical accounting support, including the introduction of new entities into the group structure, acquisition and consolidation accounting as well as the accounting treatment of the underlying refinancing transactions.

“The Cramlington biomass plant is a significant generator of renewable base load power to the grid as well as supplying heat and power to neighbouring businesses. Vercity has been a welcome long-term partner since its construction stage with their experienced and knowledgeable team adding value to the continued development and enhancement of this business.”

Chris Holmes, Partner
Foresight Group

Asset Enhancement

Following the restructuring a cash injection facilitated enhancements which improved the efficiency and operation of the plant. Supporting the process for the additional investment and the subsequent works required Vercity to review the appropriate financial treatment for both the funding and the recognition of the asset enhancement.

Forecasting and Management

Proactive management of the project cashflows has been necessary to minimise exposure to market fluctuations in the cost of fuel and the price of power. Understanding the likely and possible scenarios for these cashflows and providing intelligence and analysis has helped inform shareholder expectations of performance and supported good corporate governance over the financial position.

Financial Accounting

Vercity provides invoice processing, management accounting and the preparation of statutory accounts, including the liaison with financial auditors and tax advisors. This includes reviewing and applying the accounting policies, including the capitalisation of asset improvements and periodic revaluation of the asset as a whole.

Company Secretarial

As an experienced provider of Company Secretarial services Vercity is well placed to act as the key custodian and governance lead. The processes, knowledge and experience established in Vercity have been invaluable not only for the good governance of the corporate entities but also during the restructuring process and equity transactions.



Vercity's Impact

Awareness of the factors that are important to the project's financial success has allowed Vercity to focus on the associated risks and to highlight those as part of financial stewardship.

Harnessing our understanding of the financial drivers has ensured the plant continues to provide benefit to the local community and to sustainable energy production, achieving a positive outcome for all stakeholders.