

Waste Credit Committee Risk Register

February 2024 - Corporate Scoring Terms

Risk Ref	Description of risk	Gross Impact	Gross Likelihood	Gross Risk Score	Risk control approach	Mitigating Actions	Residual Impact	Residual Likelihood	Residual Risk Score	Risk Ref
a	Default of loan repayments by borrower to lenders due to SPV (Mercia) or HZI falling into administration.	Critical	Medium	15 (A)	Risk transferred	The maximum exposure to the Councils has been calculated and included within the sufficiency assessment of the Council's reserves. All press articles are scanned regularly for indications of financial strength issues and followed up to ensure counterparty risk is not increased. In December 2023 the Council was informed that an announcement had been made on the Spanish Stock Exchange stating that Urbaser Limited would be purchased by FCC the deal which would leave Mercia with one owner rather than two is subject to the approval of The Competitions and Markets Authority and all legal matters relating to the Waste Mngement Contract and Loan will be considered at the appropriate time.	Substantial	Very Low	6 (G)	a
	Impact of extension of contract with Mercia Waste Management by the County on the ability of company to repay the loan	Substantial	Low	6 (G)	Risk treated	KPMG have conducted an analysis of the ratio's used for the ability of Mercia Waste Management to repay the loan on the basis of the extension and reduction in payments. KPMG have provided assurance that the revised ratios should not impact on the company's ability to repay the extended 5 year loan.	Substantial	Very Low	6 (G)	
f	Mercia loan principal and / or interest repayments are below the required values as per the rates agreed in the STFLA .	Substantial	Very Low	6 (G)	Risk treated	The Council's treasury team maintain a spreadsheet detailing drawdowns to date and expected future principal and interest payments. This is reconciled to Mercia's repayment spreadsheet and will be matched to principal and interest repayments received from Mercia during the post construction period. The County receive an assurance statement within the Committee Report and the latest being on the 15th February 2024 provided by MWM..	Substantial	Almost Impossible	5 (G)	f

Key

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High 19 – 24	Unacceptable Risk: Immediate control/improvement required
Medium 8 – 18	Acceptable Risk: Close monitoring and cost effective control improvements sought.
Low 1 – 7	Acceptable Risk: Need periodic review, low cost control improvements sought if possible.

Scoring Matrix

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Likelihood

Very High	9	19	21	24
High	8	12	20	23
Medium	4	11	15	22
Low	3	10	14	18
Very Low	2	6	13	17
Almost Impossible	1	5	7	16
	Negligible	Substantial	Critical	Extreme

Impact