

Waste Credit Governance Committee
17 July 2015**7. RISK REGISTER****Recommendation**

1. **The Chief Financial Officer recommends that the unmitigated and mitigated risks set out in the Risk Register be noted.**

Introduction

2. As set out in its Terms of Reference, the Committee will need to review the risks being borne as a result of the funding provided by the Council to Mercia and consider whether the risks being borne by the Council, as lender, are reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice.

3. A Risk Register has been established which sets out the unmitigated and mitigated risks associated with the loan arrangements.

4. Members will recall that at the meeting of the Committee on 15 December 2014, it was agreed that a report on the Risk Register would be brought to each meeting of the Committee. An updated version of the Risk Register has therefore been produced and is attached as Appendix 1. (Minute no. 15 refers) Members are asked to consider the risks set out in the Register.

5. From an overall perspective, the construction project has just moved past its first anniversary. The main elements of the civil engineering works are complete with the excavation of the bunker largely delivered on budget, although slightly behind forecast timescales. There has been some reordering of the remaining civil engineering programme to allow the mechanical and engineering programme to commence and keep the construction project on track.

6. Members should note that the construction plan set out at Financial Close achieved a Takeover date some three months in advance of the contractual Planned Takeover Date. Whilst some of this 'float' has now been eaten into, the construction team are still planning to achieve the Planned Takeover Date which is the more important and relevant date when considering risks presented to the Councils as the provider of the Senior Term Loan Facility.

7. Whilst recognising that a significant part of the construction scheme remains, Members should take some comfort from the fact that the project is 'out of the ground' as typically the tendency for project risks to materialise is higher where significant excavation work is undertaken.

8. The construction focus is now on building the superstructure of the Plant, including the concrete based Bunker and Tipping Hall and the Steel superstructure that houses the Boiler Hall and Administrative buildings.

9. To support the Risk Management process outlined in the Appendices, a site visit has been undertaken by the Chief Financial Officer, meeting with the Mercia Project Director and Owners Engineer, that included a detailed discussion on contractor and sub-contractor management, changes proposed and made to the construction programme plan and the confirm and challenge process undertaken by Mercia and its main contractors that provides assurance that the project remains on track. These site visits will continue on a quarterly basis to complement the work of the Councils' Technical Advisor and Financial Advisor.

10. A copy of the Mercia Waste Loan Facility Drawdown Analysis is attached as Appendix 2. Drawdowns remain at approximately 2-3 months behind the Base Case Financial Model and are consistent with the delay of 2 months that is being reported by Mercia due to overruns on civil engineering works. This delay presently is not resulting in any change to the Planned Takeover date.

- Appendix 1 – Risk Register
- Appendix 2 - Mercia Waste Loan Facility Drawdown Analysis

Supporting information

Contact Points

County Council Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to this report:

Agenda papers and Minutes of the meeting of the Waste Credit Governance Committee held on 15 December 2014.