

<h1>BRIEFING</h1>	TO:	Barnsley, Doncaster and Rotherham Joint Waste Board
	DATE:	9 September 2021
	LEAD OFFICER:	Lisbeth Baxter
	TITLE:	BDR PFI Project Risk Register

1. Background

- 1.1** Barnsley MBC, Doncaster Borough Council and Rotherham Borough Council (the **Councils**) entered into a principal agreement called the Project Agreement (the **PA**) in March 2012 with 3SE (Barnsley, Doncaster and Rotherham) Limited (the **Contractor**). The agreement is to manage Barnsley Transfer Station and design, build and operate a facility to manage the residual waste for the Councils from July 2015 to end of June 2040. The PA also requires the Contractor to achieve agreed levels of recycling and landfill diversion.
- 1.2** The Contractor is a special purpose vehicle company set up purely for this PFI project, meaning it has no significant balance sheet strength or assets. It sub-contracts its service obligations, and most of its PA obligations, to Renewi UK Services Limited (formerly Shanks Waste Management Limited), a waste management service company as its operator (the **Operator**). The Operator produces solid recovered fuel (**SRF**) from contract waste which is shipped to Ferrybridge for thermal treatment. The Councils pay a unitary charge each month to the Contractor who then pays the Operator through an operating contract. The total Councils' payments between 2015 and 2040 are approximately £721M (as forecast at PA signature) so this scheme is, for each Council, one of the highest value contractual commitments.
- 1.3** Initially the Contractor was ultimately owned by a pair of shareholders in the proportion 75:25 through a Renewi investment vehicle and an SSE investment vehicle. In October 2020 SSE announced the sale of their "Multifuel Energy" business (Ferrybridge FM1 and FM2 energy from waste facilities plus other assets) and the Contractor ownership changed. Following SSE's exit from Ferrybridge, Renewi now owns the Contractor through an investment vehicle. The Contractor is expected to be renamed as Renewi BDR Limited. Although the ownership of the Contractor has changed there is no change in the offtake supply contract terms between Renewi and the offtaker at Ferrybridge so the SRF will continue to be supplied to that offtaker throughout the term of the PFI contract which ends in 2040.
- 1.4** The BDR Joint Waste Board last considered the risk register at its meeting on 14 June 2021.
- The risk categories are split between red, amber and green (RAG) representing varying degrees of exposure. Each category contains a range of risk scores and the table below shows how the RAG rating and score are derived.

LIKELIHOOD (A)	Almost Certain 5	5	10	15	20	25
	Probable / Likely 4	4	8	12	16	20
	Possible 3	3	6	9	12	15
	Unlikely 2	2	4	6	8	10
	Very unlikely / Rare 1	1	2	3	4	5
		Insignificant/ Negligible 1	Minor 2	Moderate 3	Major 4	Critical/ Catastrophic
IMPACT (B)						

2. Key Issues

2.1 Changes

There have been three new risks added to the Register - **Lack of resources having exited the European Union** this has been added due to current reduced resource implications to deliver waste services. Other potential impacts of maintaining supply chain due to lack of EU workforce and resources have not as yet affected the contractor. Contractor unable to fill key posts or maintain haulage capacity due to UK exiting the EU. **Changes in Local Authority policy** – there are potential financial implications where a council changes their service delivery due to local ambitions that are not covered by the current risks and **Lack of resources** due to contractor staff restructures, staff resignations, or retirement.

There have been three risks that have been decreased - **Pandemic** due to the robustness of the contingency plan in place. The impacts of the current pandemic have been lower than were anticipated due to the measures that were taken including staff able to work from home and social distancing measures. **Lack of Recycling markets** this has been reduced for the PFI contract as the contractor has several outlets for the recycles they produce and contingencies in place. Although the recycling markets in general are still volatile the contractors recycling performance and ability to place recycle on the market is less of a risk than it was at the start of the contract. **UK having exited the European Union** this risk is around the financial impacts of exiting the EU and limiting unnecessary costs and delays in supply chain from the EU. Ensuring long term planning of stocks and supplies. Ensuring waste off-take is primarily UK based. The Contractor, Renewi, is a waste to product company predominately based in Europe so this was felt to be less of a risk.

All other risks remain at the same level as previously reported. This is due to the stable contractual relationship and plant performance of the PFI project's key facility at Manvers.

There are two risks proposed for deletion in the risk register as these have been combined with existing risks - **There is a risk that the contractor will not comply with the terms and conditions and the performance will be less than the Councils are**

2.2 paying for and Ensure the balance of risk between Contractor and BDR is maintained.

2.3 Previous reports have highlighted to BDR Joint Waste Board that there has been very little movement in current risk scores for risks in the period since the key facility became operational in July 2015.

Summary of previous risks

Current RAG Rating	01/10/18	22/11/2018	3/12/2018	1/3/2019	30/9/2019	21/11/2019	5/3/2020	30/6/2020	28/9/2020	14/12/2020	15/3/2021	14/6/2021	9/9/2021		
Red	2	2	2	3	3	3	3	3	3	1	1	2	2		
Amber	9	5	5	5	4	4	4	5	5	7	7	7	8		
Green	4	8	8	8	9	9	10	9	9	9	9	9	9		
Total	15	15	15	16	16	16	17	17	17	17	17	18	19		

Target RAG Rating	01/10/18	22/11/2018	3/12/2018	1/3/2019	30/9/2019	21/11/2019	5/3/2020	30/6/2020	28/9/2020	14/12/2020	15/3/2021	14/6/2021	9/9/2021		
Red	0	0	0	0	0	0	0	0	0	0	0	0	0		
Amber	7	5	4	5	5	5	4	4	4	3	3	4	4		
Green	8	10	11	11	11	11	13	13	13	14	14	14	15		
Total	15	15	15	16	16	16	17	17	17	17	17	18	19		

The risks contained in the register require ongoing management action. In some cases, additional resources may be necessary to implement the relevant actions or mitigate risks. Any additional costs associated with the risks are reported to the BDR Steering Committee for consideration.

3. Key Actions and Timelines

3.1 Monitoring

The PFI project risk register is reviewed by the BDR Steering Committee at their regular meeting every six (6) weeks and reported corporately via the individual Councils’ risk registers. Additionally, the BDR Manager reports to the Joint Waste Team and draws attention to issues to allow internal challenge.

The BDR Manager and the Councils’ core contract management team will review and update the risk register on a six (6) week cycle to ensure risks are able to be effectively monitored and managed.

4. Recommendations

4.1 BDR Joint Waste Board is asked to consider and note the attached updated risk register and, after consideration, advise of any further risks to be added to or deleted from the risk register.