

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

RISK REVIEW

REPORT OF:

HEAD OF LEGAL AND GOVERNANCE

FOR SUBMISSION TO:

AUTHORITY MEETING

DATE:

28 September 2017

SUMMARY OF REPORT:

This report provides the annual review of high level risks for noting by Members

RECOMMENDATIONS:

That the Authority

1. note the report and the High Level risk register;
2. note the review by Member Finance Working Group.

SIGNED **Head of Legal and Governance**

Date: 18 September 2017

1. BACKGROUND

- 1.1. This is the regular report for Members' review of the Authority's high level risks. The risk register is formally reviewed on an annual basis, and presented to Members.
- 1.2. Appendices to this report are:
 - 1.2.1. Appendix A High Level Risk Register
 - 1.2.2. Appendix B Scoring Matrix

2. RISK REGISTERS AND REVIEW

- 2.1. The Authority has a high level risk register for strategic risks, which is owned by the Managing Director. Operational areas have specific, more detailed, risk registers used for ensuring that risks associated with specific areas of work are monitored and managed.
- 2.2. The high level risks have been reviewed and the management actions planned and taken updated. The operational registers have been considered by Members in the Member Finance Working Group. In addition, a high level risk register has been created by LondonEnergy Ltd so that the risks for the company can be taken into account by the Authority as shareholder, and they are reflected in the Authority's high level risk register.
- 2.3. Following the review of the registers, updates were made covering the following issues:
 - 2.3.1. The register reflects the resignation of the Managing Director with effect from end December 2016 (HL014a) and the interim management arrangements agreed by the Authority at its December 2016 meeting;
 - 2.3.2. The management actions planned with regard to the need to put in place replacement arrangements for residual waste management have been updated to reflect the fact that the Development Consent Order for a replacement facility has been granted (HL018).
- 2.4. While management actions taken were updated, the risks remain the same at this level, as there has been no change in the nature of the activities of the Authority over the last year.
- 2.5. Comments made in the Member Finance Working Group will be taken into account in reviewing the registers on an ongoing basis. One key point is that the scoring matrix will be reviewed so that there is a clearer differentiation between risks of differing importance.
- 2.6. The high level risk register is at Appendix A to this report, and the scoring matrix which shows the value of risk impact identified is at Appendix B. Whilst the risk register does include the key risks relating to current services, officers will keep this under review as the implementation of both the DCO and LondonEnergy's capital investment programme proceed, to consider if they should be reflected differently in the NLWA risk register.
- 2.7. Members are recommended to note the report and register.

3. LEGAL ADVISER COMMENTS

3.1. The Legal Adviser has been consulted in preparation of this report and has no comments to add.

4. FINANCIAL ADVISER COMMENTS

4.1. The Financial Adviser has been consulted in the preparation of this report and has no comments to add.

REPORT ENDS

**Contact:
Ursula Taylor
Head of Legal & Governance
Unit 1b Berol House
25 Ashley Road
London N17 9LJ
Tel: 020 8489 4306**

Appendix A:

High Level Risk Register

North London Waste Authority - High Level Risk Register

Risk Identification								Assessment			Risk Management				Residual Risk		
Risk Number	Title	Date Added	Risk Description	Risk Owner	Effect	Category	Status	Probability	Impact	Rating (R-Y-G)	Management Actions Planned	Date	Management Actions Taken	Date Updated	Probability	Impact	Rating (R-Y-G)
NLWA - HL001	Finance	31/01/2012	The Authority has insufficient funds to meet its obligations	Mike O'Donnell	Could have adverse impact on day-to-day service provision and delivery of future services. Unplanned borrowing would be necessary.	Financial / Commercial	Active	1	3	3	The Authority is a mature organisation. Financial performance is reported quarterly to the authority and variations to the medium term financial strategy will be reported to these meetings	On-going	Prudent budgets and contingencies are set every year in February having regard to specific financial risks in consultation with Members. Effective budgetary control systems and reporting arrangements in place. Appropriate insurance cover in place. Internal and external audit review.	17/08/2017	1	3	3
NLWA - HL002	Finance	31/01/2012	The Authority's control systems do not provide timely detection of fraudulent or corrupt acts	Mike O'Donnell	The Authority may have to take legal action to recover funds or undertake other remedies. Possible reputational damage.	Financial / Commercial	Active	3	3	9	The Authority is a mature organisation and will maintain vigilance with regards to changing requirements and best practice. The move to a new financial system will require the review of existing processes and the documenting of any changes required by the move to the new system.	On-going	The Authority has mature processes in relation to its main contracts, payments, income monitoring and other financial processes. It is supported in this regard by the payment control systems operated by the London Borough of Camden and is audited by the Camden and Islington Internal Audit team.	17/08/2017	1	3	3
NLWA - HL003a	Finance	31/01/2012	There is a financial failure of LondonEnergy Ltd (LEL) while in Authority ownership	Andrew Lappage	The value of LEL may be reduced, normal operations may be disrupted, reputation damaged.	Financial / Commercial	Active	1	5	5	Regular Officer contact with LWL senior management incl. Member Shareholder Group, regular financial/operational reporting. Working with LWL to maintain profitability and value to the Authority.	On-going	The Shareholder Agreement provides robust controls. The Authority controls the appointment of Directors, capital expenditure and a range of other key matters. Regular detailed reports are received including copies of Board papers and minutes of meetings. The business plan is reviewed in conjunction with budget setting. NLWA Officer & LEL senior management links have been strengthened. The Member Shareholder Group also meets with the Board of LEL.	04/09/2015	1	3	3
NLWA - HL003b	Activities	17/10/2013	Failure of LondonEnergy Ltd (LEL) to fulfil contract requirements	Andrew Lappage	Additional cost would be incurred outside the control of the Authority for replacement service or landfill. The value of LEL may be reduced, normal operations will be disrupted, reputation damaged. Borough waste vehicles unable to discharge loads and return to work.	Financial / Commercial	Active	1	5	5	Insurance requirements in place with LondonEnergy. Internal systems for monitoring the plant in LEL are understood by Authority officers; LEL risk register reviewed and understood. Continue to review the operational capability of the EFW facility and to determine any investment needs and any changes to the maintenance regime.	On-going	Plant inspected and reviewed by external consultants; capital expenditure identified. Working Group established with LondonEnergy managers and Authority officers. The external consultants report has been used by LWL management to help determine the EFW facility's maintenance and investment needs up to 2025.	04/09/2017	1	3	3
NLWA - HL004	Activities	31/01/2012	The Authority does not manage and maintain current services to meet statutory or other obligations	Andrew Lappage	Borough waste vehicles unable to discharge loads and return to work.	Operational	Active	1	1	1	Mature service - risk mitigation measures already in place. Continuing regular engagement with contractors and monitoring of waste flows.	On-going	Regular engagement with contractors to minimise the risk. Emergency Plan to direct boroughs to alternative facility to mitigate the risk.	04/09/2017	1	1	1
NLWA - HL005a	Activities	31/01/2012	The Authority and LondonEnergy Ltd do not adequately anticipate impacts of new legislation on services	Andrew Lappage	Urgent need to alter services, potentially at higher cost.	Contractual	Active	1	1	1	Mature service - risk mitigation measures already in place. Continuing regular attendance at National and London officer meetings and appropriate industry bodies.	On-going	NLWA: Regular engagement with DEFRA, BIS, DECC, WRAP at NAWDO meetings, and regular engagement with London Councils, CIWM and other waste authorities, to understand and influence likely future changes. LEL: Regular engagement with ESA, CIWM and other relevant organisations.	04/09/2017	1	1	1
NLWA - HL008	Organisation	31/01/2012	There is a challenge to the Authority's decisions.	Ursula Taylor	Cost to Authority, drain on resources. Distraction from strategic goals. Possible reputational damage.	Strategic	Active	1	5	5	Ensure effective legal advice relating to decision making; robust internal review of strategies and actions arising. Continue to secure the support of Authority Advisers appointed from constituent boroughs.	On-going	Use of external legal advisers as appropriate; analysis of proposed strategies carried out and presented to members; communications activity to ensure understanding of Authority actions by public as well as other stakeholders.	04/09/2017	1	5	5
NLWA - HL012	Organisation	31/01/2012	Staff or visitors are injured at work	Andrew Lappage	Potential impact on service delivery. Potential legal action. Potential reputational damage.	Regulatory	Active	1	3	3	Mature organisation, so no specific actions planned other than regular reviews of procedures and constant vigilance.	On-going	Risk assessments are undertaken by managers for all activities (office & site) in advance.	04/09/2017	1	3	3
NLWA - HL014a	Organisation	31/01/2012	The Authority does not maintain adequate levels of appropriately qualified and motivated staff; or continuity in leadership roles and perspectives.	Andrew Lappage/ Ursula Taylor	Required service outcomes are delayed, possibly with an adverse financial impact.	HR / People	Active	3	1	3	Review staffing requirements during normal appraisal and business planning cycles. The Clerk to maintain regular engagement with senior staff and be informed of impending senior staff changes as soon as apparent.	On-going	Risk assessments are undertaken by managers for all activities (office & site) in advance. Timely recruitment of staff.	04/09/2017	3	1	3
NLWA - HL015	Organisation	31/01/2012	The Authority does not interact with or respond appropriately to stakeholders and the general public including statutory responsibilities (Fol & EIR)	Andrew Lappage/ Ursula Taylor	Potential impact on future service delivery, reputational damage and potential regulatory or legal action.	Reputation	Active	1	3	3	Maintain a detailed communications plan. Consider communication aspects of all activities. Maintain specialist staff and where necessary specialist advisers.	On-going	Communications plan up-dated. Specialist advisers appointed as necessary.	04/09/2017	1	3	3
NLWA - HL016	Organisation	05/09/2012	The Authority does not maintain effective partnership working with Constituent Boroughs	Andrew Lappage/ Ursula Taylor	Boroughs do not achieve optimum service. The Authority's cost of working increases. Reputational damage.	Financial / Commercial	Active	3	3	9	Review Inter-Authority Agreement (IAA) on third anniversary (2019). Maintain multi-level interaction with Borough officers.	On-going	Inter Authority Agreement (IAA) terms entered into with boroughs. Partnership Board established with senior borough and Authority officers; regular meetings with borough Chief Executives, Directors of Finance, Directors of Environment and borough waste management colleagues (Partnership Group).	04/09/2017	1	3	3
NLWA - HL017	Organisation	17/10/2013	The Authority does not have adequate systems in place to ensure continuity of its business operations	Andrew Lappage/ Ursula Taylor	Financial impact through failure to manage service provision; impact on governance if procedures not in place for decision making; potential adverse impact on service delivery.	Financial / Commercial	Active	1	5	5	Regular review of business continuity arrangements/procedures.	On-going	Business Continuity procedures in place and understood by staff. Arrangements made for remote working by staff if necessary.	04/09/2017	1	3	3

Risk Identification								Assessment			Risk Management				Residual Risk		
Risk Number	Title	Date Added	Risk Description	Risk Owner	Effect	Category	Status	Probability	Impact	Rating (R-Y-G)	Management Actions Planned	Date	Management Actions Taken	Date Updated	Probability	Impact	Rating (R-Y-G)
NLWA - HL018	Activities	28/08/2014	Replacement residual waste treatment arrangements not in place when needed	Ursula Taylor	Increased cost to the Authority and constituent boroughs. Possible reputational damage.	Strategic	Active	3	3	9	Put in place contracts for works in timely manner, to comply with programme in DCO. Decisions on implementation to be progressed, with Constituent Borough engagement; ongoing liaison with LB Enfield as local planning authority, EA and statutory undertakers.	On-going	DCO granted February 2017; work on implementation of DCO started.	04/09/2017	1	3	3
NLWA - HL019	Operations	25/08/2016	Existing EFW ceases to be operable	Andrew Lappage	Increased cost to the Authority and constituent boroughs; Possible reputational damage	Strategic	Active	3	5	15	Ongoing engagement with LEL and consultants for an effective programme of works consistent with the planned life of the EFW	On-going	Discussions and liaison are ongoing with both LEL and consultants to ensure that a suitable replacement and renewal programme is in place.	04/09/2017	3	3	9
NLWA - HL020	Organisation	25/08/2016	Uncertain national strategy relating to waste management and requirements for local authorities, in particular with regard to circular economy proposals	Andrew Lappage	Lost opportunity to reduce costs and improve waste management; obligations arising without sufficient time for preparation Unforeseen consequences as a result of the interaction between legislative activity and market responses during EU exit negotiations and afterwards	Strategic	Active	3	5	15	Ongoing liaison with GLA, Defra, other statutory waste authorities and boroughs to maximise understanding of emerging policy	On-going	Work on implementing future residual waste management needs has begun. Liaison with government departments and LGA to influence and anticipate change where possible (e.g. circular economy thinking).	04/09/2017	3	3	9

Appendix B:

Scoring Matrix

DO NOT DELETE OR EDIT																																													
					<table border="1"> <tr> <th colspan="2">Scoring</th> </tr> <tr> <td>High</td> <td>15 - 25</td> </tr> <tr> <td>Medium</td> <td>5_ 14</td> </tr> <tr> <td>Low</td> <td>0 - 4</td> </tr> </table>		Scoring		High	15 - 25	Medium	5_ 14	Low	0 - 4	<table border="1"> <tr> <td style="background-color: red;"></td> <td>= High Priority</td> </tr> <tr> <td style="background-color: yellow;"></td> <td>= Medium Priority</td> </tr> <tr> <td style="background-color: green;"></td> <td>= Low Priority</td> </tr> </table>				= High Priority		= Medium Priority		= Low Priority																						
Scoring																																													
High	15 - 25																																												
Medium	5_ 14																																												
Low	0 - 4																																												
	= High Priority																																												
	= Medium Priority																																												
	= Low Priority																																												
					<table border="1"> <tr> <th colspan="5">Scoring Matrix</th> </tr> <tr> <th rowspan="3">IMPACT</th> <th rowspan="3">L M H</th> <th>5</th> <td style="background-color: yellow;">5</td> <td style="background-color: red;">15</td> <td style="background-color: red;">25</td> </tr> <tr> <th>3</th> <td style="background-color: green;">3</td> <td style="background-color: yellow;">9</td> <td style="background-color: red;">15</td> </tr> <tr> <th>1</th> <td style="background-color: green;">1</td> <td style="background-color: green;">3</td> <td style="background-color: yellow;">5</td> </tr> <tr> <td colspan="2"></td> <th>1</th> <td>1</td> <td>3</td> <td>5</td> </tr> <tr> <td colspan="2"></td> <th>L M H</th> <td colspan="3"></td> </tr> <tr> <th colspan="5">Probability</th> </tr> </table>					Scoring Matrix					IMPACT	L M H	5	5	15	25	3	3	9	15	1	1	3	5			1	1	3	5			L M H				Probability				
Scoring Matrix																																													
IMPACT	L M H	5	5	15	25																																								
		3	3	9	15																																								
		1	1	3	5																																								
		1	1	3	5																																								
		L M H																																											
Probability																																													
DO NOT DELETE OR EDIT																																													
<p>Probability Score Up to 10% equals Low (1) From 11% to 60% equal Medium (3) From 61% up to 100% equals High (5)</p>					<p>Impact (£ m = million) £0 - £10m = Low (1) £10m - £100m = Medium (3) £100m+ = High (5)</p>																																								