

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

RISK REVIEW

REPORT OF:

MANAGING DIRECTOR

FOR SUBMISSION TO:

AUTHORITY MEETING

DATE:

29 September 2016

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; and
3. note the proposal to seek internal audit advice on cyber security.

SIGNED

..... **Managing Director**

Date: 20 September 2016

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:

Appendix A High Level Risk Register
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 LondonWaste 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. Members at the Member Finance Working Group asked for an update on financial risks associated with cyber security, and it was agreed that an update would be provided. Officers will take this forward through engagement with internal audit to ask them to review the Authority's processes from the point of view of cyber security, taking account of the financial systems in place and organised through LB Camden and LB Haringey, and also of the financial transactions between the Authority and LWL. Members may be interested to know that LondonWaste Ltd commissioned a report on this issue in 2015.

2.3 Following the review of the registers, updates were made covering the following issues:

DCO risks – a number of risks are now no longer applicable, as the application process has come to an end with the ending of the examination period. Remaining risks include a risk of an unsatisfactory decision by the Secretary of State, although this is not considered a high risk. This is reflected in the management action taken in the High Level Risk register against risk 018.

New risks with financial and operational effects have been added at HL019 and HL020:

HL019 is the risk that the existing EfW ceases to be operable, with resulting increased cost to the Authority and constituent boroughs, and potential reputational damage. The mitigation action taken is to continue to seek

technical advice on steps required to mitigate the risk of failure through appropriate maintenance regimes, and to consider this with LondonWaste Limited, who have plans in place to manage this risk.

HL020 is the risk that uncertain national strategy relating to waste management and requirements for local authorities, in particular with regard to circular economy proposals, could lead to lost opportunities to reduce costs and improve waste management, as a result of insufficient time for preparation. There is a period of uncertainty during negotiations to leave the EU, the consequences of which for waste management both in terms of regulation and available markets is not known. Mitigation action is (a) to ensure that plans for future residual waste management are progressed; and (b) to continue effective liaison with the Local Government Association and Government departments to influence and anticipate change.

- 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 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. 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. FINANCE ADVISER COMMENTS

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

REPORT ENDS

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Appendix A:

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 WHEN EACH CONFIRMED	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 with no specific new actions planned other than constant vigilance.	On-going	Prudent budgets and contingencies are set every year 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.	03-Sep-15	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 with no planned changes other than constant vigilance and the need to be aware of changing requirements and best practice, e.g. as a consequence of the Bribery Act 2010 review working practices and ensure all staff are aware of their responsibilities. Implement recommendations proposed by internal audit.	On-going	The Authority has mature processes in relation to its main contracts and third party credit payments, and the right to set-off overpayments against future payments. The Authority has embedded a range of control systems in its payment and other financial arrangements. The Authority is supported in this regard by the payment control systems operated by the London Borough of Camden. Staff have received training and provided with guidance on compliance with the Bribery Act, declarations of gifts and hospitality, conflicts of interest and related party transactions. Internal Audit recommendations have been implemented and a follow up audit completed. All declarations for 2014/15 have been collected. Contract standing orders have also been strengthened.	03-Sep-15	1	3	3
NLWA - HL003a	Finance	31/01/2012	There is a financial failure of LondonWaste Ltd (LWL) while in Authority ownership	David Beadle	The value of LWL 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 being reviewed in conjunction with budget setting. NLWA Officer & LWL senior management links have been strengthened. The Member Shareholder Group also meets with the Board of LWL.	03-Sep-15	1	3	3
NLWA - HL003b	Activities	17/10/2013	Failure of LWL 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 LWL 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 LWL. Internal systems for monitoring the plant in LWL and understood by Authority officers; LWL 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 LWL 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.	03-Sep-15	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.	03-Sep-15	1	1	1
NLWA - HL005a	Activities	31/01/2012	The Authority and LondonWaste Ltd do not adequately anticipate impacts of new legislation on services	David Beadle	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. LWL: Regular engagement with ESA, CIWM and other relevant organisations.	03-Sep-15	1	1	1
NLWA - HL008	Organisation	31/01/2012	There is a challenge to the Authority's decisions.	David Beadle	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.	03-Sep-15	1	5	5
NLWA - HL012	Organisation	31/01/2012	Staff or visitors are injured at work	David Beadle	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.	03-Sep-15	1	3	3
NLWA - HL014a	Organisation	31/01/2012	The Authority does not maintain adequate levels of appropriately qualified and motivated staff	David Beadle	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.	On-going	Risk assessments are undertaken by managers for all activities (office & site) in advance. Timely recruitment of staff.	03-Sep-15	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)	David Beadle	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.	21-Jun-16	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 NOTE UPDATE WHEN EACH CONFIRMED	Probability	Impact	Rating (R-Y-G)
NLWA - HL016	Organisation	05/09/2012	The Authority does not maintain effective partnership working with Constituent Boroughs	David Beadle	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 agreed 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).	21-Jun-16	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	David Beadle	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.	03-Sep-15	1	3	3
NLWA - HL018	Activities	28/08/2014	Replacement residual waste treatment arrangements not in place when needed	David Beadle	Increased cost to the Authority and constituent boroughs. Possible reputational damage.	Strategic	Active	3	3	9	Take all steps to ensure that planning is progressed to allow for option of replacement facility at an appropriate time. Ensure timely consideration of future arrangements.	On-going	DCO application submitted and examination process completed.	03-Sep-15	1	3	3
NLWA - HL019	Operations	25/08/2016	Existing EFW ceases to be operable	David Beadle	Increased cost to the Authority and constituent boroughs; Possible reputational damage	Strategic	Active	3	5	15	Ongoing engagement with LWL and consultants for an effective programme of works consistent with the planned life of the EFW	On-going	Discussions have begun with both LWL and consultants to ensure that a renewal programme is in place	25-Aug-16	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	David Beadle	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 planning for 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).	25-Aug-16	3	3	9

Appendix B:
Scoring Matrix

Appendix B

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Scoring	
High	15 - 25
Medium	5 - 14
Low	0 - 4

	= High Priority
	= Medium Priority
	= Low Priority

Scoring Matrix					
IMPACT	L M H	5	5	15	25
		3	3	9	15
		1	1	3	5
		1	3	5	
		L	M	H	
Probability					

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<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>
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