

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:** ANNUAL RISK REVIEW

**REPORT OF:** MANAGING DIRECTOR

**FOR SUBMISSION TO:** AUTHORITY MEETING

**DATE:** 7 FEBRUARY 2019

**SUMMARY OF REPORT:**

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

**RECOMMENDATIONS:**

The Authority is recommended to:

- A. Comment on the risk register and note this update

**SIGNED:**



**Managing Director**

**DATE:**

28 January 2019

## **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.

1.1.1. 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. In addition the North London Heat and Power Project (NLHPP) has its own specific risk register.

2.2. The high level risk register considers the risks which affect the current and short term delivery of the Authority's services, ie the Authority's ability to provide the ongoing services and deal with externally stimulated changes. The NLHPP project risk register covers different issues as it is focussed on the successful construction and commissioning of major new infrastructure. In terms of overall long-term public sector financial exposure, the project risks are larger as the expenditure is planned to run to hundreds of millions of pounds. However, those risks do not manifest themselves in ways which affect immediate operations of the Authority or the 2019-20 levy. This paper therefore concerns the high level risk register.

2.3. The high level risks have been reviewed and the management actions planned and taken have been updated. The presentation of the information is that the risk assessment in the centre columns of the risk register represents the risk that the Authority assesses before any mitigating actions are considered. The text boxes to the right (headed risk management) describe the actions which the officer team is taking to reduce the probability and/or impact of the risk. The final columns set out the residual risk – ie the risk level remaining after applying the controls to reduce exposure.

2.4. 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.

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

2.5.1. The exposure of the Authority to risk as a result of the existing Energy from Waste Facility at the EcoPark operating at less than full capacity was increased; this could manifest itself as affecting the sufficiency of the

Authority's funds, the value of LondonEnergy Ltd and LondonEnergy Ltd's ability to fulfil contractual requirements under the main waste contract.

- 2.5.2. The risk relating to staffing reflects that the Authority is moving from a period of stable responsibilities to increasing change – this includes delivery of the North London Heat and Power Project, preparing for a new main waste contract and materials recovery facility contract(s) and anticipating potential national policy developments following the Government's resources and waste strategy. These factors will put an increased requirement on officers at all levels to respond to new demands and strengthen partnership working with boroughs and others.
- 2.6. While risk levels have in some cases changed, as noted in section 2.5, no new additional risks have been added at this level. Changes have been properly reflected in amended action to pre-existing risks over the last year.
- 2.7. Comments made in the Member Finance Working Group will continue to be taken into account in reviewing the registers on an ongoing basis. The Working Group noted that on the identified staffing risk (section 2.5.2 above), the Authority needed not only to recruit to new posts but also to ensure that the skills and knowledge of the appointees met the requirements to enhance delivery of the project.
- 2.8. 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. The scoring matrix is reviewed from time to time as its function is to ensure that high risks are correctly identified, and that there is sufficient differentiation between the risks to allow directed management.
- 2.9. Members are recommended to note the report and register.

### **3. COMMENTS OF THE LEGAL ADVISER**

- 3.1. The Legal Adviser has been consulted in the preparation of this report, and comments have been incorporated.

### **4. COMMENTS OF THE FINANCIAL ADVISER**

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

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**APPENDIX A: HIGH LEVEL RISK REGISTER**

North London Waste Authority  
Risk Register Updated 7 January 2019  
Authority: High Level  
Register Owner: Martin Capstick

## 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)	Controls / mitigations	Date	Management Actions	Date Updated	Probability	Impact	Rating (R-Y-G)
NLWA - HL001	Finance	31/01/2012	The Authority has insufficient funds to meet its obligations	Jon Rowney	Could have adverse impact on day-to-day service provision and delivery of future services. Unplanned borrowing would be necessary.	Financial / Commercial	Active	3	5	15	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	Having regard to overall pressures on borough finances, the Authority sets careful budgets in February, involving engagement with borough officers and members. Use of services is demand-led, so the Authority works with boroughs to understand trends and agree sensible forecasts on which to base costs. Effective budgetary control systems and reporting arrangements in place. Internal and external audit review.	08/01/2019	3	3	9
NLWA - HL002	Finance	31/01/2012	The Authority's control systems do not provide timely detection of fraudulent or corrupt acts	Jon Rowney	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 Authority moved to Camden's new financial system in December 2018. We are currently monitoring handling of transactions in the new system. We will review and document new processes to make the most of the new system and ensure strong fraud prevention measures are in place.	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.	08/01/2019	1	3	3
NLWA - HL003a	Finance	31/01/2012	There is a financial failure of LondonEnergy Ltd (LEL) while in Authority ownership	Martin Capstick	The value of LEL may be reduced, normal operations may be disrupted, reputation damaged.	Financial / Commercial	Active	3	5	15	Regular Officer contact with LEL senior management incl. Member Shareholder Group, regular financial/operational reporting. Working with LEL 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.	08/01/2019	3	3	9
NLWA - HL003b	Activities	17/10/2013	Failure of LondonEnergy Ltd (LEL) to fulfil contract requirements	Andrew O'Connor	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	3	5	15	Work with LEL to consider the implications of LEL having reduced insurance cover, and ensure NLWA contingency is appropriate. Monitor the waste market to have up-to-date assessment of cost and availability of additional capacity	On-going	Insurance cover reduced with effect from 1 January 2019; within contract obligations as result of market concerns about waste plant. Further consideration required regarding mitigation of impacts on Authority. 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 LEL management to help determine the EFW facility's maintenance and investment needs up to 2025.	08/01/2019	3	3	9
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.	08/01/2019	1	5	5
NLWA - HL012	Organisation	31/01/2012	Staff or visitors are injured at work	Martin Capstick	Potential impact on service delivery. Potential legal action. Potential reputational damage.	HR / People	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.	08/01/2019	1	3	3
NLWA - HL014a	Organisation	31/01/2012	Staff: the Authority does not have the leadership and motivation to be successful in all its responsibilities. Also the Authority does not maintain a team with the necessary resources, with appropriate skills and/or integration to cover all its responsibilities.	Martin Capstick	The Authority does not respond to changes and new requirements, does not provide confidence that service outcomes can be well delivered, does not have impact on promoting waste prevention. Possible adverse financial impact.	HR / People	Active	3	5	15	Greater attention to succession planning. Review projects delivered to ensure lessons are learned and shared for the future. Seek opportunities to secure staff from a wide range of backgrounds to support diversity of perspectives in taking forward the Authority's work	On-going	Leadership team undertakes horizon scanning for new requirements. Staff objectives and learning and development plans to ensure responsibilities are effectively allocated and delivered. Business planning identifies areas where recruitment or skill development needed.	08/01/2019	3	3	9
NLWA - HL015b	Organisation	31/01/2012	The Authority does not interact with or respond appropriately to stakeholders and the general public including failure to meet statutory responsibilities (Fol & EIR)	Martin Capstick	Reputational damage and potential regulatory or legal action.	Reputation	Active	3	3	9	Maintain a detailed communications plan. Consider communication aspects of all activities. Maintain specialist staff and where necessary specialist advisers. Monitor	On-going	Assess impact of comms and waste prevention activities, review feedback from external organisations. FOI/EIR responses logged in Annual Report.	08/01/2019	1	3	3

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NLWA - HL016	Organisation	05/09/2012	The Authority does not maintain effective partnership working with Constituent Boroughs	Martin Capstick	Boroughs do not achieve optimum service. The Authority's cost of working increases. Reputational damage.	Financial / Commercial	Active	3	3	9	Ensure liaison with borough officers has the right focus to support effective coordination between Authority and boroughs, enables efficient Authority decision making and ensures shared understanding of key issues	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).	08/01/2019	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	Martin Capstick	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. Out of hours contact arrangements reviewed and updated with new staff. Arrangements made for remote working by staff if necessary.	08/01/2019	1	3	3
NLWA - HL018	Activities	28/08/2014	Replacement residual waste treatment arrangements not in place when needed	Martin Capstick	Increased cost to the Authority and constituent boroughs. Possible reputational damage.	Strategic	Active	3	5	15	Put in place contracts for construction 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.	08/01/2019	1	5	5
NLWA - HL019	Operations	25/08/2016	Existing EFW ceases to be operable	Martin Capstick	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.	08/01/2019	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	Martin Capstick	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	3	9	Ongoing liaison with GLA, Defra, other statutory waste authorities and boroughs to maximise understanding of emerging policy. London and National strategies issued during 2018; indications of potential changes to waste management with regard to recyclates and waste prevention; potential impacts from increased producer responsibility proposals.	On-going	Monitor and respond to government consultations to alterations to waste management issues; prepare for possible outcomes; liaison with borough officers on potential impacts for collection and consequential requirements for disposal.	07/01/2019	1	3	3

## APPENDIX B: SCORING MATRIX

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