

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: ANNUAL RISK REVIEW

REPORT OF: MANAGING DIRECTOR

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 25 JUNE 2020

SUMMARY OF REPORT:

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

RECOMMENDATIONS:

The Authority is recommended to comment on the risk register and note this update

SIGNED:  **Managing Director**

DATE: 15 June 2020

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

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, that is, the Authority's ability to provide the ongoing services and deal with externally stimulated changes. The NLHPP 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 generally manifest themselves in ways which affect immediate operations of the Authority or the 2020-21 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 high level risk register as presented in Appendix A sets out the assessment of risk before mitigating actions are considered in the centre columns of the table. 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.

3. KEY RISK ISSUES SINCE LAST REVIEW

3.1. The last review of the register by Members was at the Authority meeting on 7 February 2019. Officers have reviewed the risk register periodically during the time since then. Most recently officers have considered the impact of Coronavirus on the services of the Authority and on delivery of the NLHPP.

3.2. Service delivery: the borough collection services have continued through the period of restriction arising from Coronavirus. LondonEnergy Ltd (LEL) has implemented enhanced safety measures on the EcoPark. The core service of waste treatment has continued. While this has meant one off costs for Reuse and Recovery Centres (RRCs) such as traffic marshals and the booking system, that has been offset by low disposal costs as a result of lower volumes of waste at the RRCs.

- 3.3. Reuse and Recovery Centres (RRCs): this is the only public facing activity carried out on behalf of the Authority. In the interests of the safety of staff, LEL closed RRCs on 24 March after the announcement of the lockdown by the Government on the evening of 23 March. Services resumed on the 13 May.
- 3.4. Waste Prevention activity: during the period of restriction it has not been possible to deliver face to face outreach work which normally features in this programme. That is expected to be ongoing while social distancing measures remain in place. The waste prevention team are taking forward planned activities through use of virtual sessions, and preparation for increased public engagement in the summer, expected to be through virtual means.
- 3.5. The NLHPP has had a suspension of works and this is reported on elsewhere on this agenda.
- 3.6. Relevant communications activity has supported changes, and in particular with regard to the closure and reopening of RRCs, with liaison with borough communications as well as service delivery officers.

4. RISK REVIEW

- 4.1. Operational registers have been considered by Members of the Member Finance Working Group. In addition, a high level risk register has been created by LEL 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.
- 4.2. Following the review of the registers, updates were made covering the following main issues:
 - 4.2.1. The likelihood of the Authority having insufficient funds to meet its obligations was reduced (HL001). The service requirements and budget are reviewed annually with full engagement with the Constituent Boroughs. Funding requirements relating to the NLHPP are understood, and there has been effective engagement with the Public Works Loan Board. While there are concerns about the cost if problems arise with the energy from waste plant, there are expected mechanisms including capital payments for securing the land at the EcoPark which would avoid the Authority being in the position of having insufficient funds to meet obligations.
 - 4.2.2. The likelihood of the Authority's control systems not providing timely detection of a fraudulent or corrupt act (HL002) is currently subject to an internal audit review, which will lead to an action plan to take forward any issues raised.
 - 4.2.3. The likelihood of a financial failure of LEL while in Authority ownership (HL003a) has been reduced post mitigation actions. There is good understanding of financial pressures on LEL and of shareholder responsibilities in this regard.
 - 4.2.4. The description of risk HL003b has been amended to read "LEL unable to operate the EfW" (Energy from Waste facility) as this more accurately

represents the key risk for the Authority's business, and is the risk reflected in the impact assessments and addressed in the proposed actions.

- 4.2.5. The management actions relating to the risk (HL008) that there is a challenge to Authority decisions, have been reviewed to include ensuring adequate engagement with stakeholders over decisions, and resource allocation for management of any third party challenge.
 - 4.2.6. The impact assessment of risk HL012, staff or visitors injured at work, has been increased to 5. This reflects the importance of health and safety management. Management of this within the NLHPP is carried out through a range of engagements, including health and safety experts, and onsite supervisions and project management. Within the office, health and safety responsibility lies with the senior management team who recognise the importance of taking steps to avoid any such injury.
 - 4.2.7. Risk HL014a has been split into its two components, relating to leadership and staff resourcing. It has been noted previously that this risk has increased as the Authority moved from a period of stable responsibilities to increasing change, which arises from the NLHPP and also preparation for a new contract with LEL and changes to national policy relating to waste strategy and associated environmental issues. The impact of insufficient staff resources has been increased to 5 in HL014a1, reflecting the more complex and varied nature of the work and issues now arising.
 - 4.2.8. Management actions on HL015b, relating to stakeholder engagement, have been set out in more detail reflecting the need to consider the external interest in the Authority's activities. This represents the need to provide information clearly and for Authority staff to be aware of this, and is not a change in practice. The Authority has had a higher profile as a result of the North London Heat and Power Project, and officers have looked to anticipate issues which may be raised about the Authority's business to ensure we have a clear explanation and rationale for activities.
 - 4.2.9. Risks to business continuity (HL017): the probability has been increased to 3, reflecting the current position with regards to delivery from the EfW.
 - 4.2.10. Risk HL021 relates to available office space. The actions proposed include a review of flexible working to recognise improvements in home working arising from the recent restrictions which have meant officers all working from home.
 - 4.2.11. Risks associated with Brexit remain unclear, and so the current action is to monitor Government announcements about changes to be implemented from 2021 as a result of trade negotiations.
- 4.3. Risk levels have in some cases changed. Mitigating actions have also evolved to encompass recent developments – for example business continuity and safety at work actions reflect the spread of the coronavirus pandemic. However, no specific 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.

- 4.4. Comments made in the Member Finance Working Group will continue to be taken into account in reviewing the registers on an ongoing basis.
- 4.5. 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. 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.
- 4.6. Members are recommended to note the report and register.

5. COMMENTS OF THE LEGAL ADVISER

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

6. COMMENTS OF THE FINANCIAL ADVISER

- 6.1. The Financial Adviser has been consulted during the preparation of this report and all comments have been incorporated.

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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)	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. Sources of funding reviewed and contact with PWLB made on required NLHPP funding. Bond market under review.	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.	28/05/2020	1	3	3
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 monitor handling of transactions in the new system and document procedures 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. It is audited by the Camden and Islington Internal Audit team and a current internal audit is reviewing controls on invoicing and payments. Any actions from the audit will be implemented.	28/05/2020	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	There is regular Officer contact with LEL senior management incl. the managing director attending the LEL Board as an observer. Regular reports from LEL are provided to Authority meetings. Issues can be raised in the Member Shareholder Group. Gate fees were increased for Hendon waste in January 2020.	On-going	Further gate fee changes are being considered for 2022 which would strengthen the company's financial position. The proposed agreement for the EcoPark purchase includes a parent guarantee, ensuring that the company will remain a going concern. LEL draw to the Authority's attention risks and external changes which can impact on the company - regular reports are provided for this purpose.	28/05/2020	3	3	9
NLWA - HL003b	Activities	17/10/2013	LondonEnergy Ltd (LEL) unable to operate the EFW	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	Engagement with LEL through shareholder relationship and observer attendance at board by MD. 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	Engagement with LEL through review of Board Reports, understanding of issues at Board - observer attendance.	28/05/2020	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	Ensure proper information supplied to support decision making. Engage with stakeholders relevant to decision making, including Constituent Boroughs and GLA, to allow time for their internal processes including consultation. Appropriate engagement of legal advisers; 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. manage resources effectively to allow for responses to external challenge.	28/05/2020	1	3	3
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	5	5	Regular reviews of policy and procedures and constant vigilance. Ensure senior managers aware of and able to communicate policy and obligations of organisation and staff.	On-going	Risk assessments are undertaken by managers for all activities (office & site) in advance. NLHPP necessitates and drives active development of H&S policy and procedures, including surveying of staff to identify priorities for attention to deliver continuous improvement of the safety culture. Coronavirus policies in place, benefitting from application of relevant best practice policies of Camden.	28/05/2020	1	3	3
NLWA - HL014a1	Organisation	31/01/2012	Staff: the Authority does not have the leadership and motivation to be successful in all its responsibilities.	Martin Capstick	The Authority does not respond to external challenge, changes and new requirements, does not provide confidence that service outcomes can be well delivered, does not have impact on promoting waste prevention. Impact on Authority's reputation and possible adverse financial impact.	HR / People	Active	3	5	15	Ensure understanding of objectives and delivery routes for all senior management, based on annual business plan. Review skills requirements and map staffing to those. Review projects delivered to ensure lessons are learned and shared for the future.	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. Coronavirus has reduced the pace of leadership initiatives.	28/05/2020	3	3	9
NLWA - HL014a2	Organisation	31/01/2012	Staff: 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 external challenge, changes and new requirements, does not provide confidence that service outcomes can be well delivered, does not have impact on promoting waste prevention. Impact on Authority's reputation and possible adverse financial impact.	HR / People	Active	5	5	25	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. Ensure staff training plans support required delivery. Consider resource available for range of Authority activities to minimise single points of failure.	On-going	Leadership team undertakes horizon scanning for new requirements, including strengthening H&S, strategic communications, preparing for being new asset owner. 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.	28/05/2020	3	3	9

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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 and effective publication scheme for information access by all interested parties. Consider communication aspects of all activities. Ensure transparency of operational data, decision making and policy / strategic development.	On-going	Assess impact of comms and waste prevention activities, review feedback from external organisations. FOI/EIR responses logged in Annual Report. Ensure effective liaison with contractors over data provision.	28/05/2020	1	3	3
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. Maintain regular communication and updating mechanisms through personnel changes.	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). Ensure aware of issues as they arise - intensive engagement over coronavirus demonstrated good coordination, though important to have successful relationships.	28/05/2020	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	3	5	15	Regular review of business continuity arrangements/procedures for Authority and contractors. Note single points of failure through contracts for services.	On-going	Business Continuity procedures in place and understood by staff. Out of hours contact arrangements reviewed and updated with new staff. Arrangements for remote working successfully implemented during coronavirus, with ongoing review in light of restrictions arising from Coronavirus. Ensure business continuity arrangements for contractors understood.	28/05/2020	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	NLHPP construction started. Programme in hand, and programme risks monitored. Work programme under way to establish new waste management contract with LEL.	28/05/2020	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. Ensure condition surveys carried out at appropriate intervals to identify risks and inform management programme.	On-going	Discussions and liaison are ongoing with both LEL and consultants to ensure that a suitable replacement and renewal programme is in place.	28/05/2020	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. Environment Bill includes provisions for potential changes to waste management with increased producer responsibility and deposit return scheme; but implementation unclear.	On-going	Government has given some indications of developing strategy including changes to collection requirements, possible funding for Extended Producer responsibility and DRS. Timing, scope and detail highly uncertain making it difficult to assess impact. Intention to lobby government for rapid progress and continue liaison with borough officers on potential impacts for collection and consequential requirements for disposal, though coronavirus operational requirements currently taking increased time increasing residual risk.	28/05/2020	3	3	9
NLWA - HL021	Business Continuity	20/02/2018	The Authority does not maintain sufficient office capacity as a result of the proposed redevelopment at Berol Yard	Martin Capstick	Inability to operate and manage work effectively.	Strategic	Active	1	5	5	Ongoing liaison with landlord and agents concerning proposals; increased flexible working to mitigate impact of loss of office space.	On-going	Liaison with landlord and developer. In the medium term Tottenham Hale development could give option to move to more purpose built facilities. Expansion of project has required adaption of office to accommodate more staff in the short term. Coronavirus has demonstrated ability to accommodate flexible working, but has also highlighted benefits of effective collocation of staff including project advisers.	28/05/2020	1	3	3
NLWA - HL022	Business Continuity	07/01/2019	Arising from uncertainty of position at end of Brexit transition period, the Authority risks being unable to realise value from recyclates or is not able to dispose of residual waste	Martin Capstick	Cost of waste management increased through reduced recyclate income	Strategic	Active	1	3	3	Monitor industry developments and government statements on waste management	On-going	Work with Biffa as recycling contractor to secure UK destinations for recyclates which minimise risk of disruption as a result of any changes. Measures to maintain operation of energy from waste plant are priority for dealing with residual waste. Market prices for waste disposal via third parties kept under review. Coronavirus has resulted in reduced commercial waste and which has eased pressure on the market as a whole.	28/05/2020	1	3	3
NLWA - HL023	Business Continuity	07/01/2019	Arising from uncertainty of position at end of Brexit transition period, the cost of capital for NLHPP is higher than anticipated and/or adverse foreign exchange movements increase cost of equipment procured from overseas	Martin Capstick	Increased cost to delivery of NLHPP and impact on Authority borrowing	Strategic	Active	1	5	5	Monitor developments and take specialist advice on protection against foreign exchange risk	On-going	Specialist advice to be sought in short term, reflecting the fact that the ERF process suppliers are largely based in European countries.	28/05/2020	1	5	5

APPENDIX B: SCORING MATRIX

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