

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: ANNUAL RISK REVIEW

REPORT OF: MANAGING DIRECTOR

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 22 APRIL 2021

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: 12 April 2021

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 on which progress is reported through regular project updates.
- 2.2. The high level risk register considers the risks which most affect the effective delivery of the Authority's responsibilities, principally the ability to deliver services successfully in the short and long term and to 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. This paper therefore concerns the high level risk register, and NLHPP risks are reported in the regular project information provided to Members.
- 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 24 June 2020. Since that time a thorough refresh has taken place of the Authority's risk exposure.

- 3.2. The resilience of the current system has been well illustrated through the coronavirus pandemic. The Authority has been able to operate successfully while officers have been working remotely. This has included the ability to pay all invoices, to manage the delivery of services and maintain progress of the NLHPP. Arrangements were also successfully implemented to move transfer station facility from Hendon to Wembley. This has depended on highly effective business continuity plans by contractors – notably LondonEnergy Ltd and Biffa - and on excellent coordination between boroughs' collection services and the disposal organisations. While some work has had to be deferred as a result of necessary prioritisation, service delivery has been maintained.
- 3.3. While the last year has shown good business continuity, increasing attention is being paid to the interfaces between the NLHPP and service delivery. This concerns both the ability to continue delivering operations while extensive construction is underway at the EcoPark and the successful transition from current facilities to new facilities when they are completed.
- 3.4. In addition, while services have continued to be delivered successfully, the last year has also seen an evolution in the new demands on the Authority including managing and developing the financing strategy for NLHPP, managing large commercial relationships with construction contractors, ensuring that the project delivers the apprenticeships, training opportunities and social value to local communities, enhancing our safety culture as client and employer, preparing for new roles as asset owner for the new facilities being constructed and finding new ways to engage with local residents to promote the circular economy and help to reduce waste/increase recycling. Therefore the risk register and leadership actions identify the need to ensure that the Authority has the right skills in the team to support our agenda.

4. RISK REVIEW

- 4.1. The high level risk register contains 15 key risks. The main themes which the leadership team has picked out are:
- 4.1.1. Two risks relate to the risk of failure of the existing 51 year old energy from waste plant
 - 4.1.2. Three risks relate to the procurement and successful commissioning of new facilities
 - 4.1.3. Two risks relate to the construction/operation interface (coordination of activities during construction and successful operation of the new facilities at forecast cost)
 - 4.1.4. Three risks relate to financial/commercial issues (borrowing for NLHPP, creating the right incentives and governance structure in the new waste

management contract with LondonEnergy Ltd (LEL) and ensuring our finance systems are used as effectively as possible)

- 4.1.5. A risk relating to successful safety management
 - 4.1.6. Two risks relating to the skills, competences and coherence needed in the Authority officer team
 - 4.1.7. Two risks relating to stakeholder management and engagement in the Authority's activities (one concerning the new Joint Waste Management strategy and one concerning wider coordination with boroughs).
- 4.2. The risk register sets out mitigation actions being taken to reduce the potential risks arising in all these areas. The risks include some which have been successfully managed for some time – for example continued operation of the existing facility. They also include some where it is important to be acting now but where the risks crystallise at some time in the future – for example transition to new facilities. The risks which currently have the highest post-mitigation scores are those which have been subject to most recent evolution and which require immediate focus to manage them successfully. These are

Risk HLN03: The procurement process for a new energy recovery facility could fail to secure proposals from the market that are supportable by the Authority. The action to address this risk has included extensive market engagement prior to launching the procurement process and the inclusion of extensive information documentation for tenderers so that the client requirements are as clear as possible. Officers have also highlighted the attractiveness of working with NLWA, including bidders knowing there is a clear procurement process under the Public Contracts Regulations and the Authority having certainty of financing not enjoyed by organisations depending on raising finance commercially.

Risk HLN006: The interface between NLHPP and ongoing services might adversely affect the project timetable and/or service to boroughs. In order to mitigate and manage this risk there is close coordination between the project delivery team and operations teams in NLWA and LEL to ensure that potential conflicts are identified. A Site Working Group provides the machinery to resolve issues and find solutions and to take account of LEL's and boroughs' operational needs. Ultimately the Programme Director and Managing Director have authority to determine priorities for the best overall benefit of the Authority. The start of works on the EcoPark South contract was a concern which was successfully managed, though there will be further interface challenges as the project proceeds.

Risk HLN013 The Authority might not maintain a team with the right skills and resources to cover its evolving responsibilities The mitigation and management of this risk involves an internal business planning process to identify new demands

and need for changing ways of working. This enables clear objectives to be set for staff, and personal development to respond to new requirements. We aim to create a positive environment to retain and motivate staff. In addition, recruitment will continue to be needed to secure necessary resources and skills to deliver challenging new organisational objectives.

Risk HLN014 *The Authority leadership may not drive strong enough integration between teams and with LondonEnergy Ltd, based on a clear direction to anticipate future challenges.* As both NLWA and LEL face very significant change, it is more important than ever that within there is a clear sense of shared purpose from the leadership team and that this provides direction to all staff. A range of organisational measures have been put in place to ensure coordination and provide direction, including setting a coordinated business plan, close working together in the senior leadership team and frequent, regular team briefings. Initiatives such as securing the new Wembley transfer station which supports ongoing delivery and project execution have demonstrated the importance of maintaining the momentum. There is a strong shared commitment with LEL executives and the newly refreshed LEL board to ensure there is enhanced alignment, coordination and collaboration between the Authority and the company in day-to-day service delivery and planning for the future.

- 4.3. 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. LEL's high level risk register is at Appendix C for information. It can be seen that the two risk registers include a number of common items which could affect both the Authority and the Company. Therefore a number of issues on the NLWA risk register involve LEL in the mitigation, and NLWA has an important role in mitigating a number of risks which feature prominently on the LEL risk register. This reinforces the need for coordination and dialogue on these matters.

- 4.4. Members are recommended to note the report and register.

5. EQUALITIES IMPLICATIONS

- 5.1. Equalities implications are taken into account in determining actions to mitigate identified risks. It is especially important that the Authority continues to provide a service which ensures the safe, responsible and effective disposal of waste on behalf of all residents.

6. COMMENTS OF THE LEGAL ADVISER

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

7. COMMENTS OF THE FINANCIAL ADVISER

- 7.1. 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 - HLN001	Operation/Finance	28/02/2021	The existing EfW could have a major operational failure, impacting on the life of the plant. This affects LEL's finances and the Authority has to meet substantial extra costs for disposal	Martin Capstick	This would significantly affect LEL's finances and require new disposal routes for very large volumes of residual waste. The Authority would have to meet substantial extra costs for disposal or to support LEL as a going concern	Financial / Commercial	Active	3	5	15	LEL monitors the performance of the plant carefully. Regular condition reports are commissioned. Key operational mitigations are through LEL's successful management of the asset; and through LEL's insurance plans which help to protect costs if any operational failure is as a result of an action covered by insurance policies. The main action to address this risk is timely completion of the North London Heat and Power project which will provide modern assets for treating residual waste	On-going	Within the Authority, regular engagement with LEL takes place, and LEL share their live performance reports on operation of the energy from waste plant. The Authority is able to fund LEL through issuing new shares, and borrowing to purchase those shares. This can be done at short notice which avoids risk of involuntary liquidation of LEL, though creates cost to NLWA.	10/03/2021	1	5	5	
NLWA - HLN002	Finance	28/02/2021	The existing EfW could have a short term operational failure, causing increased disposal costs for LEL,	Martin Capstick	This would be a lesser failure than risk HLN001, but at a sufficiently severe level that it creates the need for Authority financial support for LEL	Financial / Commercial	Active	3	3	9	LEL monitors the performance of the plant carefully. Regular condition reports are commissioned. Key operational mitigations are through LEL's successful management of the asset; and through LEL's insurance plans which help to protect costs if any operational failure is as a result of an action covered by insurance policies. [This is the same mitigation as HLN001)	On-going	Within the Authority, regular engagement with LEL takes place, and LEL share their live performance reports on operation of the energy from waste plant. The Authority is able to fund LEL through issuing new shares, and borrowing to purchase those shares. This can be done at short notice which avoids risk of involuntary liquidation of LEL, though creates cost to NLWA.	10/03/2021	1	3	3	
NLWA - HLN003	Procurement	28/02/2021	The procurement process for a new energy recovery facility could fail to secure proposals from the market that are supportable by the Authority	Martin Capstick	This would delay or prevent the provision of a new energy recovery facility, increase the risk of the existing energy from waste plant failing before a replacement is completed and require consideration of options for disposal of north London's residual waste, at higher cost than planned.	Strategic	Active	3	5	15	The Authority is handling the procurement as mandated under the Public Contracts Regulations 2015. So the process will be familiar to bidders. The specification of the plant used tested technology.	31-Dec-21	The management of the procurement has involved prior engagement with the market. It includes provision for dialogue during the process to ensure that issues on either side are identified and considered prior to final submission of proposals from bidders. As a local authority client, bidders can have confidence in our ability to fund the contract.	10/03/2021	3	3	9	
NLWA - HLN004	Procurement	28/02/2021	The new energy recovery facility might not meet compliance requirements to gain environmental permit	Martin Capstick	This would delay the start of operations of the new facility or mean that it could not operate at full planned capacity. The Authority would seek to ensure that any remedial work was done at the expense of the contractor.	Regulatory	Active	3	5	15	The Authority has set a specification in the procurement, based on experience and advisers' input, and is liaising with the Environment Agency	31-Dec-25	The performance of contractors during procurement will be monitored; and plans will be developed for appropriate commissioning ahead of acceptance under the EPC (engineering, procurement, construction) contract. The project team are adopting a strong approach to assurance through design, build quality, testing and commissioning, to avoid risks around successful compliance.	10/03/2021	1	3	3	
NLWA - HLN005	Operation	28/02/2021	Transition process to operate new facilities may not be well managed	Martin Capstick	This could lead to a loss of service and/or capacity while problems are rectified. This has financial and reputational consequences.	Operational	Active	3	3	9	Officers are establishing with LEL a new facilities programme to ensure that plans are prepared for services in new facilities; project commissioning phase will ensure successful operation of equipment, involving operator's plans.	Mid-2022 for RRF, end 2025 for ERF	Support and challenge LEL in preparation of operating model for new facilities. Monitor progress and ensure reporting to the Authority and LEL board of plans.	10/03/2021	1	3	3	
NLWA - HLN006	Operation	28/02/2021	The interface between NLHPP and ongoing services might adversely affect the project timetable and/or service to boroughs	Martin Capstick	The effect could be an unplanned delay to delivery of NLHPP and/or unplanned disruption to waste services at the EcoPark, affecting boroughs	Operational	Active	3	5	15	Close coordination between the project delivery team and operations teams in NLWA and LEL ensures concerns are raised. Site Working Group provides machinery to resolve issues and find solutions. Ultimately programme director and managing director have authority to determine priorities for the best overall benefit of the Authority.	On-going	Management actions are taken forward through the mechanism of the Site Working Group, with escalation as necessary where short term trade-offs cannot be avoided.	10/03/2021	3	3	9	
NLWA - HLN007	Finance	20/02/2021	New assets could prove more expensive to operate than planned, affecting the Authority's long term finances	Martin Capstick	If the new facilities are more expensive to operate than planned, the Authority would need to propose higher than expected levies on boroughs	Operational	Active	1	5	5	Develop clear understanding with contractors on whole life cost model for new assets and liaise with LEL closely on operating plans	On-going	Assess proposals from bidders, monitor and liaise with contractors to resolve issues as construction takes place. Coordinate with LEL on operating plans for new facilities and maintain up-to-date levy model for engagement with boroughs	10/03/2021	1	3	3	
NLWA - HLN008	Finance	28/02/2021	Borrowing to fund NLHPP might not managed to obtain the best terms and/or boroughs lose confidence in Authority financing plans	Jon Rowney	The Authority would pay more than necessary for services, putting pressure on borough finances and affecting boroughs' confidence in the Authority	Financial / Commercial	Active	3	5	15	Identify extent of borrowing and options for timing to take advantage of low interest rates. Monitor terms available for loans/bonds from different sources.	On-going	In addition to monitoring terms available for loan/bond rates, engage with providers and liaise with Government to make the case for support for nationally significant infrastructure. Take advice from financial experts, making the most of borough expertise and from Camden's Treasury advisers	10/03/2021	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)	Controls / mitigations	Date	Management Actions	Date Updated	Probability	Impact	Rating (R-Y-G)	
NLWA - HLN009	Finance	28/02/2021	New LEL contract might not provide the right incentives and governance structure to operate in the best interests of north London	Martin Capstick	Contractual provisions could prevent us securing the maximum benefits from having owner and operator within the same group. This could include introducing imperfect incentives for LEL to operate effectively and/or poor risk allocation affecting decisions on future waste disposal management	Financial / Commercial	Active	3	3	9	Develop new waste management contract in liaison with LEL, taking account of best practice in existing industry contracts, and assessing together the risks and opportunities to ensure contract is based on best shared understanding, while meeting NLWA's aim as client for best value services based on key performance indicators	On-going	Develop new contract proposals, with clear key performance indicators. Consult Members and borough officers.	10/03/2021	1	3	3	
NLWA - HLN010	Organisation	28/02/2021	Financial management systems may not be used in a way which supports the effective running of the business	Paul Gulliford	The Authority might not maximise the use of developments in Camden's financial services to provide improved management information, prompt payments of invoice and strengthening of existing protections against fraud	Financial / Commercial	Active	3	3	9	Set clear service requirements for information and secure necessary IT facilities through liaison with Haringey and Camden IT; set action plan for enhanced management information and monitoring, backed up by Internal Audit to support continuous improvement in processes and assurance	On-going	Finance to manage and deliver plan for continuous improvement of financial management reporting, monitoring and forecasting - demonstrating progress to senior leadership team and financial adviser	10/03/2021	1	3	3	
NLWA - HL011	Organisation	28/02/2021	Development of Joint Waste Strategy may be delayed by lack of clarity over national initiatives on which information is needed to inform plans for long term waste services. Lack of progress from Government affects shaping of plans and assets to deliver for the future	Martin Capstick	While the Authority has a clear direction, lack of a new waste strategy could inhibit communication and coordination with stakeholders and	Information	Active	3	5	15	Begin preparations for Joint Waste Strategy including data analysis, press Government to move forward with national initiatives and prepare responses to consultations. Communicate plan for development of Strategy	On-going	Ensure that the Authority presents and explain our strategic approach and initiatives which remain aligned with the circular economy; take forward the work programme for development of the new Strategy to	10/03/2021	1	3	3	
NLWA - HL012	Organisation	28/02/2021	Insufficient measures might be taken to protect staff, contractors or members of the public against injury	Martin Capstick	Risk of injury associated with NLWA conducting our activities, affecting the wellbeing of individuals and the Authority's reputation	Operational	Active	3	5	15	As client for NLHPP and waste disposal services, engage with contractors and establish strong health and safety expectations. Monitor performance and maintain dialogue with delivery organisations. Ensure appropriate policies in place for NLWA staff and office management.	On-going	Ensure office protocols and staff working from home arrangements are updated in response to evolving Covid risks; review and refresh risk assessment method statements for staff activities following Covid recovery; ensure client vision for safety is communicated to contractors especially in NLHPP delivery.	10/03/2021	1	5	5	
NLWA - HLN013	Organisation	28/02/2021	The Authority might not maintain a team with the right skills and resources to cover its evolving responsibilities	Martin Capstick	The Authority would not have the expertise and skills to respond to new challenges	HR / People	Active	3	5	15	Use business planning process to identify new demands and changing ways of working. Secure necessary resources to deliver organisational objectives.	On-going	Establish clear objectives with staff, reviewing and taking forward personal development and training needs as necessary to respond to new requirements and changing ways of working. Create positive environment to retain and motivate staff and recruit as appropriate to ensure the Authority is able to deliver obligations.	10/03/2021	3	3	9	
NLWA - HL014	Organisation	28/02/2021	The Authority leadership may not drive strong enough integration between teams and with LondonEnergy Ltd, based on a clear direction to anticipate future challenges	Martin Capstick	If strong internal cohesion is not maintained in the Authority, there is a risk of inconsistent assumptions and lack of alignment between teams; and the same applies if there is no effective coordination with LEL. This could particularly affect construction/operation liaison, and preparation for transition to new facilities	Strategic	Active	3	5	15	Remote working requires extra focus to ensure that cohesion is maintained and enhanced between teams in the Authority. Progress with NLHPP drives greater integration as there are increased cases of operations and project delivery interfaces to manage. Review of relationship between NLWA and LEL provided framework for enhancing alignment between organisations.	On-going	A range of organisational measures have been put in place to ensure coordination and provide direction, including setting clear business plan, close working together in the senior leadership team, frequent and regular team briefings and social opportunities In terms of working with LEL, the company board has been refreshed to promote enhanced coordination, communication and alignment	10/03/2021	3	3	9	

APPENDIX B: SCORING MATRIX

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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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Probability Score

Up to 10% equals Low (1)
 From 11% to 60% equal Medium (3)
 From 61% up to 100% equals High (5)

Impact (£ m = million)

£0 - £10m = Low (1)
 £10m - £100m = Medium (3)
 £100m+ = High (5)

APPENDIX C - LONDONENERGY LTD

Report From: Legal Manager & Deputy Company Secretary Subject: Risk Register Monthly Report – April 2021

Top 10 risks events as at March 2021 following SLT Review

A number of adjustments to risk profiles were made from the previous review carried out by the SLT. These were based in on either specific external factors or changes in mitigation. Of the **121** items currently on the register, these are the top 10 mitigated risks (the July 2020 unmitigated risk ranking have been included as a comparator).

Mitigated Risk Ranking March 2021	Unmitigated Risk July 2020 Ranking	Risk Definition	Strategic Risk Type	Trigger Event	Target Risk Profile			Unmitigated Risk Score
					Impact	Likelihood	Mitigated Risk Score	
01	09	Unable to operate the EFW plant in the short term (4)	People	Pandemic disease (including COVID-19)	4	4	16	16
02	05	Future plant capacity not delivered (7)	Compliance	Failure to complete pre-operational conditions in the permit	4	4	16	16
03	15	Short term liquidity issues (8)	Financial	Lack of adequate insurers	3	5	15	20
04	02	Future plant capacity not delivered (7)	Compliance	Compliance with WIBREF regulations	5	3(5) ↓	15	20
05	01	Future plant capacity not delivered (7)	Strategic	Failure to discharge the conditions of the DCO (Development Consent Order)	4	3	12	25
06	27	Unable to operate the EFW plant in the long term (more than 3 months) (4)	Operational	Loss of services due to excavations on site.	4	3	12	16
07	41	Unable to operate the EFW plant in the short term (5)	Operational	Loss of cooling water either from town mains or unable to secure demineralised water	4	3	12	16
08	38	Future plant capacity not delivered (7)	Strategic	Early termination of lease of new transport yard after 4 years	3	4	12	12
09	14	Future plant capacity not delivered (7)	Financial	Land Contamination found during works	4	3	12	12
10	06	Unable to perform to contract (10)	People	Ability to recruit skilled employees	4	3	12	16

 No movement
  Increase
  Decrease