

West London Waste Authority Risk Register

SUMMARY

This report provides the Committee with the Risk Management Policy and Risk Management Framework and details of the Authority's updated Risk Register.

RECOMMENDATION(S)

The Committee is asked to:-

- 1) Approve the updated Risk Management Policy and Risk Management Framework (Appendix 1)
- 2) Note the content of the Risk Register as at September 2016 (Appendix 2)

1. **Introduction** – The Risk Management Policy and Risk Management Framework set out how the Authority manages risks. Last approved in 2013/14 this document has now been reviewed and updated with only minor changes. The updated version can be found in Appendix 1.
2. A key requirement of this document is to maintain a risk register which sets out the main risks to which the Authority is exposed and the actions management is taking to mitigate those risks. This is in line with good corporate governance.
3. **Detail** – The Corporate Risk Register is a formal document that is reviewed regularly by risk owners and is a standard agenda item discussed at WLWA Officer meetings which are held every 4-6 weeks.
4. The risks are grouped according to the widely used PESTLE framework - political, economic, social, technological, legislative and environmental risks. Each risk is reviewed individually with risk owners taking responsibility for updating the register and highlighting significant changes and new risks. At the end of the document you will find a matrix which helps Officers to score individual risks in terms of their probability and potential impact should they crystallize.
5. **Appendix 2** provides the latest risk register which was updated at the latest Chief Officers' meeting. The notable risks are detailed below:
 - Item P2 (Amber risk) – This reflects the uncertainty following the EU referendum. It may be some time before the impact of Brexit becomes clearer.

- Item P3c (Red risk) – As reported to the July Authority meeting, a delay to the start of commissioning at the SERC is resulting in additional costs.
- Item L1 (Amber risk) – The Joint Waste Management Strategy was approved in 2009 and needs to be reviewed, updated and agreed with boroughs.
- Item L3 (Amber risk) – New legislation for the treatment of incinerator bottom ash may result in additional costs for its treatment.
- Item L4 (Amber risk) – The Memorandum of Understanding in relation to the responsibility for provision of HRRC sites expired in 2015 and require review, update and agreement.

In overall terms, the risk register identifies 30 Red and Amber risks facing the Authority and the mitigating actions. 26 of the risks have been mitigated to a Green status and there are 4 risks at Amber or Red status, identified above.

6. Financial Implications – The financial element of each risk is considered as part of the impact score. The higher the score the larger the potential impact.

7. Legal Implications – There are no legal implications as part of this report.

8. Impact on Joint Waste Management Strategy – The risk register crosses all policies within the Joint Waste Management Strategy.

Policy 7: The West London Waste Authority and constituent Boroughs will seek to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements.

Policy 8: The West London Waste Authority and constituent Boroughs will work together to achieve the aims of this strategy and are committed to share equitably the costs and rewards of achieving its aims.

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WEST LONDON WASTE AUTHORITY

Risk Management Policy

One component of the Authority's corporate governance framework is to manage risks effectively in order to make a positive contribution towards the achievement of the Authority's corporate aims and objectives and to maximise the opportunities to achieve its vision, whilst obtaining assurances about the management of those risks.

The Authority is committed to the proactive management of key external and internal risks and actively promotes the principles of effective Risk Management throughout the organisation and its partner organisations. Effective partnership risk management allows the Authority to demonstrate a positive risk culture and improved outcomes, whilst improving its ability to deliver innovative and challenging projects.

Effective risk management is essential for both an organisation and its partners to achieve strategic objectives and improve outcomes for local people and for this to occur there needs to be strong leadership from Senior Officers and Members, clear strategies in place and trained and engaged staff.

The Authority's Risk Management Strategy and framework will apply best practice to the identification, evaluation and control of key risks and ensures that any residual risks are at an acceptable level. This will be achieved through:

- Adopting an effective and transparent corporate approach to proactive Risk Management by the Authority and the work of key external partners
- Integrating Risk Management into the operational and management practices and procedures of the Authority to promote a culture of risk awareness
- Providing information to support the Authority's annual assurance statement, as to the effectiveness of the arrangements for risk management and internal control mechanisms in practice.

Risk Management Framework

The Risk Management Framework, supports the Risk Management Policy and helps improve and strengthen governance and front-line service delivery throughout the Authority. The framework is described in the following bullet points:

- The Authority undertakes to promote and ensure that the management of risk is linked to the achievement of its priorities and service objectives and supports continuous improvement in service delivery and performance.
- Members and the senior management team own, lead and support risk management.
- Ownership and accountability are clearly assigned for the management of risks at all levels throughout the Authority. There is a commitment to embedding risk management into the Authority's culture and organisational processes at all levels including corporate, project, operational and service.
- All Members and officers acknowledge and embrace the importance of risk management as a process, by which key risks and opportunities are identified, evaluated, managed and contribute towards good governance. This is reinforced through the delivery of on-going training programmes.
- Effective and transparent monitoring and reporting mechanisms are in place to continuously review the Authority's exposure to, and management of, risks and opportunities. The effectiveness of these mechanisms are continually reviewed, updated and improved where opportunities arise.
- Open and inclusive processes are established and maintained by involving all those associated with the planning and delivery of services, including stakeholders and partners.
- Best practice systems for managing risk are used throughout the Authority, including mechanisms for monitoring and reviewing effectiveness against agreed standards and targets.
- Accountability to stakeholders is fully demonstrated through periodic progress reports and an annual assurance statement on the effectiveness of the Authority's risk management framework. This includes the Annual Governance Statement.
- The policy statement and framework will be reviewed periodically as required, to ensure their continued relevance to the Authority.

WEST LONDON WASTE AUTHORITY – RISK REGISTER – September 2016

Ref	Risk Area	Analysis of Risk	Assessment of Risk		Rating	Management Actions Implemented or Planned	Assessment of Risk		Rating	Responsible Officer
			Impact	Probability			Impact	Probability		
	Political									
P1	Impact of Regional Spatial Development policies and Mayor's strategy on future services	Failure to comply with requirements of Mayor's Waste Strategy	5	3	15 (AMBER)	Adoption of EPS metric to be progressed April 2016 GLA advise that a revised EPS model will be available next year	5	1	5 (GREEN)	Managing Director
P2	Government targets and legislation	Policy and targets on climate change mitigation and circular economy	5	4	20 (RED)	Monitoring proposals, responding to consultations, reviewing as part of new contracts. EU proposals on circular economy published Dec 15. JWDA research report to be reported to January 16 Authority meeting. Post Brexit uncertainty and policy vacuum. Continue to monitor CIWM commentary	5	2	10 (AMBER)	Managing Director

P3	Waste treatment and disposal contracts	(a) Poor contract management	5	3	15 (AMBER)	Regular meetings with biggest contractors in place with detailed KPI monitoring. Contract manual to be completed by within 3 months of Full Service Commencement	5	1	5 (GREEN)	Senior Assistant Director (Operations)
		(b) Financial failure of contractor(s)	5	3	15 (AMBER)	Credit checks and a review of accounts are routinely undertaken for new contracts and considered for contract extensions.	5	1	5 (GREEN)	Head of Finance and Performance
		(c) Risks arising during construction and commissioning of new facility	5	5	25 (RED)	Delays to construction and SERC stoppages leading to alteration of commissioning plan with additional financial costs are being reduced by mitigating actions such as diversion of waste. Worst case scenario identified and can be absorbed within current reserve balance. Regular	5	4	20(RED)	Managing Director

						project meetings and reports to Chief Officers.				
P4	Recruitment and Retention of staff	Service delivery, contract management, and long term planning would be affected	3	3	9 (AMBER)	Recruitment policies and processes in place and change to new operations management structure planned with continuity of service in mind. Transitional arrangements in place to cover delay in recruiting a new Managing Director	3	2	6 (GREEN)	Managing Director
P5	Absence Management	High level of absence could place additional cost burdens on the Authority	3	2	6 (GREEN)	Sickness procedures and management reporting in place and monthly meetings held between Director and Managers to review management of team absences.	3	1	3 (GREEN)	Managing Director
P6	IT Security	Loss of data	5	5	20 (RED)	ICT service is delivered by LB Ealing and subject to a wide range of back-up and security measures including remote storage In place	5	1	5 (GREEN)	Head of Finance.

P7	Authority decisions based on inaccurate or incomplete information	Information not presented in a clear format outlining risks/benefits or omitting key information	5	2	10 (AMBER)	Process in place for report, review and checking of any financial data by Officers. Boroughs are consulted on all draft papers for financial and technical comment. Protocol for handling conflicts of interest involving Members and/or Officers.	5	1	5 (GREEN)	Managing Director
P8	Business Continuity Planning	Loss of one or more transfer station or waste treatment facility	5	2	10 (AMBER)	Contingency arrangements reviewed with SITA on quarterly basis, last checked July 2015	5	1	5 (GREEN)	Senior Assistant Director (Operations)
P9	Reputation	Perception of the performance of the Authority by service users, boroughs, government departments and	5	2	10 (AMBER)	Audit Committee established. Internal and external audit Governance Framework	5	1	5 (GREEN)	Managing Director

		inspectorates				Key performance indicators to be reported to the Authority Regular meetings with boroughs On-going				
	Economic									
E1	Financial processes	(a)Potential internal fraud (employee or contractor)	4	2	8 (AMBER)	Internal audit plan in place. Policies and procedures in place. Segregation of duties. Robust arrangements in place to control payments. Register of assets maintained. Processes in place for the monitoring of ad hoc contracts, contract management and negotiations. Whistle blowing policy. Standing Orders.	4	1	4 (GREEN)	Treasurer WLWA

						2015 Internal audit assurance Procurement fraud training to be rolled out in 2016 and declarations of interest to be extended to all staff involved in procurement.				
		(b)Financial market risks Poor rate of return on borrowing, money deposits or loss of monies	4	5	20 (RED)	WLWA Treasury Management plan approved annually at January Authority meetings with subsequent mid-year and out-turn reports. 2016/17 plan is to improve return but maintain low risk approach.	4	1	4 (GREEN)	Head of Finance
		(c) Unforeseen financial costs not covered by balances	4	3	12 (AMBER)	Prudent levels of reserves are maintained to act as a buffer against any unforeseen risks and financial costs. Where appropriate budgets are set with contingencies for identified risks.	4	2	8 (GREEN)	Treasurer
E12	Incorrect payments to contractor and/or	Risk that a payment is made either to the wrong company or for the wrong amount	4	3	12 (AMBER)	Robust arrangements in place for checking contracts and	4	2	8 (GREEN)	Head of Finance

	boroughs					invoices. Segregation of duties between authorisation and checking of payments.				
E3	Financial Management	Budgets are not adequately prepared or costs increase beyond available balances Risk that processes and procedures do not effectively pick up changes in costs	5	3	15 (AMBER)	Budget processes reviewed and monthly reporting demonstrating consistent performance. Budgets built from the bottom up with input and validation of data from boroughs. Robust processes in place. 2016/17 budget includes prudent contingencies for uncertainties around WLRWS contract in particular commissioning waste	5	1	5 (GREEN)	Treasurer
E4	Insurance	Insufficient/inadequate cover to meet the costs of future claims	5	3	15 (AMBER)	Annual review with brokers and insurers to review adequacy of policies, claims history and premiums. Regular updates from	5	1	5 (GREEN)	Head of Finance and Performance

		Increasing difficulty in obtaining competitive quotes for waste industry facilities	3	3	9 (AMBER)	insurer and broker advising of new policies. To review options with brokers before expiry of contract in March 2018	3	2	6 (GREEN)	Head of Finance and Performance
E5	Cashflow for Capital Contributions for WLRWS contract	3 day turnaround time for calling down funding from boroughs and payment to SITA	4	4	16 (AMBER)	Processes in place to make payments swiftly, within minutes if necessary. Cash balances maintained to cover delays in borough transactions	4	1	4(GREEN)	Treasurer
E6	Financial Management and Control of WLRWS Contract	Failure to properly validate payment requests from WLRWS contractor and ensure they are in line with the complex payment formulae within the contract	4	3	12 (AMBER)	In-house checks of invoices by both operational and financial managers in place. External audit of contractor's payment model.	4	2	8(GREEN)	Head of Finance
E7	Falling value of recycling materials	Predominately a risk for the boroughs, but falling scrap metal prices could leads to more abandoned vehicles for disposal	3	3	9 (AMBER)	Regular monitoring of scrap metal market. Review of arrangements with for disposal of abandoned vehicles in 2016/17	3	2	6 (GREEN)	Senior Assistant Director

	Social									
S1	Changes to Waste flows	Increased or decreased tonnages for treatment or landfill	5	3	15 (AMBER)	Regular monitoring of waste flows. Liaison with boroughs for service changes, particularly during the budget setting process.	5	1	5 (GREEN)	Senior Assistant Director
	Technological									
T1	Access database for wasteflows	Loss of a key member of staff would result in being unable to administer/support our core IT system (developed by that member of staff), the Access waste data management system (used for checking invoices, submitting waste dataflow returns, providing management information).	5	3	15 (AMBER)	Documented procedures will allow continued day to day use until the Opensky waste data management system is implemented in 2016/17.	4	2	8 (GREEN)	Head of Finance
	Legislative									
L1	Failure to review and update the Joint Waste Management Strategy	(a) Relationship with boroughs deteriorates	5	3	15 (AMBER)	Boroughs to be updated via Partnership meetings. The JWMS was approved some time ago in 2009 and needs to be reviewed in 2016/17 to ensure	5	2	10 (AMBER)	Managing Director and Chief Technical Advisor

						it is still relevant and up to date				
		(b)Failure to divert waste from landfill	5	2	10 (AMBER)	Residual Waste Contract now mobilised. Less than 5% waste to landfill from full service commencement	5	1	5 (GREEN)	Managing Director
		(c)Failure to meet recycling/composting targets. New EU targets expected Dec 15	4	3	12 (AMBER)	Waste Minimisation Action Plan Reduced costs to boroughs and trade for recycling Respond to any government consultation on transposition into UK law of EU Circular Economy proposals published in Dec 15.	4	2	8 (GREEN)	Managing Director
L2	Health Safety &	Risk of injury to staff or public visitors to Authority sites	5	2	10 (AMBER)	Specialist Health and Safety Advice from LB Hounslow. 2015 Internal audit provided assurance. 2016/17 Action Plan considered and agreed with GMB Action plan to	5	1	5 (GREEN)	Senior Assistant Director (Operations)

						impliment findings of HSE Twyford inspection				
L3	New legislation	New incinerator bottom ash requirements	4	4	16 (AMBER)	The new requirements place additional burden on disposal providers to test and ensure the quality of materials. This additional legislative cost can be passed on to the Authority through the PPP contract.	4	4	16 (AMBER)	Senior Assistant Director (Operations)
L4	Demonstrating responsibility for HRRC provision	Repeal of Refuse Disposal (Amenity) Act 1978 (RDA)	3	3	9 (AMBER)	This transferred the responsibility to arrange for the provision of these sites to the Authority under the Environment Protection Act 1990. A MoU demonstrates that the Authority has put in place satisfactory arrangements to discharge its "duty to arrange." This expired in 2015 and a new agreement is	1	2	2 (GREEN)	Managing Director

						needed.				
	Environmental									
EN1	Environmental Risks	Environmental damage caused by Authority Activities	5	2	10 (AMBER)	Actions identified by external inspections completed in a timely manner. On-going	5	1	5 (GREEN)	Senior Assistant Director (Operations)

Risk Register Impact and Probability Classification

	Service disruption	Financial Loss	Reputation	Failure to provide statutory service/meet legal obligations	People
Extreme 5	Total failure of service	Over £5m	National publicity > than 3 days. Resignation of leading member of chief officer	Multiple civil or criminal suits. Litigation, claim or fine above £5m	Fatality of one of more clients/staff
Very high 4	Serious disruption to service	£500k-£5m	National public or press interest	Litigation, claim or fine £500k-£5m	Serious injury. Permanent disablement of one of more clients/staff
Medium 3	Disruption to service	£50k-£500k	Local public/press interest	Litigation, claim or fine £50k-£500k	Major injury to individual
Low 2	Some minor impact on service	£5k-£50k	Contained within department	Litigation, claim or fine £5k-£50k	Minor injuries to several people
Negligible 1	Annoyance but does not disrupt service	< £5k	Contained within unit/section	Litigation, within claim or fine less than £5k	Minor injury to an individual

Select the highest category to score the risk.

Likelihood Classification for an Event Occurring In a Given Year

5. *Almost Certain* – Expected to occur in most circumstances (>80%)
4. *Likely* – Will probably occur in most circumstances (51%-80%)
3. *Possible* – Fairly likely to occur (21%-50%)
2. *Unlikely* – Could occur at some time (6%-30%)
1. *Rare* – May occur only in exceptional circumstances (0-5%)

Risk Rating/Scoring = Impact*Likelihood

Prioritisation of Risks

20-25 (Red)	Those risks requiring immediate management and monitoring
9-19 (Amber)	Those risks requiring management and monitoring but less time critical
1-8 (Green)	Those risks which require ongoing monitoring