

PAPER NO. WRWA 857

## WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	17th July 2018
REPORT AUTHOR/DATE	Treasurer (Chris Buss-Tel 0208 871 2788) 9th July 2018
SUBJECT	Treasurer's report on the review of the Authority's Risk Management Strategy
CONTENTS	<p>Page 1            Executive Summary and Background</p> <p>Page 1            Recommendation</p> <p>Pages 2-11      Appendix - Risk Management Strategy Statement</p>
STATUS	Open - circulation of this paper is not restricted.
BACKGROUND PAPERS	None

**This page has been left blank intentionally.**

## **EXECUTIVE SUMMARY AND BACKGROUND**

1. The Accounts and Audit Regulations 2003 require the Authority to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. As part of this review the Authority annually reviews its Risk Management Strategy.
2. Financial and service risks are considered as part of normal day-to-day business of the Authority. A formal Risk Management Strategy was put in place in May 2004.
3. As part of this Strategy a Risk Register has been developed which identifies key risks together with an analysis of their likelihood/impact and the key preventative, detective and corrective controls. Formally structured risk management is now fully embedded within the Authority, including an annual review regime.
4. The review of the Register is reported each year at the June/July meeting of the Authority. New developments, which needed to be incorporated in the annual reviews since 2004, have included the financial close on the WMSA, the introduction of AWDC charges from 2009/10 and the development of the MRF at Smugglers Way and now the potential redevelopment of Cringle Dock.
5. The Appendix contains the Authority's current Risk Register, which was last reviewed by the Management Team in June 2018. Changes from last year are clearly highlighted and deleted items, which are considered to be no longer relevant due to developments, are shown at the end of each section.

## **RECOMMENDATION**

6. The Authority is recommended to note the Risk Register set out in the Appendix to this report.

Western Riverside Transfer Station  
Smugglers Way  
Wandsworth SW18 1JS

9th July 2018

-----  
Chris Buss  
TREASURER.

## WESTERN RIVERSIDE WASTE AUTHORITY

### RISK MANAGEMENT STRATEGY STATEMENT

1. **Balancing risk and value-for-money.** Risk-taking is part of life, and therefore part of the operation and management of every organisation. It is rarely possible to eliminate risk entirely, and the cost of applying all the controls needed to do so is generally not good value. So, risk management is concerned with the best way to maximise the likelihood of achieving objectives with good value for money.
2. **The Authority's risk stance.** As a public body, the Authority is significantly more risk-averse, more careful, and more prudent than the average individual or entrepreneur. Public resources are expected to be devoted to the provision of services, and public services are expected to be available without disruption. So, resources and services are not to be exposed to the level of risk that an individual or a private firm might ordinarily accept. The Authority is prepared to meet reasonable costs to limit its risk exposure accordingly.
3. **Risk management through performance management.** The Authority maintains a general performance management system for continuous improvement, featuring targets for key performance measures based on best practice, feedback from stakeholders, annual public reports, and performance related pay. This system is designed to improve progressively the likelihood of achieving objectives with good value for money.
4. **Risk management integral to general management.** Risks to the achievement of the Authority's objectives are best handled mainly within the management line. Most risk management is concerned with issues of prioritisation that can only be assessed by the manager directly involved. Examples are those related to achieving service performance standards, pursuing the Authority's key issues, training and deploying staff, coordinating with contractors and sub-contractors, constituent councils, government departments and agencies as appropriate, ensuring proper use and security of resources, managing within budget, and responding to changes in service demand.
5. **Specialist support for risk management.** Without detracting from the overall responsibility of the General Manager, he typically requires some support from specialists outside the management line for certain categories of risk. The Authority

maintains arrangements for specialist advice (e.g. legal, valuation, personnel, public relations, information technology) to be available when necessary, and expects the General Manager to be alert to circumstances where it is required.

6. **Collective responsibilities of the Management Team.** The Authority's Management Team reviews annually experience of incidents of control failures and near-misses (including any reports of relevant experience of other bodies) in relation to the risks and controls incorporated in its Risk Register. In the light of this review, the Management Team ensures that staff, contractors and sub-contractors, and constituent councils are given appropriate advice on any lessons learned and prospective concerns on training and communication needs and on appropriate changes to procedures and resourcing. The Management Team also reviews this Risk Management Strategy Statement each year, to ensure that the policies are being implemented, that the coverage of the Risk Register is adequate, and that the strategy is well-adapted to the objective of continuous improvement in risk management. The Treasurer is responsible for initiating this annual review in time to support the publication of the Annual Governance Statement with the Authority's accounts, subject to consideration and approval of the Statement at a meeting of the Authority.
  
7. **Responsibility of employees.** The Authority's employees at every level are responsible for : -
  - (a) ensuring that they and any subordinates are aware of policies for applying relevant risk controls in their work area, and that they act accordingly;
  - (b) reporting promptly to their superior if they consider that they are unable to apply the required risk controls;
  - (c) reporting failures and near-misses, and maintaining a positive "no blame" attitude towards making such reports;
  - (d) where applicable, obtaining the appropriate specialist advice about failures and near-misses; and
  - (e) considering whether and how control arrangements should be strengthened to reduce risk exposures and prevent recurrence of failures and near-misses.

OBJECTIVES and principal risks	Likelihood	Impact	Key preventive, detective, and corrective controls and OFFICER RESPONSIBLE (General Manager unless stated otherwise)
<b>TO MAINTAIN HIGH STANDARD OF SERVICE TO USERS OF WASTE DISPOSAL FACILITIES</b>			
Failure of waste management services contractor to meet contract standards for service delivery to users	Low	<del>Low</del> <b>Medium (dependent upon the significance of the breach)</b>	Adequate contract monitoring and enforcement in relation to operations.
Interruption of availability of some facilities.	EfW/MRF Medium	EfW/MRF Medium	Adequate contract monitoring and enforcement in relation to maintenance, security, health and safety, staff training. Contractual provision of back-up equipment and facilities. Ensure planning permissions match operational site requirements. Fire insurance. Appropriate fire safety equipment within the MRF
Access to station blocked or delayed due to traffic conditions	Medium	Low	Plan for diversions to alternative Authority facilities. Maintain effective links to Wandsworth Council/TfL engineers to address specific difficulties at the earliest opportunity.

OBJECTIVES and principal risks	Likelihood	Impact	Key preventive, detective, and corrective controls and OFFICER RESPONSIBLE (General Manager unless stated otherwise)
<b>TO ENSURE SUFFICIENT WASTE MANAGEMENT CAPACITY FOR CONTROLLED WASTE (INCLUDING RECYCLABLES) FROM THE AUTHORITY'S AREA FOR THE MEDIUM TERM</b>			
<del>Planned capacity of Smugglers Way MRF inadequate for longer term recycling plans of Boroughs</del>	<del>Low</del>	<del>Medium</del>	<del>The MRF process has been conservatively designed and there may be an opportunity to process more than the nominal design capacity. The Option of merchant facilities excess materials has been kept open and the economics of increased separated commodities recycling, not requiring MRF processing, is kept under review.</del>
Volatility of economy puts contractor into financial uncertainty.	Low	High	Ensure contractor's financial position is kept under review Including review of Financial and other covenants within the WMSA.
Cringle redevelopment does not proceed and has to close, losing operational capacity	<del>Low</del> <b>Medium</b>	High	Plan for alternative provision should Cringle Dock redevelopment not occur, <b>including option of self development</b>
<b>TO ENSURE REASONABLE WASTE MANAGEMENT COSTS FOR THE MEDIUM TERM AND MINIMISE AVOIDABLE FINANCIAL LOSSES</b>			
Failure to minimise waste tonnage	Medium	Low	Promote waste minimisation through waste management services contract, joint waste management strategy (JWMS) and extension of waste education programme. Explore new technological developments for waste minimisation.

OBJECTIVES and principal risks	Likelihood	Impact	Key preventive, detective, and corrective controls and OFFICER RESPONSIBLE (General Manager unless stated otherwise)
Commercial waste delivered illegally at Authority CA sites	High	Low	Increasing waste management costs make the probability that the system will be abused greater. However, there are controls on hours and vehicle access to reduce or eliminate inputs from serial abusers of the facilities. Lobby for more powers to prosecute offenders where identified and publicise results.
Charges to constituent councils are less than the marginal costs of treatment.	Medium	Low	Make prudent allowance for all costs, including contractor cost inflation, <del>and</del> capital charges <b>and provision in or from useable reserves where appropriate</b> when determining charges. TREASURER
MRF recyclable tonnage is contaminated resulting in additional disposal costs. Inaccurate contamination data used to recharge constituent councils	Low	Low	Monitor inputs to the MRF and direct RWR resources to improve quality of constituent council recycling tonnage. Ensure sampling is robust and same data is used to pay contractor as recharged to constituent councils. TREASURER/ GENERAL MANAGER
Electricity prices vary significantly from assumptions made when determining charges to constituent councils	Medium	Medium	Analyse electricity price trends, make prudent allowance when determining charges, <b>including use of reserves.</b> TREASURER
Unplanned cost pressure arises from a third party, e.g. Pension fund and MMI liability	Low	Medium	Make suitable provision for all known risks in the financial accounts TREASURER

OBJECTIVES and principal risks	Likelihood	Impact	Key preventive, detective, and corrective controls and OFFICER RESPONSIBLE (General Manager unless stated otherwise)
A constituent council requests to divert recyclables elsewhere, requiring notice to be served on Cory MRF discount	<del>High</del> <b>Medium</b>	Low	Prudent assumption of 1 year agreement only when setting annual budgets. TREASURER
Change in law makes WRWA liable for a proportion of the costs of new capital investment at the Authority Sites or Belvedere.	Low	High	No such changes in law are currently foreseen and they would generally be well flagged up in the legislative process.
Thames Tideway Tunnel, Northern Line Extension and Battersea Power Station developments impact negatively on Cringle Dock Transfer Station and/or river transport operations.	High	High	Monitor developments and lobby to minimise any adverse impacts  CLERK and General Manager
<b>B&amp;Q developments impact negatively on Smugglers Way Transfer Station</b>	<b>High</b>	<b>High</b>	<b>Monitor developments and lobby to minimise any adverse impacts</b> <b>CLERK and GENERAL MANAGER</b>
Additional costs incurred by Authority during the potential Cringle Dock redevelopment	Medium	Low	All costs to be closely monitored and, where possible, fixed cost quotations or cost caps to be secured. Other risks of non completion of agreement or delay to be monitored and mitigated as appropriate TREASURER and GENERAL MANAGER

OBJECTIVES and principal risks	Likelihood	Impact	Key preventive, detective, and corrective controls and OFFICER RESPONSIBLE (General Manager unless stated otherwise)
Authority does not have adequate working capital as a result of its levy arrangements and capital programme.	Low	Low/Medium depending on the scale of the shortfall	Monitor timeliness of constituent boroughs' payments and ensure PWLB loans match capital spend. <b>Ensure adequate useable reserves are available to meet short to medium term cash requirements e.g. repayment of debt</b> TREASURER
Failure to recycle waste where this would be cheaper than recovery or landfill	Low	Low	Take account of longer term outlook for all costs when appraising the business case for recycling initiatives. Promote waste recycling through waste management services contract and JWMS.
Overpayment to contractor	Low	Low	Robust arrangements for checking contracts and invoices. Staff training. Internal audit. TREASURER
Employee fraud or corruption	Low	Low/High depending on the nature of the fraud	Robust arrangements for controlling payments and assets. Adequate supervision and transparency for contract management and negotiations. Reassess detailed arrangements in review of applicable Codes of Practice. Staff training. Internal audit. TREASURER

OBJECTIVES and principal risks	Likelihood	Impact	Key preventive, detective, and corrective controls and OFFICER RESPONSIBLE (General Manager unless stated otherwise)
Budgeted net expenditure exceeded	Low	Low	<p>Prudent budgeting and reserves when annual levy determined, having regard to specific financial risks.</p> <p>Robust arrangements for forecasting and managing within budget.</p> <p>Prompt and accurate assessment of unbudgeted proposals and developments. TREASURER</p> <p>Appropriate insurance policies in place.</p>
<b>TO ENSURE SOUND DECISION-MAKING AND ACCOUNTABILITY BY THE AUTHORITY</b>			
Failure to respond adequately to new legislative requirements	Low	Medium	Ensure approach to new legislation developed sufficiently well in advance, including liaison with other statutory Joint Waste Disposal Authorities as appropriate.
<b>Failure to comply with new GDPR requirements</b>	<b>Low</b>	<b>High</b>	<b>Adhere to Authority's new GDPR policy</b> <b>Staff training</b> <b>CLERK/ GENERAL MANAGER</b>
Mayor acquires new powers in relation to waste disposal/ recycling and imposes a more rigid framework on Authority operations	Low	Medium	Ensure boroughs plan in accordance with stated policies and optimise recycling opportunities. The Mayor cannot require the Authority to change contractual terms or incur excessive costs to comply with his Strategy.

<b>OBJECTIVES and principal risks</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Key preventive, detective, and corrective controls and OFFICER RESPONSIBLE (General Manager unless stated otherwise)</b>
Decision taken without adequate advice	Low	Low/High – depending on the importance of the decision	Maintain clear procedures for obtaining relevant advice as reports to the Authority are prepared. Maintain ready access to professional resources. CLERK
Decision biased in favour of constituent council interests	Low	Low/High – Depending on importance of decision	Periodic reminders to Members and officers of their duty to act in the best interests of the Authority as a whole. Full induction briefing for new Members. CLERK/GENERAL MANAGER
Decision implies conflict of interest involving one or more constituent council	Medium	Low/High – Depending on importance of decision	Established protocols for handling conflicts of interest involving Members and/or officers of a constituent council. CLERK
All constituent councils not fully committed to achieving the stated objectives of the joint strategy, giving potential for legal challenges/additional costs.	Low	Low	The joint strategy promotes the waste hierarchy and this aligns fully with the boroughs' environmental and financial aspirations.
<del>Constituent councils seek waste management options independent of Authority provision.</del>	<del>Low</del>	<del>Low</del>	<del>All boroughs fully co-operated with the Authority obtaining a QC's opinion to clarify respective legal requirements in this area.</del>
Loss of data needed for decisions and/or accountability or day to day working of the Authority	Low	High	Information technology security procedures established and enforced. Off site back-up arrangements established and maintained. Staff training.

OBJECTIVES and principal risks	Likelihood	Impact	Key preventive, detective, and corrective controls and OFFICER RESPONSIBLE (General Manager unless stated otherwise)
Disruption to effective decision making and consequential loss due to changes in/ absence of senior executive management.	Low	High	Ensure effective succession planning and an adequate handover process before the departure of key staff and effective cover arrangements.
<b>TO BE A GOOD NEIGHBOUR</b>			
Avoidable road traffic generated by Authority's operations	Medium	Low	Maximise use of river transport facilities.
Avoidable noise and other nuisances generated by the Authority's operations	Medium	Low	Ensure contractor operates on the basis of best industry practice. Ensure that all site users (public and contractors) are aware of anti-nuisance measures.
Additional Housing developments adjacent to our existing facilities	<del>Medium</del> <b>High</b>	High	Ensure up to date with planning proposals and enter into discussions with developers early