

## Appendix 3

### Guide to Completing London Councils Risk Register

This guide takes you through completing a formal risk register, based on the one used for the divisional, directorate and corporate risk registers at London Councils. If you prefer a more visual approach, try the butterfly and bow tie tools, which are at the end of this guidance. Please read this in conjunction with the Short Guide to Risk Management. Also note that if you are working on an agreed project, your documentation will include a risk register separate from the register below. [More details in this are contained in the Project management framework section of the Intranet.](#)

#### What does London Councils risk register look like?

It is a table of information. Below are a few extracts from London Councils divisional/directorate risk registers with an explanation in the first row:

No	Risk	Type	Description	Score without controls		Rating	Controls in place	Owner	Score after controls		Rating
				L	I				L	I	
<i>Risk ref no. here</i>	<i>Describe the overall risk</i>	<i>Describe the type of risk (Financial, Reputational, Operational, External)</i>	<i>Describe the specific outcome if the risk occurred</i>	<i>Like liho od</i>	<i>Imp act</i>	<i>See scoring chart below</i>	<i>Describe existing controls and any planned additional controls</i>	<i>The member/s of staff directly responsible</i>	<i>Like liho od</i>	<i>Imp act</i>	<i>See scoring chart below</i>
1	Failure to negotiate Freedom Pass settlement with transport operators by 31 December 2011	Reputation Financial	Statutory default scheme kicks in (which would be more expensive for boroughs and would impact on London Councils reputation)	3	3	9	Ongoing discussions with TfL over the deal and on production of data.	Stephen Benton, Programme Director (Transport & Mobility)	2	3	6
2	Insufficient disaster recovery for IT systems	Operational Reputation	A complete IT failure - system unable to be restored	4	3	12	Off site server allows partial immediate restoration; residual controls to permit full restoration being explored	Steve Davis, Head of Administration & ICT	1	2	2
3	Ineffective operational HR service from City of London	Operational Reputation	Recruitment not timely and mistakes made, perceptions of London Councils as a potential employer is poor; payroll issues not resolved	2	2	4	HR Business Partner for London Councils in place; weekly update meetings between the HR Business Partner/Director of Corporate Governance and Head of Budgetary Control and	Christiane Jenkins, Programme Director, Corporate Governance	1	1	1

			in timely fashion; training delivered is of poor quality				Procurement. Also, quarterly meetings to review the SLA with Senior Management at the City Corporation				
4	Ineffective lobbying	External Reputation	Boroughs would not get to influence pan-London decisions	3	2	6	Public affairs team and priorities in place; introducing public affairs training and better use of stakeholder databases	PAPA Management Team	1	2	2

London Councils current risk registers can be found here: **K:\Risk Management**

### How do I define a risk?

First of all, have a look at your team or directorate risk register and check whether the risk you want to map is included. You'll need to discuss any inclusions with the person responsible for the risk register.

Also, before progressing please be realistic about the risks which are in our control, for example as an organisation we have may limited chances to prevent events that render our offices unavailable, such as a terrorist attack or flood so these are not appropriate risks to include. We should, however, include 'failure to prepare effective business continuity plans' as this is within our control and would be our response to an event that renders our building unavailable.

When assessing any risk associated with your work you'll need to think about the **cause** of the risk, the **type** of risk, a specific **description** of the risk, the **likelihood** of it happening and the **impact** if it happens.

### What type of risk is it? Type

London Councils has agreed a list of the types of risk which are used in all our risk registers:

Risk	Definition
Compliance	Risk of failing to comply with statutory requirements.
External	Risks from changing public or government attitudes.
Financial	Risks arising from insufficient funding, losing monetary resources, spending, fraud or impropriety, or incurring unacceptable liabilities
Operational	Risks associated with the delivery of services to the public and boroughs arising, for example, from recruitment difficulties, diversion of staff to other duties, or IT failures, loss or inaccuracy of data systems or reported information
Project	Risks of specific projects missing deadlines or failing to meet stakeholder expectations.
Reputation	Risks from damage to the organisation's credibility and reputation.
London	Risks to our stakeholders that need to be taken into account in our planning and service provision

Strategic	Risks arising from policy decisions or major decisions affecting organisational priorities; risks arising from senior-level decisions on priorities.
Contractual Risks	Risks related to the management of service contracts
Internal	Risks that relate to HR/People risks associated with employees, management and organisational development

~~This categorisation helps management understand the context of the risk and the nature of the potential consequences.~~ Each risk is likely to come into more than one category and you should list all that apply, preferably in order of importance.

For example, the risk around IT disaster recovery is clearly an operational risk as without IT the organisation will be unable to operate. It is also a reputation risk because being unable to manage this risk and/or being unable to operate will undoubtedly reduce our reputation in the eyes of our stakeholders and service users, and is likely to create adverse publicity which would further damage our reputation.

### ~~How do I score a risk?~~ Risk scoring

Scoring a risk is all about making judgements on how likely the risk is to occur and what the impact would be, if it were to occur. Firstly, you need to think about what would happen if you took no action to try and prevent the risk occurring. It is usually best to adopt a worst case scenario starting point. Ultimately the decision will come down to educated guesswork, backed up wherever possible with knowledge and understanding of what has happened in similar situations in the past and the nature of the threat in the future.

The impact rating is often measured in financial terms but this is not the only significant consideration for London Councils. Much of our success rests on our reputation as a clear, valid voice representing local government in London. As an organisation, we exist to represent our stakeholders so the risk of damage to our relationship with them or damage to our credibility must be taken very seriously.

The table below lists the descriptions London Councils uses for rating likelihood and impact.

Risk assessment			
Rating	Likelihood	Impact	Rating
<b>Very High 4</b>	<b>70% chance of occurrence</b> Almost certain (the risk is likely to occur within 6 months or at a frequent intervals). The event is expected to occur as there is a history of regular occurrence.	Huge financial loss; key deadlines missed or priorities unmet; very serious legal concerns (e.g. high risk of successful legal challenge, with substantial implications for London Councils); major impact on Boroughs or Londoners; loss of stakeholder public confidence.	<b>Very High 4</b>
<b>High 3</b>	<b>40% - 70% chance of occurrence</b> Probable, the risk is likely to occur more than once in the next 12 months. A reasonable possibility the event will occur as there is a history of frequent occurrence.	Major financial loss; need to renegotiate business plan priorities; changes to some organisational practices due to legislative amendments; potentially serious legal implications (e.g. risk of successful legal challenge); significant impact on the Boroughs or Londoners; longer-term damage to reputation.	<b>High 3</b>
<b>Medium</b>	<b>20% - 39% chance of occurrence</b>	Medium financial losses; reprioritising of services required;	<b>Medium</b>

<b>2</b>	Possible, the risk may occur in the next 18 months. Not expected but there's a possibility it may occur as there is a history of casual occurrence.	minor legal concerns raised; minor impact on the Boroughs or Londoners; short-term reputation damage.	<b>2</b>
<b>Low 1</b>	<b>&lt;20% chance of occurrence</b> Rare, the risk may occur in exceptional circumstances.	Minimal financial losses; service delivery unaffected; no legal implications; unlikely to affect the Boroughs or Londoners; unlikely to damage reputation.	<b>Low 1</b>

It can be difficult to use classifications like this because issues are rarely clear cut. These descriptions are for guidance rather than being prescriptive. Go with your instinct and ask your colleagues to challenge your decisions. Once you have decided what your impact and likelihood ratings are, they can be translated into scores. The risk register records the scores for likelihood and impact and then the overall risk rating, as calculated in the table below. The colours allow us to quickly identify particularly high scoring risks within the registers.

**Risk Assessment**

<b>Likelihood</b>	<b>Very High (4)</b>	4	8	12	16
	<b>High (3)</b>	3	6	9	12
	<b>Medium (2)</b>	2	4	6	8
	<b>Low (1)</b>	1	2	3	4
		<b>Low (1)</b>	<b>Medium (2)</b>	<b>High (3)</b>	<b>Very High (4)</b>
	<b>Impact</b>				

### What are 'controls in place'?

'Controls in place' are the actions you already have in place to guard against the risk happening, and any additional plan you have to further reduce the likelihood and impact of a risk occurring. You need to decide how you are going to manage the risk, thinking about what [additional](#) actions are needed to mitigate the risk to an acceptable level,

Your response should include at least one of the 4 T's: treat, transfer, tolerate or terminate.

**Treat** – treating the risk is the most common response, meaning you take action to lessen the likelihood of the risk occurring. Treatment can also mean planning what you will do if the risk occurs, therefore minimising the impact.

**Transfer** – transferring the risk might include paying a third party to take it on or having an insurance policy in place.

**Tolerate** – you might decide that the cost to deal with a risk (time and/or money) is too great, in which case you choose to tolerate the risk. This is an acceptable response as long as the risk has been properly identified and toleration is agreed to be the best option.

**Terminate** – by doing things differently, you remove the risk.

When you are deciding on these actions, you need to take into account the financial and resource impact and be realistic about what you are able to do. For example, you could argue that spending £100,000 might terminate a risk completely, but if spending £10,000 reduces the likelihood by 90%, you may well decide that is a more appropriate option and you choose to tolerate the 10% risk that remains. You will need to think about the level of risk that the organisation is willing to accept and you should discuss this with your manager to make sure you are both clear about the level of risk you are willing to tolerate.

You will also need to review your actions regularly to make sure they are still the best way of managing the risk. How regularly depends on the nature of your work and how fast circumstances can change.

In our risk register, you should fill in the **Controls in place** column by describing the actions you already have and those additional actions you have decided to take. Where appropriate, you can include information about actions which have been completed and those planned for the future.

### **Scoring again?**

Once you have decided what actions you will take to control the risk, you need to go through the scoring process again to determine what the likelihood and impact of the risk will be after your actions are in place. In an ideal world, your actions will reduce both the likelihood and impact scores. Sometimes this is not possible and the actions will only reduce one or other score. These scores go into the **scores with controls** columns.

### **Who is the risk owner?**

Each risk will be assigned one or more risk owners. This may be you or it may be a more senior manager. The risk owner needs to be someone who can take effective action, for example, by being able to switch resources to tackle a risk or give agreement not to deliver other work of lower priority. If a risk owner finds that they cannot take such action, then the risk needs to be escalated to the next level.

The risk owner has responsibility for the quality of the information in the risk register and for making sure that the countermeasures are in place. Sometimes, there will be more than one risk owner. This may be where the activities originate in more than one area of the organisation or where mitigating actions fall in the area of responsibility of different divisions or directorates. In such cases, responsibility is shared equally and it is the responsibility of the officers identified as risk owners to ensure that all mitigating actions are carried out and that the risk is appropriately monitored.

Within the risk register, the **risk owner** should be listed as a name and job title of the responsible officer or as the group or board which has agreed to take collective responsibility.

### **Reviewing a risk register and challenging the entries**

Risk registers are best validated by groups of people challenging the information and assumptions within them. The purpose of review is to ensure that all relevant risks are identified, scored appropriately, that mitigating actions are identified and implemented and that the organisation

is willing to accept the level of residual risk left after mitigating actions have been implemented. Questions which may be considered when reviewing the risk registers include:

- what evidence is there that risk assessments are accurate?
- what evidence is there that the ways of dealing with risks listed in the register are appropriate and have worked?
- are new risks being identified and dealt with as they arise?
- where risks have been realised, have contingencies worked?
- are the ways of dealing with risks listed in the register still appropriate?

If you would like to practice, consider this sentence: "Lack of research funding could lead to reduction in quality of research output." What could you ask about it?

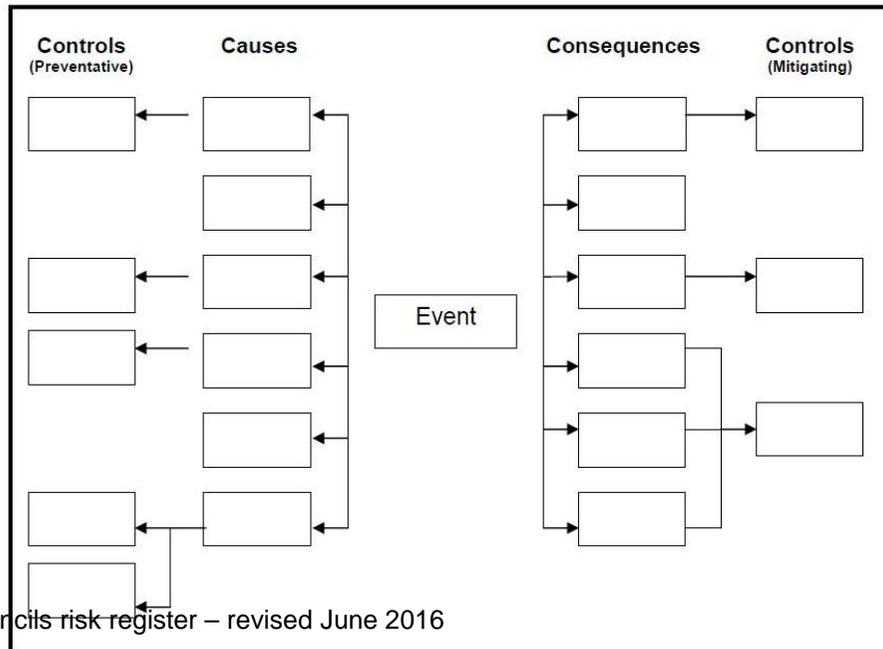
- Is it a complete or partial lack of funds?
- Is the funding from one or more sources?
- Wouldn't lack of funding lead to a drop in quantity not quality? Or is it both?

### What if I don't like the risk register format?

London Councils has agreed to use this risk register format for the divisional/directorate and corporate risk registers. If you need to contribute to those registers, you will need to use this format.

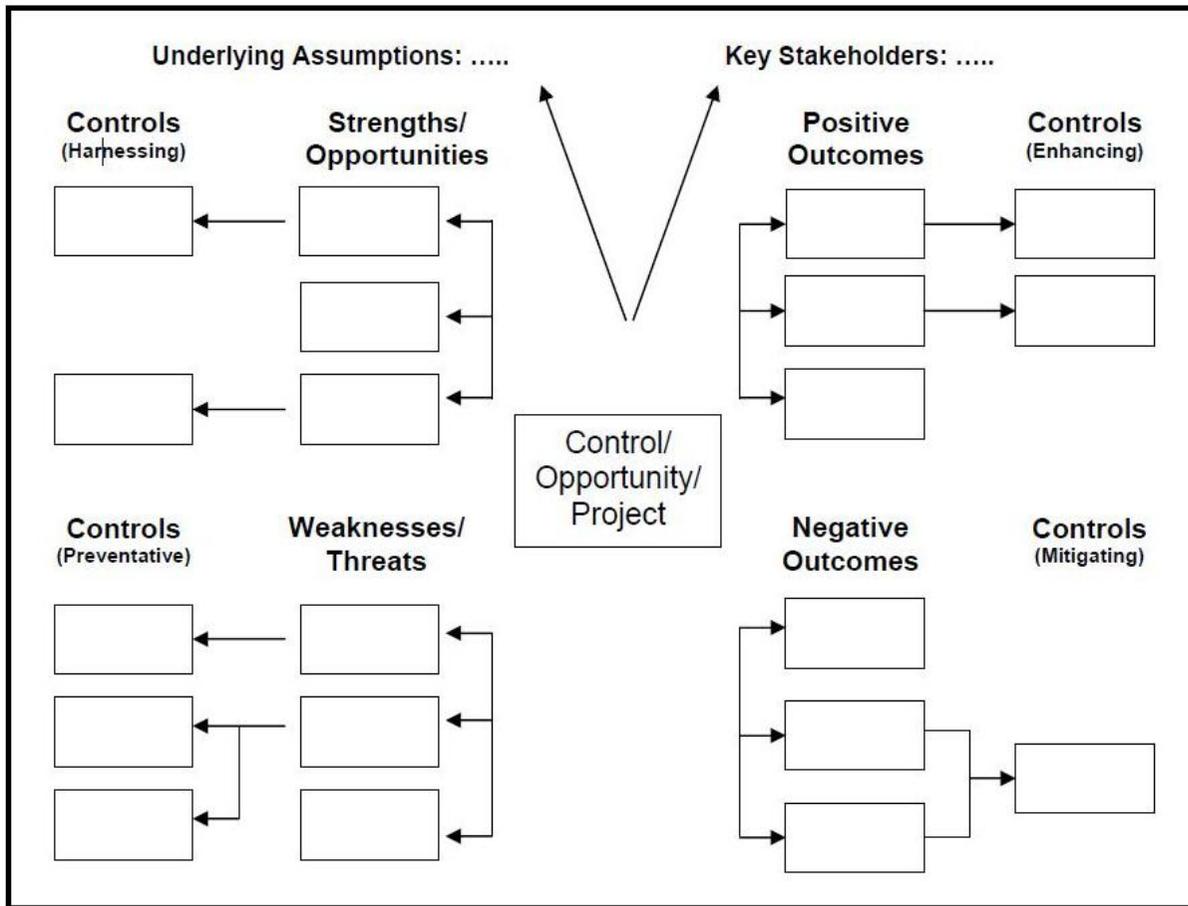
There are, however, other tools that you might like to use to help identify, assess and manage risks. Below are the butterfly and the bow tie, which are both more visual ways of prompting thinking about risk, yet still prompt you to consider the issues discussed above. The Bow Tie and Butterfly can also be used quite effectively to capture lessons learned at the end of projects.

The Bow Tie is contract



probably best suited to process type work, management and service delivery:

The Butterfly is probably best suited to policy work and for considering new opportunities in policy and Services:



**Where can I get some help?**

If you need any advice on risk management, please contact Emily Salinger in Corporate Governance, ext. 9836.