

Appendix 2

Short Guide to Risk Management

What is Risk Management?

Risk management is about identifying and ~~assessing~~dealing with anything the things that might stop us from ~~effectively carrying out our work or achieving something~~implementing a successful project. Risks ~~can arise from failing to capture~~are present in new opportunities as well as from a threat that something bad will happen, much as existing functions, and London Councils has a risk management framework to help us manage risk across the organisation.

~~Some people may think that r~~Risk management is ~~just not~~ about filling in a risk register. ~~That's only a small part of the management of risk. While, that's just a way to help it is important to capture and evaluate risks, it's equally crucial to plan what you currently do, and plan to do, to reduce risk in your part of the business.~~
~~It's about what you do in response to risks to make sure that you — and the organisation — achieves as much as possible.~~

Everyone needs to manage risk as part of their work, whether it's as simple as arranging for someone to cover your phone while you're at lunch or identifying and taking action to solve a serious problem that might damage London Councils reputation.

What's the difference between a risk and an issue?

Both risks and issues can impact on your work. Risks MAY occur and you can take action to stop ~~it them~~ happening or minimise their impact. Issues HAVE occurred and can't be stopped so decisions must be made about what to do in future to prevent or minimise risk of a recurrence. ~~An alternative definition is, "if you can smell it, it's a risk. If you're in it, it's an issue."~~

~~The value of risk management is preventing issues occurring or minimising their impact by preparing for them.~~

Read the following 9-5 statements and decide if they are risks or issues! ¹

1. Part of the funding had to be withdrawn from the Project today
2. Insufficient resources available to undertake office tasks;
3. There is a danger that the IT system will not be implemented on time;
4. If the tender comes in over price, the Project may have to be reviewed;
5. Weather forecast next week is likely to affect the grass cutting;
- ~~6. The Directors secretary has left the Council. She needs to be replaced;~~
- ~~7. The Contractors have not turned up for work for the past three days;~~
- ~~8. If in-house IT services are outsourced, there could be possible strikes;~~
- ~~9. The Team Leader has lost the trust of his Head of Service.~~

Answers

1. Issue
2. Issue
3. Risk

¹ Description of the difference between risks and issues and the statement test courtesy of Swansea Council - <http://www.swansea.gov.uk/index.cfm?articleid=38589>

- 4. Risk
- 5. Risk
- 6. Issue
- 7. Issue
- 8. Risk
- 9. Issue

Identifying and managing risks

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. An example is
You will probably be able to list a number of things that might impact on your work. If you want to start recording them as risks, try a sentence that includes if and then... The *if* is the risk, the *then* is the impact if it's not dealt with.

It's also helpful to think about the cause, the event and the resulting impact in the description. An example would be:

As a result of inadequate H&S policies or policy advice given to staff (*cause*), there is an *operational reputational* (*type*) risk that there is a contravention of Health & Safety legislation (*description*), which *is likely within the next six months* (*likelihood*) and may result in injury or litigation against London Councils (*impact*).

At theSo at its most basic level the risk assessment asks you to answer the following questionsit's: about answering these questions:

1. What can go wrong?
- 4-2. How likely is it to happen?
3. How serious could it be?
- 2-4. What is in place to stop/minimise it at the moment?
5. Is there a need for additional action to reduce the risk?

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, so in this example this would be our response to an event that renders our building unavailable.

Once I've identified the risks (questions 1 to 3 above), what should I do?

The first step is to decide the current 'controls in place' in relation to your risk. These will vary depending on the type of risk, and may include (although this is not a complete list): IT systems; Regulations (including Standing Orders, Financial Regulations); policies and procedures; performance measures (PIs, contracts etc); staffing resources (including training and development).

You will then need to decide how you are going to further manage the risk. 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.

You will 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.

What does a risk register look like?

It can take many forms but most often it is a table of information. You will find many variants which are slightly different but the principles should be the same. ~~There are also other methods for identifying risks which look more like a diagram or mind map.~~

If you would like to learn more about using London Councils formal risk register or some of the other tools, please read ~~our separate guidance, which includes diagrams and explanations,~~ including the scoring/evaluation tables we use for the our directorate and corporate risk registers.

Comment [DD1]:

Comment [DD2]:

Comment [DD3]: Link to be inserted here

Should I be using a formal risk register for my work?

That depends... projects should have a risk register of their own so if you're managing a project then yes, you should be using some form of risk register and it should be reviewed ~~very~~ regularly ~~to make sure it remains relevant to your work as part of the management of the project – see the project management tools section [here](#).~~ ~~Alternatively, you might choose to use the bow tie or butterfly method rather than a traditional risk register. It will depend on what works best for you.~~

Remember that risks in your day to day work might be better captured in a team risk register, if you have one, so everyone is aware of them. Any significant risks to your work should be fed through to the Directorate register (see below) ~~– [How risk is managed at London Councils](#).~~

How is risk managed at London Councils?

We have a **risk management strategy** which has been approved by CMB and the Audit Committee. It outlines London Councils overall approach to risk, procedures for recording and monitoring risks and the roles and responsibilities of the people involved in the formal process. Our Corporate and Divisional/Directorate risk registers are saved on the K drive so they can be viewed at any time: [Corporate Risk Register](#) and [Directorate Risk Registers](#).

As part of our formal processes, the Corporate Governance Group take responsibility for collating and monitoring our corporate and directorate risk registers. They are regularly updated and reviewed. ~~The Directorate leads for this are: Hugh Grover, PAPA; Elaine Hughes, Services; David Sanni & Andy Pitcairn, Corporate Resources; and Emily Salinger, Corporate Governance.~~ At least once a year, the Corporate Risk Register is discussed at the Audit Committee.

Where can I get some help?

If you need any advice, please contact [Emily Salinger in the Corporate Governance Team](#)
(emily.salinger@londoncouncils.gov.uk – 020 7934 9836).