**Risk Register – Band 1 Projects**

**Guidance Notes**

This document provides guidance on how to develop a Quantitative Risk Assessment for Band 1 projects using the risk register template. The risk register has two primary purposes:

1. It is a risk management tool that is used to record, assess and analyse risks. This will allow risks to be allocated to the party best placed to manage them and to identify/record mitigation strategies implemented to remove the risk, reduce the likelihood of it occurring and the impact if it does occur.
2. To establish a percentage that will be applied to the base costs (construction, preparation & administration and traffic management) to develop a risk value for inclusion in each cost estimate.

**Applicability**

The risk register template shall be used in preparing cost estimates from Phases 3 to 5 of the NTA Project Life Cycle for all Band 1 projects. If the NTA provides written approval, the risk register may be altered, or an alternative methodology may be adopted to establish a project risk value.

**The Process**

This section outlines a step-by-step approach on how to develop a Quantitative Risk Assessment using the risk register template;

*Step 1 – Complete Project Information*

**Enter the title of the project, the project/contract code, the current project phase, the capital project cost (construction, preparation and administration and traffic management) and the date that the risk register was updated**. This step is important because it will provide a view of how the risk on the project develops as it moves through each project phase.

*Step 2 – Identify Project Risks*

**Risks to the project shall be identified by the project team and logged in the project risk register**. This may include risks to cost, quality or programme.

While identification of risks through a workshop are recommended, risks may also be identified by other techniques including but not limited to information gathering, SWOT analysis or checklist analysis.

*Step 3 – Identify the Risk Owner (Individual / Organisation)*

Risks shall be allocated to the party best placed to manage them. **It is therefore important to allocate each of the identified risks to a ‘risk owner’**. When identifying the risk owner, both the organisation and the individual responsible shall be entered.

Allocating risks to a ‘risk owner’ is an important step in the risk management process. It creates an ethos of accountability that acts as an incentive to monitor risks and to ensure risk management strategies are implemented.

It is not good practice to allocate all or a significant majority of risks to one party. Risks shall be allocated to the party that is best placed to manage them, in other words, the party that is best placed to have a positive influence on removing or mitigating the risk.

*Step 4 – Assessing the Risk*

Risks shall be assessed according to the probability of the risk occurring and the impact they would have if they did occur.

**The probability of the risk occurring shall be assessed by ranking the risks using the following scale**:

|  |  |  |
| --- | --- | --- |
| **Rank** | **Probability of Occurring** | **Probability - %** |
| 0 | No Possibility | 0% |
| 1 | Negligible | 3% |
| 2 | Unlikely | 13% |
| 3 | Possible | 36% |
| 4 | Probable | 66% |
| 5 | Almost Certain | 90% |

When the risks are ranked a probability percentage is automatically populated, which is derived from the probability/impact schedule in the risk register template.

The next step in assessing the risk is to determine the impact of the risk if it were to occur. **The impact of the risk occurring shall be assessed by ranking the risks using the following scale:**

|  |  |  |
| --- | --- | --- |
| **Rank** | **Impact if Risk Occurs** | **Impact - % of Project Base Cost** |
| 0 | No Impact | 0% |
| 1 | Minimal | 0.5% |
| 2 | Minor | 1% |
| 3 | Moderate | 3% |
| 4 | Large | 5% |
| 5 | Major | 10% |

When the risks are ranked an impact value is automatically populated, which is derived from the probability/impact schedule in the risk register template.

If the risk impact is ranked as Category 5 (Major Impact – 10%), the risk shall be reviewed in conjunction with the Sponsoring Agency to determine if the impact cost percentage is sufficient. If it is deemed insufficient, the impact cost shall be adjusted manually in the risk register to a value that is agreeable to the Sponsoring Agency.

The probability percentage and impact values are multiplied to provide an overall risk value for that risk.

Supplemental to this process is the rating of the risks. The probability and ranking are multiplied to provide a risk rating. Which are rated according to the following scale, which provides a snapshot of the key project risks:

|  |  |
| --- | --- |
| Risk Score | Risk Rating |
| 1 - 4 | Low Risk |
| 5 - 14 | Medium Risk |
| 15 - 25 | High Risk |

*Step 5 – Application of the Risk Value*

**The generated total risk value shall be added to the cost estimate in the applicable section.**