

Category 5 Standard

S5044 Asset Risk Standard

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MAYOR OF LONDON



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1 Purpose

- 1.1 The purpose of this standard is to ensure that decisions on asset risk are made in a consistent and transparent manner and to demonstrate this is aligned to LU's enterprise wide risk management system.
- 1.2 The objectives for asset risk management in LU are that:
- a) There is an organisation-wide risk management process to support efficient and effective delivery of Asset Management objectives.
 - b) Responsibility for ownership and management of asset risk and related activities is clearly defined.
 - c) All significant risks impacting the organisation have mitigating strategies and owners against which performance can be measured
 - d) Disclosure of issues or concerns is required to facilitate an accurate understanding of LU's asset risk profile so that timely and appropriate action can be agreed and implemented as necessary
 - e) Accurate risk information is provided to support whole life asset plans, inform and challenge asset maintenance regimes and support development of accurate whole life cost models.
 - f) The appropriate balance between asset performance, cost and risk is achieved and decisions are made with a clear understanding of the impact of constrained funding on asset risk.
 - g) The impact of constraints in Capital and/or Operating expenditure on asset risk is understood.

2 Scope

- 2.1 This Standard applies to LU and Suppliers, in the consideration of risks to asset performance, condition and safety.
- 2.2 Project risk is addressed through the Project Management Framework (PMF).

3 Requirements

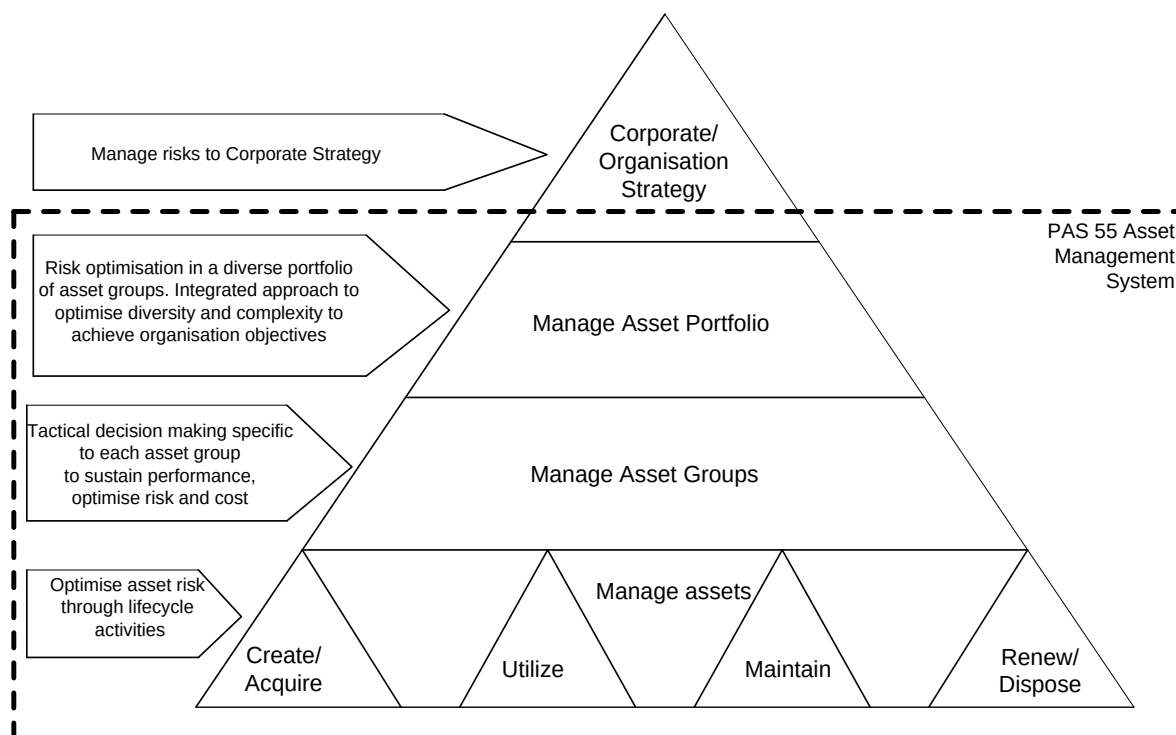


Fig.1 shows line of sight between asset risk and the risk to LU corporate objectives .

- 3.1 The risk process shall include quantification of the potential impact on asset performance, safety and condition and asset management activities and on the delivery of business objectives.
- 3.2 Risk quantification shall enable consistent ranking and prioritisation to ensure all risks are managed within LU's chosen asset risk profile.
- 3.3 It shall also capture the impact of changes to the risk profile that result from constrained (or unconstrained) funding scenarios.

Note: The output of an effective risk quantification process will support an optimised approach to budgetary decisions on Capital and Operating expenditure.

An effective asset risk process should address the risks to asset safety, condition and performance. It should also address asset management activities and their impact on delivery of Asset Management and Business objectives.

This standard will enable LU to manage asset performance in alignment with its operational and strategic objectives, as well as support continued improvement in asset management practice. This will be achieved by providing a clear line of sight between asset risk and the corporate/organisation objectives reported via the Business Plan.

This document also provides an overview of roles and responsibilities for managing asset risk and it may be supported by local asset risk processes specific to each asset group.

4 Process Description

4.1 General

4.1.1 All asset risk data shall be held in a local risk register in MS Excel spreadsheet format. The register shall be used to inform and challenge:

- i. Asset maintenance regimes.
- ii. Whole life asset management strategies.
- iii. Asset investment decisions

4.1.2 Appendix 1 illustrates the process methodology adopted in managing asset risk.

Note: Asset Risk registers are the single source for all asset risk information.

4.2 Identify Risk

4.2.1 Risk data shall be recorded in the local register based on the following criteria:

- a) Asset safety and performance related risks.
- b) Condition related risks shall be classified based on functional codes detailed in the ACR Standard 5-042:
 - i) Code 1 – assets where a statutory non-compliance exists
 - ii) Code 2 – assets where a safety risk exists and must be mitigated to ALARP.
 - iii) Code 3 – assets that require an extraordinary maintenance or operational regime which is uneconomic or unsustainable long-term.
 - iv) Code 4 – assets which have a risk of failure generating performance loss.
- c) Risks associated with third party arrangements (see Appendix 2)
- d) Obsolescence Risks

Note: Anyone may identify risks to be recorded in the local asset-risk register.

ACR Standard 5-042 provides guidance on risk description.

4.2.2 For each asset area, a person in the Asset Performance Directorate (APD) shall be assigned to own the local risk register, be responsible for its upkeep (unless otherwise agreed with the Sponsor), and shall inform the Sponsor of newly identified risks.

4.2.3 Risks shall be reviewed and validated (or rejected) in consultation with the APD Asset Head, the Head of Profession and the Sponsor.

4.3 Assess & Evaluate Risk

4.3.1 All risks shall be scored using the standard matrix – see Appendix 3 for approved standard risk matrices.

4.3.2 Asset risk shall be assessed in terms of its impact on:

- a) Safety
- b) Cost (measured in terms of asset availability or operability, i.e. performance or service loss, additional maintenance or operational cost etc)
- c) Reputation
- d) Environment (measured in terms of impact on Cost or Reputation)

4.3.3 The custodian of the local risk register shall ensure all entries are approved (or validated) and quantified, according to a risk score based on the consequence matrices (Appendix 3).