London 2012
Risk Management

12th May 2011
Risk management overview

Risk management is about the control of change by the promotion of activity and understanding of exposure.

The three lines of defence

- Detailed project level identification and management of individual risks
- ODA Programme Assurance – oversight of the process and compliance with it and the quality check of the data
- ODA Risk and Audit – Setting of policy, audit of outputs and process and reporting to the Audit Committee
Risk Management on London 2012

- Risk management is part of the change control process
- Governance structure that required authorisation for all changes
- Senior management reviews at various stages of the change lifecycle
- Risks migrate through the risk and trends process until they become certain and are requests for change with budget authority or milestone change
Risk management activities

- Three main activity stages to risk management
  1. **Identification** – development of risk register
  2. **Assessment** – determination of the likelihood and impact of risks
  3. **Control** – Formulation of mitigation plans and actions
- Repeat activities regularly to ensure registers reflect current status
- Hold risks centrally and monitor through assurance
- Ensure risk are recorded consistently with clear accountability
- Report key risks and overall risk status at project and programme level
- Escalate key decisions to higher authority levels for resolution
- Monitor risk management process for compliance and report
- Periodic review process for improvement
Risk management implementation and assurance

- Risk management must be part of the project or progress process
- Risk management carried out within the project or function
- Assured by the central team for review, update and compliance
- Risks reported by the project team as part of the process
- Consolidation of programme risks by the central team
Quantification of risk - QRA

- QRA was used to calculate the contingency required for the budgets as part of the Baseline Report published in November 2007 – Yellow Book

- QRA was part of the ongoing calculation of Anticipated Final Cost - the basis for programme performance

- QRA was also used to calculate programme risk contingency

- Schedule QRA was used to determine schedule risk on the complex projects and against interfaces
Control of contingency

Contingency is controlled through a series of regular governance meetings

• Funders – Held by the Government funding departments
  • QRA calculated quarterly and contingency adjusted
  • Available quarterly by application to the Funders Group

• Programme - Held by the ODA
  • QRA calculated quarterly and contingency adjusted
  • Accessible with approval to Funders

• Project – held within the project budgets
  • QRA calculated quarterly and trended from each month
  • Available with approval of change board, also delegation
Review of risks

- Risks, trends and issues reviewed monthly with the project team and at implementation reviews with Programme Executive
- Key programme risks reviewed monthly with SROs
- Programme risks reviewed by ODA assurance group monthly
- Programme QRA and key programme risks review at the Funders Quarterly Risk Working Group
- Key programme risks reviewed by the Audit Committee of the ODA Board
Reporting of risks

- Project risks, trends and issues reported as part of Project Status Report
- Project QRA results included in calculation of AFC (Anticipated Final Cost) and reported on Project Cost Report
- Key programme risks reported as part of the Monthly Progress Progress Report
- Programme QRA reported to the Government Olympic Executive and Funders as part of the Quarterly Report
- Key risks reported to the Audit Committee of the ODA Board
- Programme risk assurance report to monitor performance of and compliance with risk process
Benefits of the approach

• Three lines of defence model for risk management ensures
  • Risk management applied across all projects and functions
  • It is assured through regular challenge of the outputs
  • Consistency guaranteed through common policy and compliance audit
• Risk is high priority at all levels from projects to Funders and Olympic Board
• Risk is embedded into the ODA processes for change control, progress reporting and calculating AFC and budget
• Risk management promotes specific activity aimed at reducing change
• Potential changes are identified and mitigated early
• Risk assessment was a transparent and integral part of cost forecast
• Free contingency identifiable and returned to Funders throughout
# Key risks to the programme

<table>
<thead>
<tr>
<th>Year</th>
<th>Governance</th>
<th>Vacant possession</th>
<th>Planning</th>
<th>Works adjacent to the railways</th>
<th>Developer funding - IBC and Village</th>
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Risk: Supply chain insolvency

• 150 Tier 1 contracts, 7,500 Tier 2 contracts and 43,000 contracts placed in total

• Credit crunch, recession and worsening economic outlook

• Number of insolvencies increasing as recession continued

Our response
• Supply chain team to monitor all Tier 1 and critical Tier 2 suppliers using Credit scoring ratings, delinquency etc.

• Developed an Insolvency team to act at the first signs of insolvency

• Supplier held materials were vested or delivered to holding depot

• Intervention in procurement to prevent high risk appointments

• Number of insolvencies kept to a minimum against average
Risk: Credit Crunch and funding of IBC/MPC and Village

• Developer deals intended to fund the IBC/MPC and Athletes Village

• Deal might be difficult to finalise

• Private funding would come with additional requirements that might not be acceptable

In the event the credit crunch made the deals unattractive and they collapsed

• What happened?
• Re-design to reduce cost
• Funded from contingency and savings
Risk: Programme interfaces and integration

• High number of interfaces and complexity

• New bridges, roads, sewers, utilities connecting to Venues

• Venues and infrastructure are in areas of changing topography

What did we do?
• Try to minimise the interfaces

• Understand and manage the interfaces

• Procure in larger packages and transfer the integration risk to the supply chain
Key risk: Industrial relations

- Currently about 6,500 employees on the park and a further 5,000 on the Village
- 3 major unions represented
- The Olympic Programme is high profile and is a target increasing as the games approached
- Some demonstrations but no real industrial disputes to date

What do we do?
- Agreed with the unions key principles of employment including:
  - All labour directly employed and local where possible
  - Pay to Working Rule Agreement rates
  - Union representation on site
  - High standard of welfare, training and employee facilities
  - Active and regular discussion with all the key unions
  - Enforcement of agreements
Risk: Security, considerations, changes and authority

- Security is key during games and construction

- Security includes perimeter guarding, CCTV, Fencing etc.

- Changes in security scope are always liable and to some extent unknowable

- Change in threat can mean a scope change such as:
  - Building resilience
  - Hostile Vehicle Mitigation

Mitigation
- Close relationship with the security community and identification of possible measures required
- Developed scope to be flexible and signed of by security stakeholders
- Transferred cost of risk to Funders
Delay to completion of the Athletes Village

• Village comprises approximately 16,000 bed spaces during Games
• And 2,500 flats in Legacy
• 11 Plots of which 5 were CM and 6 tier 1
• Large number of flats in one go in the UK to a strict deadline
• Supply chain risks for component manufacture and delivery such as:
  • Bathroom pods
  • Cladding panels

What we did
• Negotiated with constructors to accelerate and buy off delay and disruption claims
Risk: Health and Safety

• Up to 10,000 workers on site during peak

• Complex, constrained site involving:
  • Working at height
  • Hot working
  • Heavy machinery
  • Tunnelling and underground works
  • Temporary works
  • Demolition
  • Railway working

What we did

• High focus on safety culture with ‘Safe Start’ and toolbox talks etc…

• Made senior managers responsible for safety performance

• Stopped work when safety was compromised
• World beating safety performance
• So far the only Olympics without a fatality