Appendix 9: Risk Management Strategy

Introduction

The Risk Management Strategy sets out the process and responsibilities for undertaking risk management to deliver the scheme. Implementation of a structured, forward looking and continuous risk management process is intended to increase the certainty of cost-effective scheme delivery.

This Plan:
- Provides a basis for identifying, assessing and managing risks/ issues to achieve the project's cost, programme and performance objectives and meet with compliance requirements;
- Assists in making decisions on resourcing and funding priorities, including the scope of the project to support subsequent procurement and implementation activities;
- Supports development and evaluation of procurement strategy options;
- Provides risk information to support cost estimates;
- Allows for monitoring of adverse forecast project trends.

Roles and Responsibilities

The risk management organisational structure for this scheme consists of:

- **The Risk Owner**

The risk owner shall be responsible for the day to day management of the risk(s) that they own. The selection and appointment (by the Project Manager/Risk Manager) of a risk owner will be on a "best person for the task" approach and, once appointed, the risk owner will monitor and update the risk register informing the Risk Manager of changes.

- **The Project Manager**

The Project Manager has overall responsibility for ensuring that the risk management process is implemented and managed in accordance with strategies contained within this document.

- **The Risk Manager**

The Risk Manager, who will sit on the Projects Board, shall ensure that risks are actively managed in a consistent and appropriate manner across all work streams and projects in accordance with this Plan. All risks shall be reported by the Risk Manager to the Projects Board (see below) in conjunction with the Project Manager.

The Risk Manager shall:
- Ensure that an appropriate framework is adopted;
- Report to the Project Manager in review and management of project performance;
- Agree the required level of risk management support to be provided for risk identification, analysis, review and reporting;

- Facilitate risk workshops/meetings as appropriate and be supported by a risk co-ordinator if required;
- Be the custodian of the risk register and the contained data.

- **The Project Board**

The Projects Board has overall responsibility for ensuring sufficient resources are available to manage risks across the scheme. Risks shall be allocated and managed in a cost effective manner by the most appropriate party and at an appropriate level. The Projects Board shall be primarily concerned with managing strategic level risks relating to interfaces between the scheme and the wider project environment.

Risk Management

Since the project's inception there have been several iterations of the risk register associated with the scheme in its various forms. In the future the Project Manager will utilise this plan to provide a consistent and specific risk management approach to the scheme.

Three key steps will be undertaken: Risk Identification; Risk Analysis/Evaluation; Risk Treatment (Management /Control). The steps are broadly sequential and commence with identification and recording of a potential risk event within the risk register followed by quantification and then management and / or control of the risk as described further in this section.

The cost risk exposure that the scheme presents to Hartlepool Borough Council (HBC) has been assessed through an iterative process that provides an indication of the quantum of contingency funding that is appropriate for the scheme.

Risk Management Process

Risk Identification

A Risk Register has been produced to capture and quantify the risks associated with delivering the scheme. The risks have been identified using experience gained on other similar schemes and the current understanding of the scope of the project.

For each risk a mitigating action has been identified. These actions are those deemed appropriate for reducing the risk exposure for a particular risk to the post mitigated position. Ownership of the risks within the Register has been allocated to specific Risk Owners.

Risk Analysis/Evaluation

The scoring thresholds for probability of occurrence, cost and time impact are shown below and have been defined in agreement with Hartlepool Borough Council (HBC). Categorising the risks in accordance with these thresholds provides a common understanding of risk exposure attributed to this project.

Probability

Rating Level	Likelihood	Description	%
1	Very Low	Virtually impossible	<5%
2	Low	Low but not impossible	20%
3	Medium	Fairly likely to occur	50%
4	High	More likely to occur than not	> 80%

Cost (Budget) Impact

Rating Level	Degree of impact	Optimistic	Medium	
1	Very Low	0	50,000	100,000
2	Low	100,000	150,000	200,000
3	Medium	200,000	400,000	600,000
4	High	600,000	800,000	1,000,000

Time (project programme) Impact

Rating Level	Degree of impact	Optimistic	Medium	Pessimistic	Timescale
1	Very Low	0	0	0	Zero
2	Low	0	7	14	Days
3	Medium	2	8	14	Weeks
4	High	3	7.5	12	Months

Using the above scoring thresholds, a risk index (on a 16 point scale) has been calculated to score each risk identified. This index is produced by averaging the cost and time scores and then multiplying the result by the probability score. This allows the risk outcome to be weighed in favour of the chance of the event occurring and provides a more realistic interpretation of the risk.

<u>Risk Treatment (Management/Control)</u>

Any action that is taken to address a risk forms part of what is known as "internal control". There are five key aspects of addressing risk, also known as risk responses:

Risk / Opportunity Strategy	Possible Actions
Terminate risk	• Don't undertake the actions that pose the risk • Acquire expertise • Change direction
Treat risk (most common strategy)	• Take mitigating actions to reduce risk • Risk reduction actions must give a cost benefit i.e. the cost of the risk reduction must be less than the expected cost of the risk.
Transfer risk	• Take out insurance • Assign to contractor • Set up a Joint Venture
Tolerate	• Accept risk and add to project contingency • Don't ignore - monitor and review • Proactive risk management
Take *Opportunity*	• Maximise the likelihood of this opportunity being realised and/or maximise its positive benefit when it is realised

All of the above approaches will be considered in the treatment/management of the risks identified as the scheme is taken forward.

Frequency and Organisation of Risk Reviews
Risk review meetings will be repeated throughout the project life cycle at regular intervals.

Informal reviews of the risk register shall be undertaken on a monthly basis when each work stream will be required to report on their activities for the month. Risk Owners will be requested to report any updates on the risks assigned to them via the Project Manager and Risk Manager.

Any high level risks will reported to the Project Board on a monthly basis. These risks will be considered and any change to the mitigation measures or probability

discussed and recorded. Key actions relating to project risk will be minuted and disseminated to the project team as appropriate by the Risk Manager.

Risk Review Schedule
The current programme allows for Risk Management activities including workshops and reviews – exact dates will be confirmed as the project progresses.

Reporting
The Risk Manager will report monthly through the Project Board meeting.

Relationship with Optimism Bias
As set out in WebTAG Unit A1.2 and the Treasury Green Book it is expected that the scheme cost estimate will be refined based on better quality data as the scheme is taken forward to the next stage of development. As project-specific risks become better understood, quantified and valued, it should be possible to better capture the factors that contribute to optimism bias within the risk management process. Therefore, as risk analysis improves as the scheme develops, it is expected that the risk-adjusted scheme cost estimate will become more certain while the applicable level of optimism bias will decrease.