

## **Appendix A – Risk Management Update**

Significant change to the risk register since the last Risk Management report was presented in June 2017.

### **Current score changes:**

#### **RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)**

A confidential report setting out the financial position of the NDR was presented to EDT Committee on 21 June 2017. Following discussion Committee agreed that the risk rating for the project to achieve delivery within budget should be amended to red to reflect a likely increase in costs. The current risk score has been amended to 25.

### **Risk:**

Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)

### **Risk Description:**

There is a risk that the NDR will not be constructed and delivered within budget. Cause: environmental and/or contractor factors affecting construction progress.

Event: The NDR is completed at a cost greater than the agreed budget.

Effect: Failure to construct and deliver the NDR within budget would result in the shortfall having to be met from other budgets. This would impact on other NCC programmes.

### **Current Likelihood:**

Score now at 5 (as per June Committee consideration)

### **Current Impact:**

Score now at 5 (as per June Committee consideration)

### **Tasks to Mitigate the Risks:**

The total project budget agreed by Full Council (November 2015) is £179.5m. Since then, November 2016, a risk of £6.8m increased budget was highlighted. In June 2017, this valuation and risk has increased. The new assessment reflects the corporate assessment criteria (i.e. 5 x 5) and was agreed at June Committee. Mitigation measures now reflect the revised position.

- 1) Project Board and associated governance to continue to monitor cost and programme at monthly reporting meeting.
- 2) NCC project team to include increased commercial resource to provide scrutiny throughout the remaining works by Balfour Beatty. This will include an independent audit of Balfour Beatty's project costs.

- 3) Programme to be developed that shows works to be completed as rapidly and efficiently as possible.
- 4) Project controls and client team to ensure systems in place to deliver the project and prepare for any contractual issues to be robustly handled as works are completed and final account process closed.
- 5) All opportunities to be explored to reduce risk and programme duration with appropriate management meetings (at appropriate levels) to be held.
- 6) Provide further assurance of budget management governance through appropriate audits and further specialist advice.
- 7) Seek further contract/legal advice on key contract cost risks as necessary (linked to item 4 above).

Overall risk treatment: Focus on reducing project costs

**Progress update:**

- 1) The project Board is in place and monthly reporting on progress, cost and risk is being provided to the Board. Process will also include updates and feedback from the NDR Member Group who are providing additional project scrutiny.
- 2) The project commercial team has been reinforced to provide increased scrutiny throughout the remaining works. This includes a planned review by external specialists to examine Balfour Beatty's project costs to date. Further resource or specialist advice to be discussed at Board meetings.
- 3) Contractor has been asked to develop a programme demonstrating the activities necessary to complete all the remaining works. Expected to provide details of the planned phased opening of the NDR (in up to 3 stages). Board and NDR Member Group to be provided with details.
- 4) Project administration controls and client commercial team are reinforcing systems and staffing levels to monitor ongoing costs and contract information. The specialist review of allowable costs will provide input to any further cost management requirements. Contract administration will continue to be managed through CEMAR software package. Project cost forecasting also to be updated in line with programme (see 3 above).
- 5) Regular construction meetings held to ensure delivery maintains momentum on site. Further meetings being held between respective commercial teams to deal with closing out necessary contract changes and programme management. Senior management meetings are also being held to discuss the commercial position and find ways of reducing costs. Details to be reported to Board and new NDR Member Group.

Ongoing analysis by the Projects Support Manager assigned to the NDR project will provide additional detailed assessment of project cost issues.

6) A governance (delegated purchasing of land) audit and a contract variations audit are being carried out. Audit scopes established and agreed to complete and report by end August 17. Further cost analysis by specialist consultants also planned to commence at end of August 2017.

7) Specialist contract advice has been requested to deal with specific project issues. The scope of this is under review and may increase. Decisions on this will be discussed at Board and with the Member Group.