

# Appendix 1 - East Bank Programme Risk Register – Residual Risk Profiles – Jan 2019

NOT FOR PUBLICATION  
By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

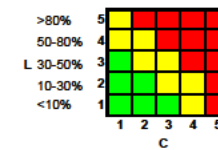
Agenda Item 20



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V13.2  
25 January 2019  
Updates in blue italics



Control Rating		
1 - Optimal	Comprehensive and commensurate with the risk evidenced as working as intended	Green
2 - Adequate	Some shortfall in level of controls but these do not materially affect the level of residual risk	Yellow
3 - Inadequate	Inefficient controls do not treat the risk as intended.	Orange
4 - Weak	Inappropriate controls do not address risk	Red
5 - Uncontrolled	Controls are non-existent	Dark Red

Ref No	Heading	Risk (What can go wrong affecting achievement of business objectives) Format: EVENT leading to CONSEQUENCE resulting in EFFECT on BUSINESS OBJECTIVE	Root Causes (how/why it can go wrong)	Owner	Likelihood	Consequence	Matrix Zone	Current Controls		Likelihood	Missed objectives	Safety & Security	Schedule	Sustainability/Environment	Financial	Stakeholders	Matrix Zone	Proximity/Velocity	Embedded Monitors (EM's)/ Early Warning Indicators (EWI's)  (How you know if Current Controls are working as intended, or if the risk level is changing)	Root Cause (Action) Owner	Current Control Rating	Control Action Plan	
								Existing controls evidenced as working														Planned actions to upgrade controls or monitors	Planned / (forecast) Action completion date
								Cause (Preventative) Controls (measures/processes already in place to reduce/eliminate the cause i.e. reduce the likelihood of the event occurring)	Impact (Reactive) Controls (measures already in place to reduce the consequence/impact of the event, should it occur)														
1	Major changes in Partner Requirements	Inability to reconcile stakeholder/partner changing requirements within programme cost and time constraints leads to re-design, delays in planning application submission and/or determination, aborted costs, programme delay and reputational damage including the possibility that the project does not go ahead or is reduced in scope.  <i>Likelihood moved down to 1 following completion of AFLs with partners which legally commits partners to the programme. Fundamental change considered very unlikely but keeping this on the risk register due to high nature of impact. Review control rating once Stage 4 designs approved.</i>	C1 - The design of the development or the project execution plan continues to change. C2 - Partner priorities/budgets change C3 - Onerous reserved matters/pre-commencement conditions C4 - Increased no./complexity/competing requirements of partners C5 - AFL execution delayed C6 - Objections from consultees C7 - Information from construction supply chain or other consultants or stakeholders is late or inadequate	Rosanna Lawes				- Implementation of Planning Strategy [C1, C2, C4] - Continuous political engagement to ensure cross-party support is maintained [C1, C2] - Professional project management standards applied with good legal advice [C1, C4] - FBC submission condition precedent on execution of AFLs [C5] - Early engagement with PPDT and statutory consultees [C3, C6] - Work with PPDT during the preparation of the application documents to pre-empt any onerous requirements. Consider if programme allows for further details to be included in the hybrid application. Note this could result in abortive work if carried out ahead of contractor appointment [C3, C6]  Note this could result in abortive work if carried out ahead of contractor appointment [C3, C7] - Early preparation of Reserved Matters application whilst the outline application is being determined [C3, C6, C7] - Support V&A negotiations for Blythe House collection relocation [C8] - New cost review process to provide interim confirmation of design to cost targets [C9]  - FBC for Blythe House relocation likely to be submitted in early 2019. No major concerns about approval [C1, C8, C10] - Executed AFLs (V&A, LCF, SW, BBC, UAL) [C2] - Partners (excl BBC) signed off Stage 3 design [C1, C2] - All partners signed off planning application which was submitted in November 2018 [C1, C2]								EM: East Bank Board and Programme Board oversight  EWI: Monitor political and economic factors and trends and make adjustments accordingly. Slow progress with agreeing Brief and AFLs	Greg Smith		1. Execute BBC Agreement for Lease 2. Run viability tests (by Turner & Townsend) for V&A, SW and UAL 3. BBC sign off Stage 3 4. Add Stage 4 details	Complete 31/01/2019 31/03/2019			
2	Carpenters Lane Bridge (CLB) funding shortfall			Gerry Murphy																			
3	Philanthropic funding			Lyn Garner															EM: Close monitoring of fund raising progress. Reporting through programme-wide report EWI:	Paul Bickell		1. Appointment of new FFL Co-chairs 2. Ways of working and basis of collaboration between FFL and LLDC and partners to be agreed 3. FFL to recruit new director - position offered awaiting confirmation 4. FFL to recruit fundraiser TBC	Complete TBC Feb 2019 TBC
4	Capital funding for universities	University partners may experience delays in meeting the AFL requirements to demonstrate their secured funding position to allow the East Bank programme to progress to plan resulting in East Bank work progressing 'at risk', delays to the overall programme or, ultimately, the withdrawal of a university tenant from the project thereby compromising of the overall business case viability.		Gerry Murphy				- Viability and funding conditions within AFL provide hold points to confirm UAL/UCL funding position in advance of key financial commitments [C3 - C5] - UAL have a new fundraising team in place [C3, C4]  - Pre-lease funding conditions have been met, all other conditions are being monitored by UCL and met as set out in the AFL [C6]										EM: LLDC will be a sitting member of the UCL Infrastructure Project Board  EWI:	Gerry Murphy		Complete		
5	CLOSED BBC approval delayed or revisited	There is a risk that the BBC are unable to conclude the execution of the AFL as planned or want to delay and revisit their commitment to the project resulting in significant delay and disruption to the project (including planning and procurement) potentially undermining the Government's FBC funding condition and resulting in aborted costs and impacts on other partners, in particular UCL who require funding certainty from Government in November to allow contracts to be let.	C1 - unclear BBC governance processes and delegated authority arrangements require additional approvals to those originally envisaged. C2 - additional internal consultation, not included in the original executive review, require further work to prove the internal business case. C3 - BBC design is behind the other partners due to the brief change and their later inclusion in the project (but is in line with the agreed programme)	Rosanna Lawes				Continuous lobbying and monitoring by LLDC senior management to progress decision making [C1 & C2] Working with Government to seek formal FBC funding letter in early November [C1 & C2] Ensuring level of BBC design information is sufficient to be part of the detailed application submission in October 2018 [C3] Ensuring that all procurements after substructure have the same level of design information as other partners (RIBA stage 4) [C3] BBC executed AFL [C1 - C3]											Greg Smith		BBC - Completion of AFL	Complete	
5	NEW SDLT funding			Gerry Murphy																		TBA	

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6	Stratford Waterfront residential viability	The residential development scheme fails to meet its viability criteria leading to sub-optimal development of the site, reduced capital receipts and reputational impacts		Rosanna Lawes															EM: Milestones in programme-wide report		Continue to work with GLA on portfolio approach to affordable housing and related unding...	TBA			
7	Planning Application Determination	There is a risk that planning application activity and the subsequent determination is not completed in the required timescale (excluding Judicial review - see later). Planning determination is a critical path activity and therefore delay will impact construction commencement.  Since the last update planning Stratford Waterfront planning submission has been made on schedule (all documents submitted in November 2018), and UCL's RMA was also submitted. However, likelihood is trending upwards because of a Regulation 25 request on wind mitigation which requires further work and may prolongate the determination period .	Preparation: C1 - Insufficient time allocation to prepare and submit planning application(s) and for pre-application discussions with PPDT. This includes requirements for wind mitigation for the Stratford Waterfront application which are being tested and may not be complete until after the submission date. C2 - Input from design teams is not timely or inadequate C3 - Extended design programme C4 - Inefficient co-ordination of design teams C5 - Post EIA scheme fix amendments impacts on EIA programme and resourcing. C6 - Delay in BBC Stage 2 design information C7 - AECOM output being insufficient to support application Determination: C8 – Objections to the lack of affordable housing impacts on public and political support for the project. C9 - Protracted negotiations (including S106) and decision making. C10 - Insufficient details in the planning applications C11 - Objections from consultees C12 - Onerous regulation 22 request C13 - Lack of resources - PPDT capacity C14 - Statutory call-in C15 – Objections to reduced residential capacity compared to consented scheme and London Plan targets. C16: The portfolio approach to affordable housing across all LLDC's housing developments leads to objections delaying the planning permissions C17: Further requests for information made during planning determination process (i.e. on wind mitigation) may delay determination, both for SWFT application and UCL RMA	Irena Man				- Work with PPDT during the preparation of the application documents to attempt to pre-empt any onerous requirements [C1, C16] - Thorough pre-application consultations with all stakeholders [C1, C3, C10, C16] - Robust town planning strategy and effective public and stakeholder consultation plan [C2, C3, C16] - Completed thorough scoping of the EIA / TA [C1, C2] - Close management of design team progress and outputs to ensure timescales are achieved to the desired quality [C2, C4, C5, C6 & C7] - Early engagement with partners and LLDC to ensure timely decision making to achieve scheme fix requirements [C3,C4, C5,C6, C7 & C8] - Ensure robust change control process is implemented to manage post scheme fix amendments [C5, C6] - Developed and implemented strategy/schedule for effective pre-application engagement with PPDT to ensure sufficient detail is provided in the planning application including EIA [C7, C9, C10, C11, C12, C13, C15, C16] - Programme of briefings to Planning Decisions Committee and QRP until submission of planning application [C9, C14, C15, C16] - Briefed Mayor/GLA planning and maintaining GLA engagement including discussions with GLA viability team on impact of AH Policy [C11, C14, C15, C16] - Early engagement with stakeholders from November 2017 including exhibitions [C14] - Engaged Historic England and GLA regarding residential building envelope and strategic views [C12, C14] - Monitoring PPDT resourcing [C13] - Public engagement commenced [C11] - Robust change control process implemented following scheme fix [C5, C6] - Submission of majority of Planning documents made in October 2018 and further information relating to wind mitigations in November [C1] - Close work with Planning Team to understand what the planning conditions may be to allow these to be fulfilled in good time before commencement. [C16, C17] - Plan agreed with Planning to aim to complete required work on wind mitigation and Planning reviews before planning submission date. (C17)	Time allowance for delay included in project risk register supported by QSRA modelling [R141, 294; UCL-016, UCL-009]								EM: Planning progress in programme-wide report  EWI: Delays in other planning application determinations	Irena Man		1. Awaiting confirmation from GLA on funding for affordable housing . Determine impact on viability.  2. Decision at May 2019 Planning Committee meeting  3. GLA planning approval  4. Discharge pre-construction conditions	TBA  30/04/2019  30/6/2019  30/06/2019				
8	SW & V&A VAT			Geny Murphy																					
9	Preferred procurement strategy undeliverable																				31/01/19				
10	Inefficient design development	There is a risk that design development progress is insufficiently advanced to achieve key programme milestones (e.g. UAL academic calendar, UCL delivery of Marshgate) or to support construction progress.  LLDC risk workshop discussion following completion of Stratford Waterfront Stage 3, about whether this risk should move off programme level and continue to be managed at project level. Aim to close in next cycle in spring 2019 following BBC sign off of Stage 3 and progress in stage 4.	C1 - Ineffective design management / unclear last responsible moment decision milestones or change control C2 - Insufficient design resource C3 - Inefficient/inappropriate design approval process C4 - Client/partner delegated authorities not appropriate to support agile decision making C5 - Inability to achieve design fixity / non-adherence to gateway and sign-off process C6 - Late change in design brief including security regime, occupancy or phasing assumptions C7 - Protracted option analysis diverting resource from design production	Rosanna Lawes				- Validate briefs at the end of each RIBA Workstage [C1 - C7] - Take any changes of the brief through the change control process which include cost management and budget sign-off, so that the decision is taken with full sight of any pre-construction contingency draw-down to mitigate cost impacts [C5, C6] - Work closely with design team and the partners to contain level of changes as scheme develops [C4 - C7] - Validate sustainability targets at key stages of the design process [C6] - Validate as-built information with surveys and site visits [C3 - C6] - Early engagement with third parties to agree interface and incorporate requirements into the design to mitigate late changes/abortive works [C5, C6] - Plan stakeholder approval as early as possible after end of each RIBA stage, planned partner engagement during work stages for both their Board and project teams to engender support including early visibility of designs and their evolution, to approvers prior formal end of stage submissions [C3 - C6] - AFL documents to include process and timeframe for decision making [C1 - C7] - Ensure regular contact with partners and design and management team - monthly design review + project board meeting [C1 - C7] - Detailed risk registers to be produced with the partners so they can understand and influence their risks [C1 - C7] - Ensure information provided to the partners/approvers for milestone sign-off is timely and of adequate quality [C1, C3 - C7] - Extensive engagement with stakeholder+I23s to discuss potential issues before they arise ensuring (as far as possible) there is no surprise culture [C1 - C7] - Regular review of project resources (including consultant teams) [C2] - Robust partnership and stakeholder management structures and processes put in place early including a robust and well managed change control process and change control now integrated into project board [C1, C3] - Commencement of RIBA Stage 3 according to programme milestones [C1] - SW partners signed-off procurement strategy [C1, C5] - Review and confirm outstanding brief requirements with partners and their Boards during RIBA Workstage 3 [C8] - Working closely with UCL on delivery approach review [C6]	Time and financial provisions included in project risk register supported by QRA modelling [R126; UCL-061, UCL-045 ]								EM: Progress against major milestones reported on Exeview and on PSRs to LLDC East Bank Executive Group and Programme Board  EWI: Failure to achieve clean sign-off at completion of each design phase (build up of outstanding issues)	Peter Maxwell		Conclude contract for Stage 4 design included detailed design deliverables schedule for Stage 4 to meet procurement dates	31/01/2019				

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Page 217	11	Sub-optimal construction cost and delivery performance  Outturn cost of construction exceeds budget		Colin Nash															Complete					
	12	Additional TPI		Gerry Murphy															Complete					
	13	Strategic objectives not realised		Paul Brickell															Complete					
	14	Changes in legislation		Gerry Murphy															Closed - see monitors					
	15	LLDC and Partner resources		Rosanna Lawes															Complete					

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16	Operational Disruption	There is a risk that QEOP operational areas and events are significantly disrupted by adjacent construction work including congestion of vehicular traffic in the local area which leads to reputational damage for LLDC, a fall in visitor numbers due to bad publicity and therefore a fall in revenues.	C1 - Under-estimating level of QEOP activity adjacent to construction C2 - Inadequate planning of construction activities requiring related activities to take longer or occupy a larger physical area than intended C3 - Unforeseen change in operating standards (e.g. security) impacts work in progress or imminent planned work. C4 - Inadequate communications with local stakeholders	Mark Camley				- Regular meetings between POV and East Bank management [C1- C3] - Construction coordination group established with regular meetings incl borough representatives beyond LLDC control [C4] - Mapping of combined park events and construction events established, updated and reviewed monthly [C2] - Close coordination with stadium management before and during events [C2 - C4] - LLDC establishment of Construction Transport Management Group (C1-4)	1) Business Continuity Management (BCM) plans in place. Periodic BCM desk-top exercises. Crisis management arrangements in place with clear roles and responsibilities. 2) Time allowance for delay included in project risk register supported by QSRA modelling [R546]							EM: Audit of BCM complete Nov-16 Debriefs /lessons learned after each event  EWI:	Mark Camley							
17	Security threat levels (building costs)			Peter Maxwell													Peter Maxwell			31/01/2019  31/07/2019				
18	Legal challenge to the project causes delays			Rosanna Lawes													Rosanna Lawes							

Rating	Likelihood	Description	Missed Objectives	Schedule	Safety & Security	Environment & Sustainability	Financial Scales		Stakeholders		
							Revenue Income loss (net to LLDC)	Capital Cost to Programme	Partner Engagement	Reputation	Legal
1	1 - <10%	Insignificant	Superficial quality reduction - e.g. in finishes, paintwork, etc.	Minor interruption to non-critical process - up to one week's delay to work	Non reportable injuries	Short term local damage - e.g. incorrect completion of waste transfer note for waste removal from site	£0 - £1M	£0 - £1M	Visible drop off in enthusiasm or participation in discretionary activity	No Press coverage - Impact managed internally without stakeholder engagement or relationships maintained with no press coverage	Improvement notice
2	2 - 11-30%	Minor	Unspecified products or materials utilised in lieu of original specs - e.g. fence instead of wall, fake trees as opposed to real, etc.	Interruption to non-critical process - up to one month delay to work	Minor injuries	Medium term local damage, short term regional damage - e.g. minor localised spillage on site to ground or disturb nesting birds	£1M - £5M	£1M - £5M	Distinct withdrawal of discretionary activity	Local adverse press coverage - Impact managed with minor stakeholder engagement, a reduced ability to deliver short term objectives with locally adverse press coverage	Prohibition notice or Injunction
3	3 - 31-50%	Moderate	Moderate deviation from original plan without substantively impacting usability - e.g. relocation of building, but still accessible to users	Lengthy interruption to non-critical process - up to two month's delay to work	Major injuries	Long term local or regional damage - e.g. Section 60 notice served on a site from Local Authority. Potential impact on programme/method of construction or missing ecological survey windows, resulting in delay to project and/or more expensive mitigation options	£5M - £10M	£5M - £10M	Withdrawal of discretionary activity at senior management levels.	Regional and local adverse press coverage - short term reputational effect and increased engagement with stakeholders to achieve objectives with regional and locally adverse press coverage	Prosecution with fine or sued by third party
4	4 - 51-70%	Major	Major deviation from original plan/mission, significantly deterring use of scheme and/or detracting from its aesthetic value and utility - e.g. reduced capacity to house original student numbers, no second museum, etc.	Interruption to critical process - up to four month's delay to work	Single Fatality	Long term widespread (ie off-site) damage - e.g. groundwater pollution incident, resulting in revision to construction techniques and programme of pollution monitoring.	£10M - £20M	£10M - £20M	Relationships across the matrix become dysfunctional	National adverse press coverage - major and/or long term reputational effect, senior management engagement with stakeholders to promote and achieve strategic business objectives with nationally adverse press coverage	Directors charged, public enquiry, compensation claims exceeding £1m
5	5 - >70%	Severe	Complete failure to deliver a lasting change to the locality - to meet core LLDC purpose	Major interruption to critical process - more than four month's delay to work	Multiple fatalities or single fatality and multiple injuries	Permanent widespread damage - e.g. corporate sustainability strategy fails to deliver, does not meet market or Stakeholder requirements	£20M+	£20M+	Relationships across the matrix breakdown, open undermining of business objectives and activity	Major national and international adverse press coverage - sustained opposition from stakeholders preventing the achievement of short and long-term strategic objectives Major national and international adverse press coverage	Directors convicted, compensation payment exceeding £2m

Control Rating	Uncontrolled	Weak	Inadequate	Adequate	Optimal	
	5	4	3	2	1	
Control Characteristics	Non-existent	<ul style="list-style-type: none"><li>- Not clearly defined</li><li>- Too limited</li><li>- Conflicts with current organisational design / accountabilities</li><li>- Contradicts current established processes</li></ul>	<ul style="list-style-type: none"><li>- Controls defined</li><li>- Inadequate deployment</li><li>- Unable to treat risk as intended</li><li>- Not correctly aligned with root causes and/or impacts</li><li>- Unlikely to achieve predicted level of mitigation</li><li>- Not fully integrated with current established processes</li><li>- Not appropriately monitored or reviewed</li></ul>	<ul style="list-style-type: none"><li>- Effective deployment</li><li>- Comprehensive but Not fully aligned or complementary</li><li>- fully complied with</li><li>- Periodically monitored</li><li>- Unnecessary duplication across the organisation</li><li>- Subject to complex responsibilities / accountabilities</li><li>- Out of step with organisational design</li></ul>	<ul style="list-style-type: none"><li>- Effective deployment</li><li>- Comprehensive</li><li>- aligned to correctly target root causes and / or impacts</li><li>- Commensurate with an approved level of residual risk</li><li>- Appropriately and systematically monitored</li><li>- Regularly and robustly reviewed for appropriateness and continuous improvement</li><li>- Evidenced as working</li><li>- fully complied with</li><li>- Reasonably practicable</li><li>- Assessed by competent staff (with authority to improve control)</li></ul>	
	Assurance indicator	Very low / Non-existent	Low	Uncertain and/or raises concerns	Correct: Appreciation stated by Manager or Expert	High: Appreciation founded on objective basis (audits, etc)

Proximity Rating (Time before risk is live - available time to implement controls)		Velocity Rating (Speed with which risk impacts the programme if it occurs)	
Score	Description	Score	Description
3	Business/project activity to which risk relates is due to commence within 3 months	3	Risk event will impact the business/project within 3 months
2	Activity to which risk relates is due to commence within 9 months	2	Risk event will impact the business/project within 9 months
1	Activity to which risk relates is due to commence within 18 months	1	Risk event will impact the business/project within 18 months
For live risks - only use Velocity rating.			

# London Legacy Development Corporation

## Insolvency Strategy

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### East Bank

Organisation	London Legacy Development Corporation
Date	03/01/2019
Purpose of issue	For Implementation
Title	East Bank
Description	Insolvency Strategy
Author	[REDACTED]
Location	One Stratford Place
Contributors	Colin Naish, [REDACTED], Richard Irish
Distribution	Internal
Status	Draft for Comment
Protective marking	Commercial-Protect

#### Document History:

Version:	Date:	Status:	Reason for Change
0.1	03/01/2019	Draft for comment	
0.2	28/01/2019	Draft	Includes comments from Legal advisor
0.3	28/02/2019	Draft	Comments from Finance

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## 1. Executive Summary

- 1.1 The implementation of a Managed Package Solution (MPS) exposes LLDC to an increased risk compared to a traditional or design and build procurement. In particular MPS contractors, where they are not 'tier 1' suppliers, are likely to be more susceptible to insolvency due to their relative size and scale. Consequently, LLDC requires a strategy for dealing with the potential insolvency of the companies it enters into contract with for the management and construction of each package.
- 1.2 The Insolvency Strategy focuses on:
  - Ways of assessing financial stability of contractors before letting contracts;
  - Monitoring of financial stability and performance during the delivery period;
  - Contractual actions available to the employer at the point of insolvency; and interventions available to LLDC at the point of insolvency
- 1.3 The options are tested against a set of possible scenarios and preferred actions are established; ultimately the best option for LLDC will have to be assessed at the time taking into account, amongst other things, the type of insolvency.

## 2. Background

- 2.1 The redesign of the East Bank scheme and the University of the Arts London (UAL) target opening date of September 2022 resulted in LLDC deciding to use a MPS approach to construction delivery. This involves splitting the works into separate packages, rather than the previously approved single design and build contracts for each individual building.
- 2.2 The procurement strategy approved by the Investment Committee on 13 February 2018 highlighted the key risks associated with the MPS procurement route, which has been further supplemented by a 'lessons learnt' document provided by LLDC's second line assurance (Turner and Townsend) based on their experience in delivering Construction Management (CM) projects.
- 2.3 Due to the high percentage of insolvency cases within the construction industry and uncertainty around Brexit, LLDC have decided to create a strategy for how to deal with the potential insolvency of a Contractor working on the East Bank scheme to minimise disruption to the overall programme and limit the financial impact on the project.

## 3. Pre-Contract

- 3.1 The first element of this strategy is the measures LLDC is taking to protect itself from insolvency before entering into a Package Contract with a Contractor. This is split into two parts, the financial checks undertaken during the procurement process and contractual drafting which give the Employer (LLDC) certain rights should a Contractor become insolvent.

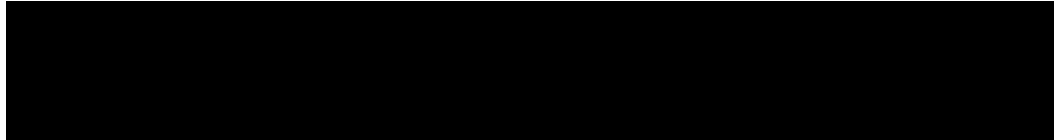
### Financial Checks

- 3.1.1 It is a requirement of the LLDC Procurement Process that each bidder completes, returns and passes a financial standing review (template can be found in appendix A). This review looks at the finance standing of the bidding organisation over the past 3 years.

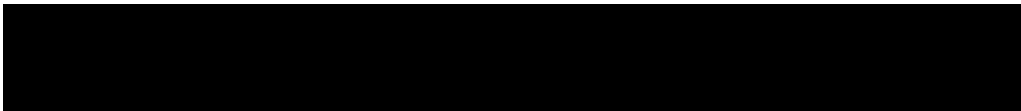
3.1.2 Each bidder must disclose the following:

- Gross profit
- Operating profit
- Profit before and after tax
- Profit retained
- Current and non-current assets
- Current and non-liabilities
- Provisions
- Pension Scheme
- Net Assets

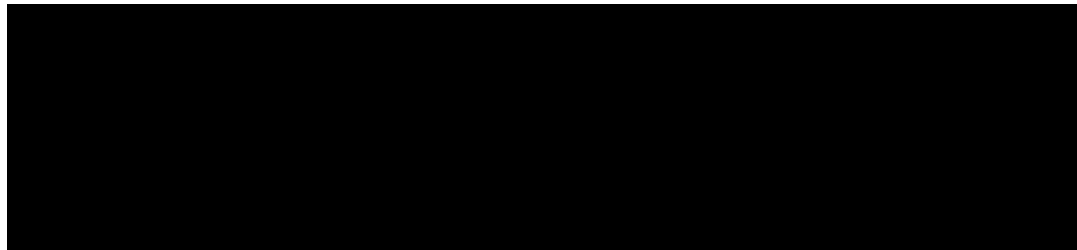
3.1.3



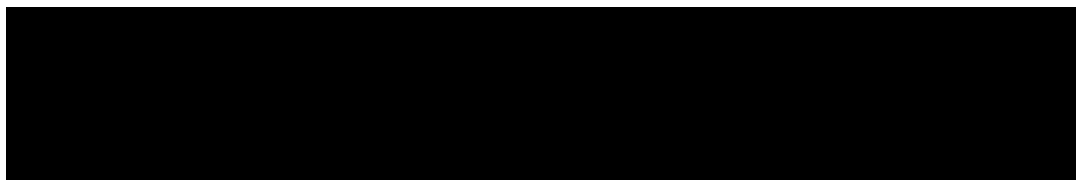
3.1.4



3.1.5



3.1.6



### Contract Clauses

3.1.7 The template NEC Option A Package Contract includes a number of clauses to protect the employer from insolvency.

- as stated above, on a case by case basis, having regard to the assessment of the contracting organisation's financial health, LLDC may require a Contractor to provide a PCG and/or a performance bond. A performance bond generally offers better protection to an employer because it is financial assurance provided by a third-party surety, but it can be expensive and difficult for some contractors to obtain and the inability to obtain a bond can be indicative of a lack of financial strength or sufficient credit rating. A PCG provides a guarantee from the Contractor's parent (ideally the ultimate parent) of the Contractor's performance under the Package Contract. It can be a useful instrument to secure performance by the Contractor and protect LLDC in the event of a corporate restructure of the Contractor's Group, but will not provide any protection if the parent is also subject to insolvency;
- a right for LLDC to terminate if the Contractor or, if the Contractor is a joint venture, any of the parties comprising the joint venture, become subject to one

of the insolvency procedures listed in the Contract. On termination, LLDC may complete the works and use any plant and material which have or will be incorporated into the works in which ownership has passed and the Contractor must deliver to LLDC any documentation it has produced. LLDC may instruct the Contractor to leave the site (in a safe, clean and workmanlike condition to the satisfaction of Mace) and to assign the benefit of and/or enter into a novation of any subcontract or other contract related to the performance of the contract to LLDC. LLDC may also use any equipment (as defined in the contract) owned by the Contractor to complete the works;

- during the Package Contract, payment is made periodically based on completion of activities and not on a forecast basis. In calculating the amount due on termination, LLDC can deduct a sum equal to the forecast additional cost to LLDC of completing the whole of the package works. The template contract also provides that if the Contractor's employment is terminated for insolvency within the meaning of the Construction Act, section 113, LLDC does not need to pay any sum due to the Contractor other than in certain prescribed circumstances; and
- a requirement on the Contractor to procure warranties from 'Key Subcontractors' in favour of LLDC and each Project Partner. Clause 7 of the form of subcontractor warranty gives LLDC the right, should it terminate the Contractor's employment under the Package Contract, to require the subcontractor to accept instructions from LLDC or its appointee to the exclusion of the Contractor. LLDC would then become liable for payment of all sums due to the Subcontractor under the subcontract. These rights, if properly exercised, entitle LLDC to step into the subcontract and continue the subcontract works whilst a new main Contractor is found to complete the relevant Package.

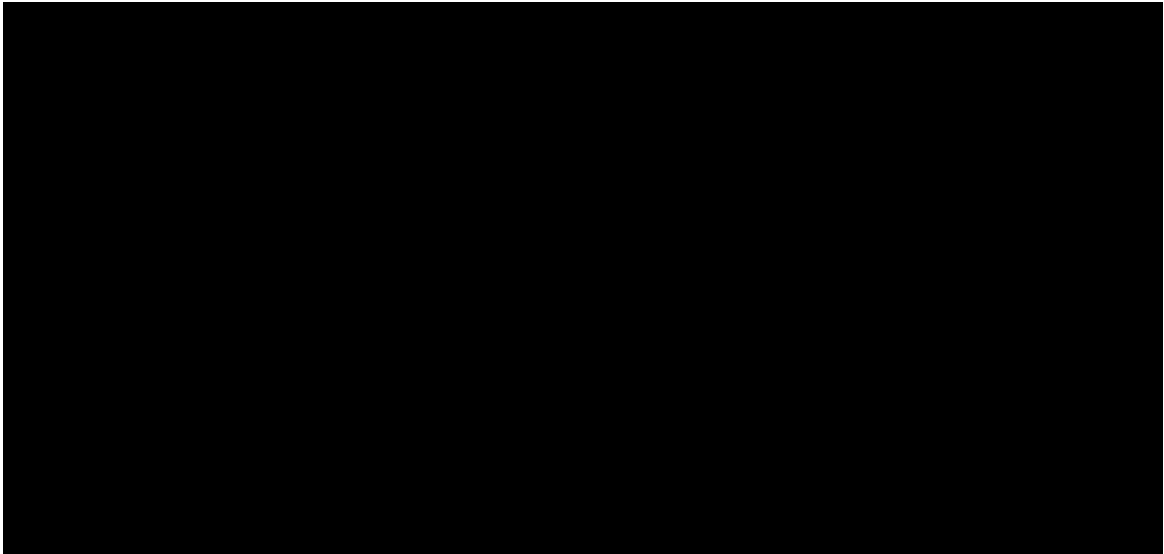
## 4. Financial Monitoring During Contract Period

4.1 Once LLDC has entered into a Package Contract with a Contractor it is essential to continually monitor the financial health, performance and behaviours of the Contractor to ensure LLDC are aware at the earliest possible moment of the threat of insolvency. This was a process that was used effectively by the ODA during the Olympic Games.

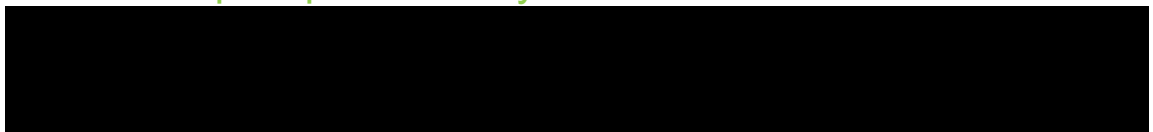
1. Ensure all intellectual property (IP) that LLDC have full rights to under the terms of the contract is secured. This includes (but is not limited to): drawings, method statements, key personnel, test plans, commissioning plans, etc.
2. Continued monitoring financial health of all package contractors throughout the delivery stage using information sources such as D&B, publicly available corporate information (for example, annual reports or press releases) and financial statements (usually available from Companies House).
3. Mapping of critical materials and IP, review all package contractor plans and assure its vesting and retention policies are being adhered to. Note: while ownership is assured through vesting, immediate release of the asset is not, additional measures may be required to ensure this.
4. General monitoring of insolvency warning signs (such as slow progress, removal of plant, employees failing to turn up to site, being late to file accounts at Companies House, sub-contractors not being paid, industry quarterly press etc.)

LLDC to consider a template for the contractor to complete monthly reporting the issues raised above.

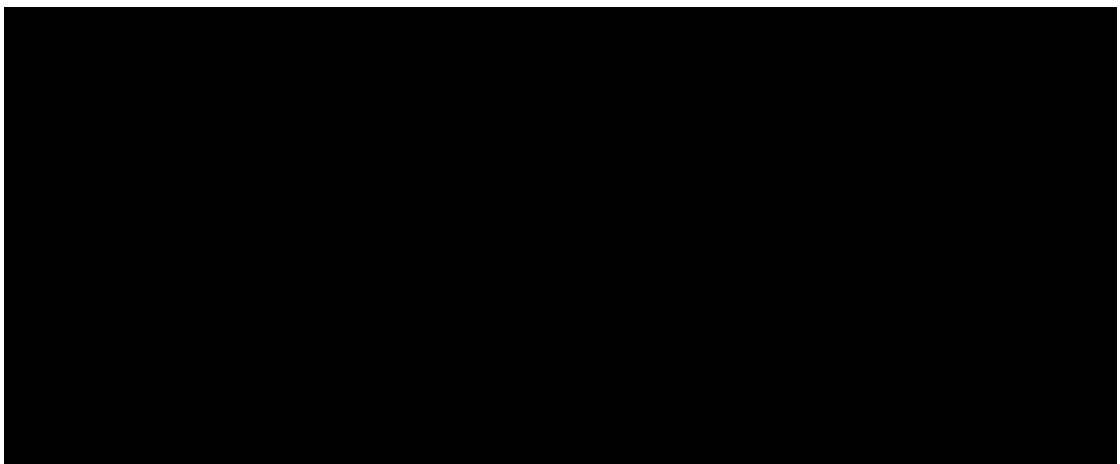
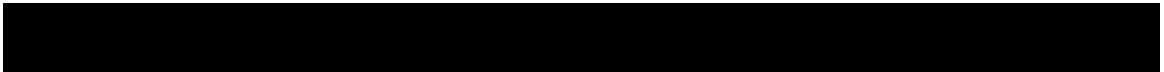
## 5. Actions Following Notification of Insolvency



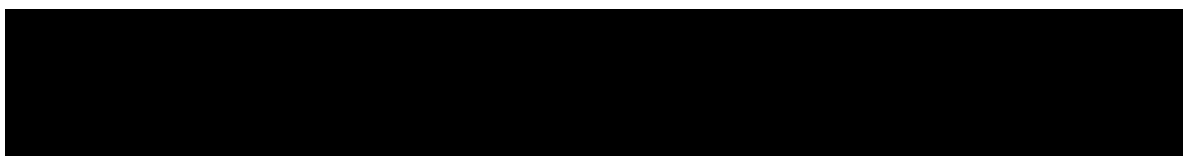
## 6. Next Steps Options Analysis

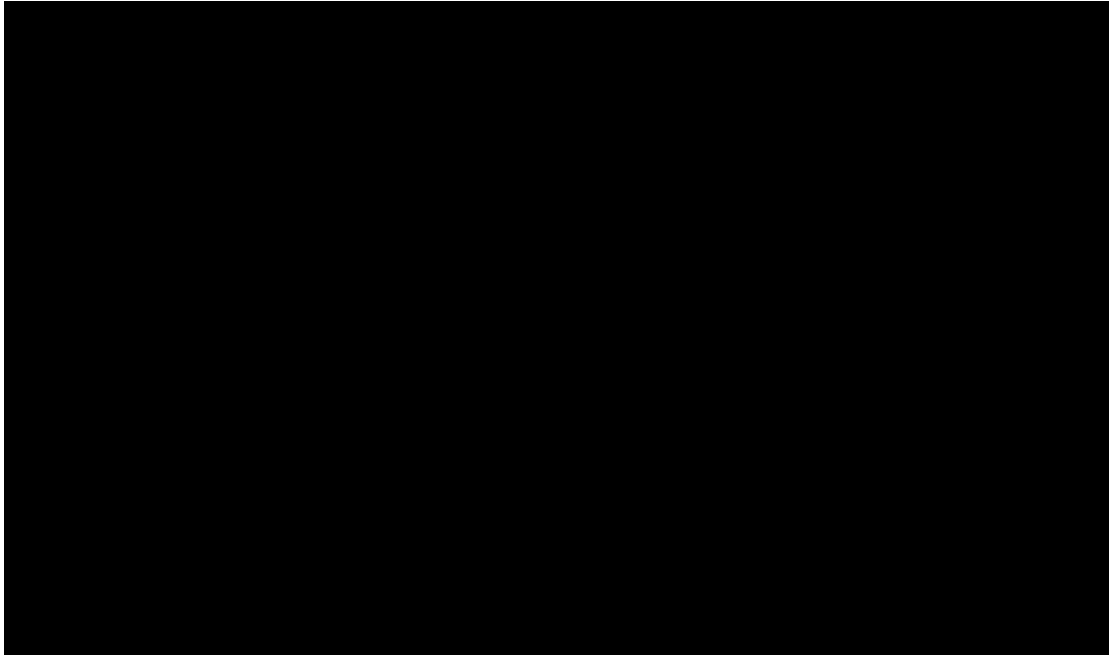


6.2



6.4

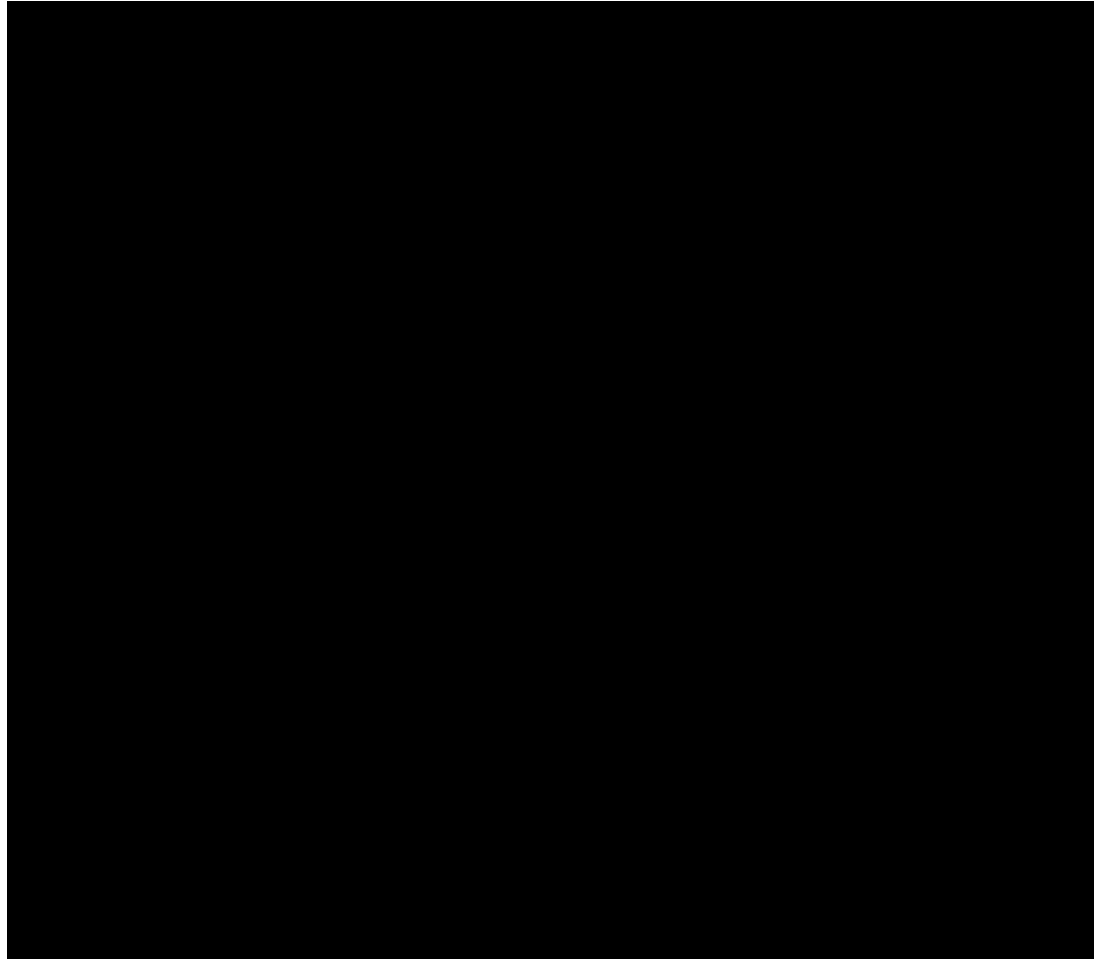




6.6

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7.