

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

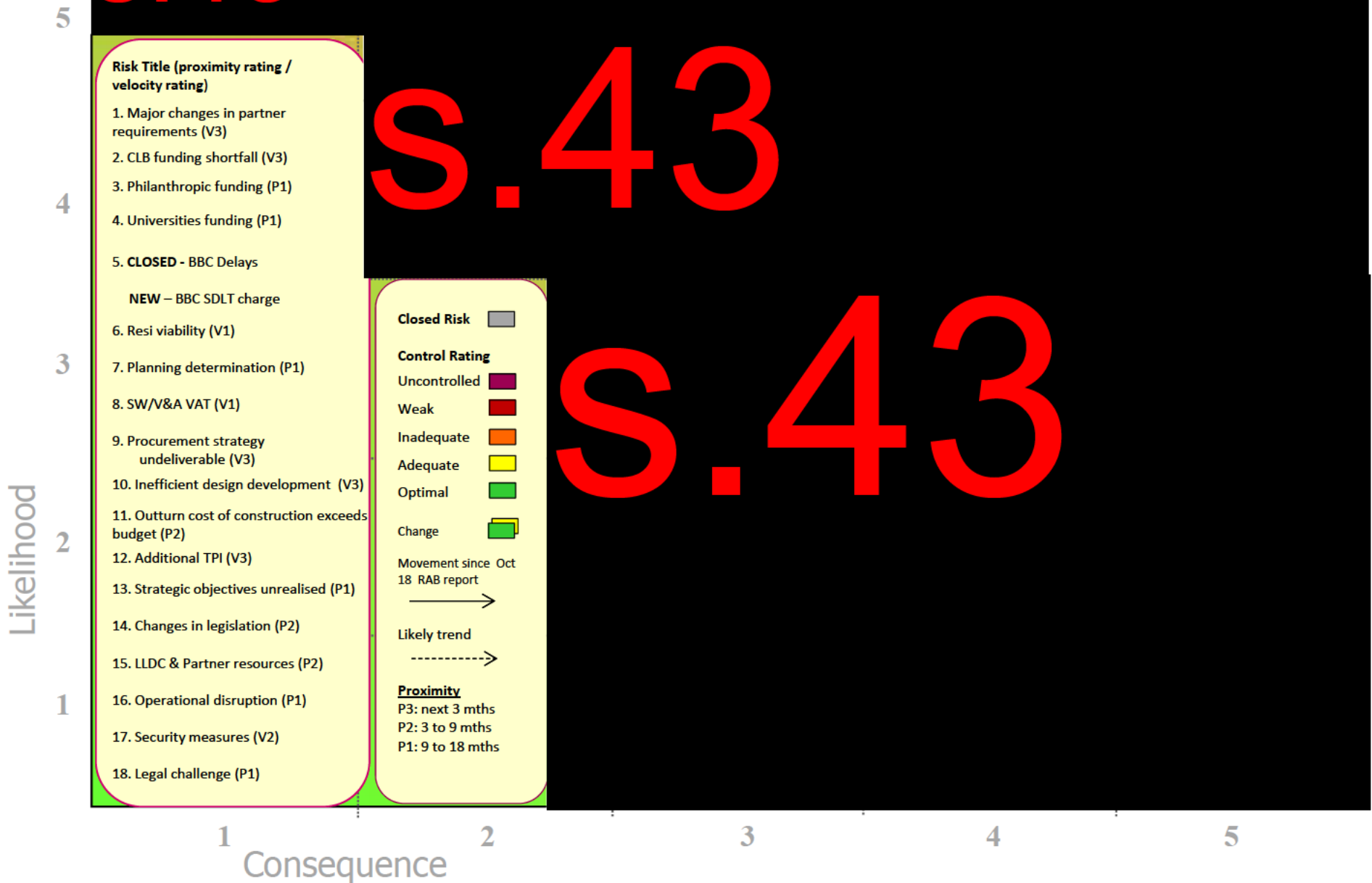
NOT FOR PUBLICATION
By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 20

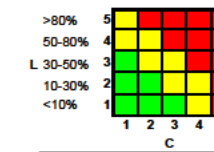
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Control Rating	
1 - Optimal	Comprehensive and commensurate with the risk evidenced as working as intended
2 - Adequate	Some shortfall in level of controls but these do not materially affect the level of residual risk
3 - Inadequate	Inefficient controls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

**WORKING DRAFT
CONFIDENTIAL**

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	Inherent risk (before Current Controls, or Control Action Plans)	Current Controls		Impact	Residual Risk Rating (after Current Controls, but without (planned) Control Action Plan)	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	Control Action Plan	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	s.43	1) - Implementation of Planning Strategy [C1, C2, C4] 2) - Continuous political engagement to ensure cross-party support is maintained [C1, C2] 3) - Professional project management standards applied with good legal advice [C1, C4] 4) - FBC submission condition precedent on execution of AFLs [C5] 5) - Early engagement with PPDT and statutory consultees [C3, C6] 6) - 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] 7) - Discharge conditions prepared during Town Planning determination period to reduce programme impact after Town Planning approval. Note this could result in abortive work if carried out ahead of contractor appointment [C3, C7] 8) - Early preparation of Reserved Matters application whilst the outline application is being determined [C3, C6, C7] 9) - Support V&A negotiations for Blythe House collection relocation [C8] 10) - New cost review process to provide interim confirmation of design to cost targets [C9] 11) - RIBA Stage 1,2 and 3 completed (except BBC Stage 3) and 3rd party assurance cost review confirmed programme within budget up to stage 2 [C1,C9] 12) - FBC for Blythe House relocation likely to be submitted in early 2019. No major concerns about approval [C1, C8, C10] 13) - Executed AFLs (V&A, LCF, SW, BBC, UAL) [C2] 14) - Partners (excl BBC) signed off Stage 3 design [C1, C2] 15) - All partners signed off planning application which was submitted in November 2018 [C1, C2]		s.43	EM: East Bank Board and Programme Board oversight EWI: Monitor political and economic factors and trends and make adjustments accordingly. <i>Slow progress with agreeing Brief and AFLs</i>	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			Geery Murphy	s.43			s.43		Anthony Hollingworth	s.43	s.43	
3	Philanthropic funding			Lyn Garner	s.43				EM: Close monitoring of fund raising progress. Reporting through programme-wide report EWI:	Paul Bickel	s.43	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.		Geery Murphy	s.43	3) - Viability and funding conditions within AFL provide hold points to confirm UAL/UCL funding position in advance of key financial commitments [C3 - C5] 4) - UAL have a new fundraising team in place [C3, C4]			EM: LLDC will be a sitting member of the UCL Infrastructure Project Board EWI:	Geery Murphy	s.43	Complete s.43	
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	s.43	1) Continuous lobbying and monitoring by LLDC senior management to progress decision making [C1 & C2] 2) Working with Government to seek formal FBC funding letter in early November [C1 & C2] 3) Ensuring level of BBC design information is sufficient to be part of the detailed application submission in October 2018 [C3] 4) Ensuring that all procurements after substructure have the same level of design information as other partners (RIBA stage 4) [C3] 5) BBC executed AFL [C1 - C3]			Greg Smith	BBC - Completion of AFL	Complete		
5	NEW SDLT funding			Geery Murphy	s.43					Geery Murphy	s.43	TBA	

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NOT FOR PUBLICATION
By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Transparency (England) Regulations 2014 (i.e. after creation of the Local Government Transparency Register)

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 Existing controls evidenced as working		Impact						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		Planned / (forecast) Action completion date	Planned Control Rating (e. after actions are complete)						
								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)	Health	Safety & Security	Cost	Quality	Environment	Financial				Stakeholders	Proximity/Velocity			Control Action Plan	Planned / (forecast) Action completion date				
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	s.43	Rosanna Lawes	s.43	s.43	s.43															s.43						
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. <i>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.</i>	s.43	Irene Man	s.43	s.43	s.43	<ul style="list-style-type: none"> 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]	Health	Safety & Security	Cost	Quality	Environment	Financial	Stakeholders	Proximity/Velocity	EM: Milestones in programme-wide report	Irene Man	1. Awaiting confirmation from GLA on funding affordable housing. Determine impact on viability.	TBA	2. Decision at May 2019 Planning Committee meeting	30/04/2019	3. GLA planning approval	30/6/2019	4. Discharge pre-construction conditions	30/06/2019	s.43
8	SW & V&A VAT	s.43	s.43	Geary Murphy	s.43	s.43	s.43															s.43						
9	Preferred procurement strategy undeliverable	s.43	s.43		s.43	s.43	s.43															s.43						
10	Efficient 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. <i>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.</i>	s.43	Rosanna Lawes	s.43	s.43	s.43	<ul style="list-style-type: none"> 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 to 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 [C6] Working closely with UCL on delivery approach review [C9] Developed Stage 4-6 scope and deliverables matched to the MPS procurement packages approach and agree fees with LLDC board (C1-C8) 	Time and financial provisions included in project risk register supported by QRA modelling [R126; UCL-061, UCL-045]	Health	Safety & Security	Cost	Quality	Environment	Financial	Stakeholders	Proximity/Velocity	EM: Progress against major milestones reported on Execview and on PSRs to LLDC East Bank Executive Group and Programme Board	Peter Maxwell	Conclude contract for Stage 4 design included detailed design deliverables schedule for Stage 4 to meet procurement dates	31/01/2019					s.43		

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					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)	likelihood	asset objectives	safety & Security	schedule	sustainability/Environment	financial	stakeholders				strike Zone	proximity/Velocity		
11	Sub-optimal construction cost and delivery performance Outturn cost of construction exceeds budget	There is a risk that the cost estimate for East Bank construction is too optimistic or fails to take adequate account of complexity factors that will impact the efficient and effective delivery of the East Bank programme resulting in cost/programme over-runs.	S.43	Colin Nash	S.43	Financial provision included in project risk register supported by QRA modelling [R120, 133, 144, 445, 531, 538; UCL-093; UCL-072; UCL-103; UCL-090].	S.43	EM: Cost and project control assurance reporting EWI:	Colin Nash	S.43	S.43	Complete Complete Complete 31/01/2019	S.43							
12	Additional TPI	There is a risk that inflation exceeds the budgeted TPI allowance. S.43	S.43	Gery Murphy	S.43	Financial provision included in project risk register supported by QRA model [R118]. UCL-013.		EM: EWI: Review quarterly published TPI reports and trends and adjust TPI allowances accordingly	Greg Smith											
13	Strategic objectives not realised	East Bank Programme fails to deliver anticipated strategic objectives benefits, including jobs and training, to stakeholders and partners resulting in reputational damage and undermining support for future local development. LLDC risk workshop discussed this risk and re-scored the consequence from 4 to 5 (making this risk red) because the consequences of failure to meet strategic objectives would miss opportunities to deliver major positive impacts	C1 - Poor coordination of programme strategic objectives / programming C2 - partners do not buy into the objectives so do not prioritise work correctly C3 - Obligations not set out contractually C4 - Suppliers predominantly utilise existing supply chains and under-utilise local resource C5 - Procurement strategy not shaped in a way that maximises socio-economic benefits fails to deliver community benefits especially local training outcomes, apprenticeships, employment, use of facilities (access/cost), programming in construction contracts and end-user contracts. C6 - Failure to agree joint work programme C7 - Disparate approach by each individual employer C8 - UCL Marshgate academic buildings not delivered or delayed C10: Government not aware of progress on strategic objectives	Paul Brice	S.43	1) - Close working with partners on joint working programme to demonstrate benefits of strategic objectives. Delivery Plan updated annually [C1, C2] 2) - AFLs set out partners contributions to strategic objectives (UCL signed but being revised, SW institutions once there is certainty in the project scope) [C3,C8] 3) - Partners contributing to the strategic objectives through funding (e.g. UCL and GDI Hub), resources (Sadler's Wells performances at LLDC events), and staff time. Focus on developing partner working in the area before the doors open. [C1,C2] 4) - Programme of early meaningful engagement with local businesses, arts and culture organisations, community partners [C1] 5) - Continuous effective and meaningful buy-in to community engagement programmes and community awareness and educational programme to encourage local uptake and engagement with the opportunities on offer. Successful examples include West and East London Dance [C1] 6) - Close working with and monitoring of contractors [C2] 7) - Ensure London Living Wage embedded and monitored [C3] 8) - Strategic Objectives Delivery Plan approved [C1, C2, C8] 9) - UCL Marshgate delivery in AFL with controlled monitoring [C6] 10) - Implemented recommendations from Critical friend partner workshop in relation to strategic objectives and benefits delivery [C1-2] 11) - 2018/19 Strategic Objectives Delivery Plan complete in April [C1, C2] 12) Annual report back to Government on strategic objectives (C1-9)		EM: Strategic objectives oversight by Strategic Objectives Working group, reporting up to Programme Board. Quarterly monitoring report EWI:	Paul Brice	S.43	Execute AFLs Implement actions from critical-friend partner workshop relating to strategic objectives and benefits delivery RSM deep-dive to establish level of control and recommendations Annual report back to Governments on strategic objectives	Complete Complete Complete TBC, likely March/April 2019								
14	Changes in legislation	Risk that changes in Government legislation (including leaving the EU) lead to increased construction costs. Other changes might include, but not be limited to, tax or building control	C1 - Changes to statutory authority, legislation, policy and/or regulation changes or additional requirements e.g. fire safety regulations affecting technical specifications and residential operational/occupancy arrangements C2 - Insufficient public consultation and assurances to local stakeholders	Gery Murphy	S.43	1) - Political engagement [C1] 2) - Periodic reports from cost consultants on macro-economic impacts upon TPI and scheme fix [C1 - C2]	1) Building case for increased funding if risk occurs 2) Financial provision included in project risk register supported by QRA modelling [R540; UCL-074, UCL056]	EM: Monitoring and assessing of relevant emerging legislation EWI: National or local matters with possible impact on project standards or constraints - e.g. Grenfell fire safety	Gery Murphy	S.43	Assess impact of emerging legislation and regulation changes Housing strategy meeting with the GLA team	Closed - see monitors Complete								
15	LLDC and Partner resources	Risk that the budget and resourcing for LLDC and partners management is not sufficient leading to calls on other budgets / risks to project delivery through missed deadlines and opportunities. This includes LLDC's role in procurement and construction management for Stratford Waterfront and the risk that the right balance between control and freedom to manage is struck: impacting on delays in construction and increased cost [Risk updated to reflect new phase of Stratford Waterfront work of construction procurement and planning]	C1 - Resourcing plan and cost management not aligned with project execution plan. Inability to attract staff with required skills, inadequate training for existing staff. C2 - Changes to project scope lead to abortive costs and puts pressure on existing resources C3 - [Redacted] C4. Sub-optimal systems, processes, procedures and staff for the specific project phase. Management of suppliers.	Rosanna Lawes	S.43	1) - In the 10 year plan [C1] 2) - Cost management and forecasting monthly [C1, C2] 3) - Management of 3rd line assurance costs in line with partner requirements [C1, C2] 4) - For review as part of the 'critical friend' workshop output and associated implementation plan [C1 - C4] 5) Critical friend partner workshop held in September 2017 [C1-2] 6) [Redacted] 7) - LLDC resource requirements, including for UCL interfaces, reconciled to SWF MPS delivery approach and next 5 year plan approved by LLDC Investment Committee [C1] 8) - Implemented actions related to resourcing identified at the critical-friend partner workshop held in September 2017 [C1] 9) - RSM employed to provide objective assurance over the project delivery approach, control environment and level of control [C1-4] 10) - Recent review of resource requirements to support construction phase completed with budget allocation agreed [C1-C4]	EM: UCL protocol reporting EWI:	Greg Smith	S.43	CL hold interviews for Director of Estates LLDC have written to partners regarding sourcing plans once AFLs in place	Complete TBA									

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					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)	Likelihood	Missed objectives	Safety & Security	Schedule	Sustainability/Environment	Financial	Stakeholders	Strike Zone				Proximity	Velocity		
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	s.43	1) - Regular meetings between POV and East Bank management [C1- C3] 2) - Construction coordination group established with regular meetings incl borough representatives beyond LLDC control [C4] 3) - Mapping of combined park events and construction events established, updated and reviewed monthly [C2] 4) - Close coordination with stadium management before and during events [C2 - C4] 5) 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 [R5-48]	s.43	s.43	s.43	s.43	s.43	s.43	s.43	EM: Audit of BCM complete Nov-18 Debriefs /lessons learned after each event EWI:	Mark Camley	s.43			s.43	
17	Security threat levels (building costs)	Risk that the security threat increases or additional security measures are required leading to capital requirements (e.g. HVM, Laminated glass)		Peter Maxwell	s.43											Peter Maxwell	s.43		31/01/2019	s.43	
18	Legal challenge to the project causes delays			Rosanna Lawes	s.43											Rosanna Lawes	s.43			s.43	

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/mission 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	- Not clearly defined - Too limited - Conflicts with current organisational design / accountabilities - Contradicts current established processes	- Controls defined - Inadequate deployment - Unable to treat risk as intended - Not correctly aligned with root causes and/or impacts - Unlikely to achieve predicted level of mitigation - Not fully integrated with current established processes - Not appropriately monitored or reviewed	- Effective deployment - Comprehensive but Not fully aligned or complementary - Fully complied with - Periodically monitored - Unnecessary duplication across the organisation - Subject to complex responsibilities / accountabilities - Out of step with organisational design	- Effective deployment - Comprehensive - Aligned to correctly target root causes and / or impacts - Commensurate with an approved level of residual risk - Appropriately and systematically monitored - Regularly and robustly reviewed for appropriateness and continuous improvement - Evidenced as working - Fully complied with - Reasonably practicable - Assessed by competent staff (with authority to improve control)
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.

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London Legacy Development Corporation Insolvency Strategy

East Bank

Organisation	London Legacy Development Corporation
Date	03/01/2019
Purpose of issue	For Implementation
Title	East Bank
Description	Insolvency Strategy
Author	s.40
Location	One Stratford Place
Contributors	Colin Naish, s.40, 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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6.5 s.43	Error! Bookmark not defined.
6.7 s.43	7
7. Scenario Testing of Options	Error! Bookmark not defined.

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 These are reviewed by LLDC's Finance function and a Red, Amber, Green (RAG) rating is applied to the bidder's responses; each company is also subject to a pass/fail test on turnover. To pass this test they must have an average turnover per annum of at least double the contract sum.
- 3.1.4 The financial standing review is then supplemented by a comprehensive credit report from Dun & Bradstreet (D&B). This independent review is the industry standard for financial health checks on an organisation.
- 3.1.5 The first element of the D&B report is a risk evaluation, overall D&B Rating, risk indication, failure score, delinquency score, days beyond terms score and maximum credit the company apply for from the bank. The report also highlights if there have been any court judgements against them, the value of them and all open and closed mortgages and charges. Further to this the organisational structure (e.g. whether it has a parent company) and the number of principals are disclosed. Finally, it concludes with a financial summary, stating latest accounts date, tangible net worth and turnover.
- 3.1.6 Once both reports have been reviewed by the finance and procurement teams a decision is made as to whether they can proceed with the procurement and whether a Parent Company Guarantee (PCG) and/or performance bond is required. Where further information is required from the bidder this is requested and reviewed before the pre-contract checks are concluded.

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

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6. Next Steps Options Analysis

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