

Joint Report of Director of City and Environmental Services
and Director of Communities and Neighbourhoods

Community Stadium Project – Risk Management Report

Summary

1. The purpose of this paper is to:
 - Outline the risk management process for risks concerning the Community Stadium Project.

Background

2. The Business Case and budget for the project were noted at Cabinet on 6th March 2012 and approved at Full Council on 30th March 2012. Outline planning permission was given on the 5th July, when the Secretary of State agreed that the decision should be dealt with locally. The 3 month Judicial Review period ended without challenge on the 6th October 2012.
3. An Official Journal of the European Union (OJEU) notice starting the formal procurement activity for the project was posted on the 14th September 2012. A number of bidders submitted proposals to Design, Build Operate and Maintain the stadium and associated buildings. These have been assessed down to a final two.
4. The business case has been developed and updated as the project has progressed. The scope of the project has grown, for example, with the inclusion of the management of the city's leisure management contract. Updates have been reported to Cabinet (November 2012 and a forthcoming paper on 7th January 2014). This is an iterative process that includes changes to the potential funding streams in the project. The requirements of the core tenants have developed as discussions with bidders have progressed and this has impacted on the overall scope and nature of the scheme.

5. Formal dialogue sessions continue with the two remaining bidders and the Invitation to Submit Final Tenders will be posted in February 2014.
6. At the 6 November 2013 Audit & Governance Committee meeting a request was made:
 - *That a report on the risk management process in relation to KCR 0016 be presented at the next meeting.*

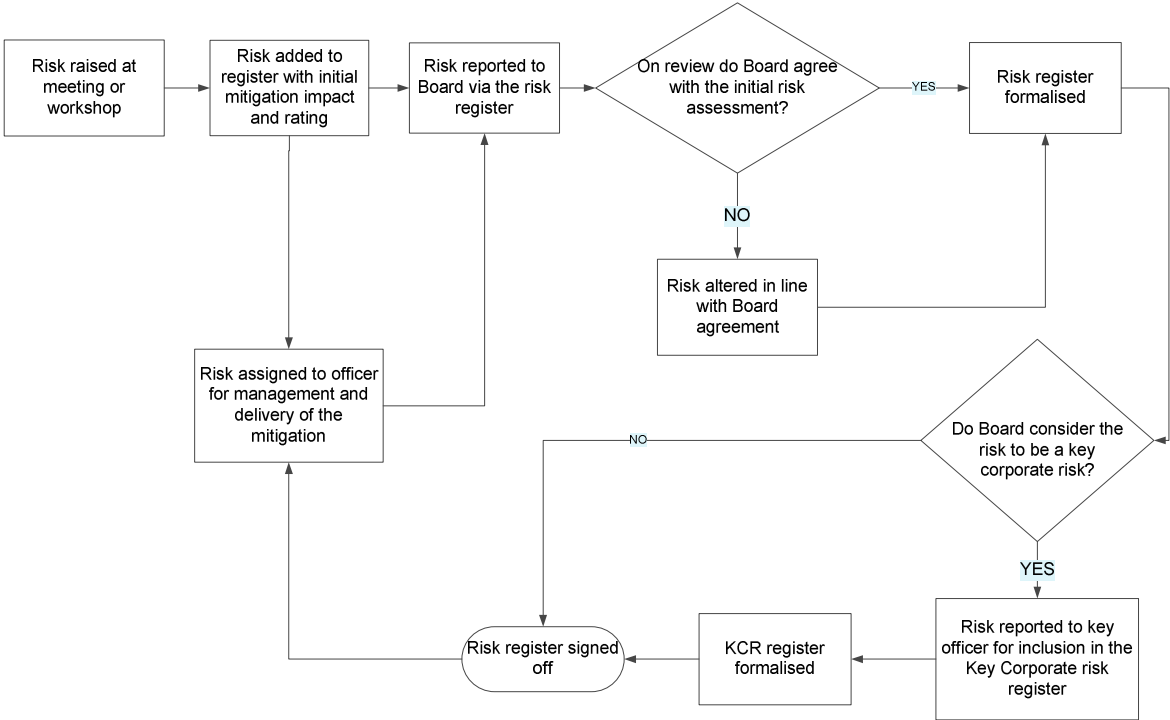
Risk Management Process

7. It is important to note that a risk is something which has not yet occurred but may occur in the future. Risks are rated on the basis of impact and likelihood of the risk occurring. A risk register is a record of all of the risks to a project, regardless of how large or small or of how likely the risk is to occur. Every project should have a formal risk register.
8. The Community Stadium project has a robust risk and issue management system in place that is maintained along Prince II principles. This follows industry best practice and is designed to allow thorough scrutiny of project risks and issues and effective mitigation to be put in place.
9. There is a high degree of commercial sensitivity within the risks and issues recorded in the risk register for the project.
10. The project maintains a comprehensive risk and issue register which includes 67 risks and 8 key issues that cover a broad spectrum of areas of the project. There is also a post contract Risk Register which covers the ongoing risk to the council once the facilities are operational. The registers are reviewed weekly in project team meetings with the mitigations and actions updated and impact ratings altered according to the latest outputs of the project. For comparison the Administration & Accommodation Project incorporating the move to West Offices had circa 100 risks at this point in its project.
11. Risk headings that are covered in the register are:
 - Stadium operations
 - Stadium design and build
 - Procurement Process
 - Project Management
 - Project partners

- Contract management
 - Finance
12. Version control is applied to the register according to Prince II project management principles. Any changes are then reviewed and agreed at the Stadium Project Board.
 13. Risks are highlighted through a variety of routes and added to the register. Mitigation is discussed by the team and an initial score placed against the risk and the net impact following mitigation. Risks are then reported to Board with an impact rating suggested for each.
 14. Critical and High risks are reviewed and discussed and an agreed mitigation and impact assigned once agreed with Board members. A mitigation strategy is then applied to effectively manage the risk ongoing. Any required changes to this are then reviewed and agreed at Board.
 15. A dedicated team member is responsible for this on an ongoing basis and works with all team members and partners to ensure risks are mitigated and managed within acceptable parameters.
 16. Risk 18110.1964 is regarding rental payments from the two sports clubs who will be principal tenants of the new stadium. It is an example of the type of risks the project is actively managing.
 17. Discussions with both clubs are at an advanced stage but legal agreements cannot be signed until all details are agreed regarding the occupancy and day-to-day operation of the stadium. Some of these issues require the input and agreement of the two bidders as part of the final dialogue of the procurement. Those discussions are currently being concluded.
 18. The risk was rated critical as the potential of not reaching agreement would have a high impact, even though the likelihood is considerably lower. Notwithstanding the advanced position in finalising these agreements with both clubs, this risk will remain 'live' until the solution is legally binding and the risk can be legitimately closed down.
 19. Risks are reported to and agreed by the Community Stadium Project Board on a monthly basis. A risk and issue registers are presented with a highlight report identifying any key risks or issues and providing mitigations and ongoing actions. Risk workshops are held on a quarterly basis to review risks within the project or to highlight future risks and identify possible mitigation action to be considered.

- 20. Key Corporate risks are reported quarterly, as required, to the responsible officers to be included in the key corporate risk register for review by the Audit & Governance committee and responsible senior officers.
- 21. The risk highlighted is managed in line with these reporting procedures with monthly updates to the Community Stadium Project Board and escalation to the key corporate risk register as required. This risk was first reported as a key corporate risk in July 2013 and was graded as critical impact in September 2013 due to the advanced stage of the procurement exercise. It will likely remain with at least a 'high' rating until the agreements are legally binding.

Risk Management Flow Chart



Implications

- 22. Financial – none.
- 23. Human Resources (HR) – none.

24. Equalities – none.
25. Legal – none.
26. Crime and Disorder – none
27. Information Technology – none
28. Property – none.
29. Other – none

Risk and issues

30. There is a risk that ineffective risk management will lead to project costs escalating and leave the Authority unable to implement an affordable scheme. This is mitigated by the risk management procedures outlined in the report.

Recommendations

31. Members are asked to:

Note the contents of the report.

Reason: To ensure Members are aware of the risk management process for risks concerning the Community Stadium Project.

Supporting Annexes

- None

Background papers

- Key Corporate Risk Monitor Two 2013/14 26 September 2013
- Minutes of the Audit & Governance Committee 6 November 2013

Contact details

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| Specialist Implications Officer(s) | | | | | |
| Wards Affected: <i>List wards or tick box to indicate all</i> | | | <table border="1"> <tr> <td>All</td> <td>√</td> </tr> </table> | All | √ |
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