The University of Edinburgh

Risk Management Committee

12 April 2012

Risk 12: Inadequate management of work priorities and major change projects both individually and as a combined programme of activity.

12.2: major estates projects e.g. library, KBLRC, central area refurbishment

Brief description of the paper

This is a risk review for the above risk.

Action requested

For information

Resource implications

Does the paper have resource implications? Yes – the capital project programme is substantial

Risk Assessment

Does the paper include a risk analysis? Yes

Equality and Diversity

Does the paper have equality and diversity implications? No

Originator of the paper

Angus Currie, Director of Estates
Graham Bell, Deputy Director of Estates

Freedom of information

Can this paper be included in open business? Yes
RISK REVIEW

The aims of the Risk Review are twofold

- to enable the Lead Manager of the particular risk to review and assess whether the risk is being adequately managed, and what further actions should be undertaken to ensure required or desirable improvements in the management of the risk are undertaken
- to provide the Risk Management Committee, and through them, the University Court, assurance that the Risk is being adequately managed

Risk 12: Inadequate management of work priorities and major change projects both individually and as a combined programme of activity.

12.2: major estates projects e.g. library, KBLRC, central area refurbishment

| Inherent risk: (in the absence of any mitigation) | Critical |
| Residual risk: (with current mitigating actions in place) | Critical |
| Likelihood of risk event occurring (as assessed with current mitigating actions in place) | Possible |

Senior Manager: (taking lead responsibility for management of Risk)
- Director of Estates and Buildings
- Depute Director Estate Development

Risk Review prepared by:

Date: 12 March 2012

Threats: (if risk event occurs or risk is not managed)
- Loss of financial control, business continuity and also a threat of legislative non-compliance on certain projects.
- Possible prosecution.
- Loss of credibility with staff and students and funding / business partners.
- Loss of income.
- Adverse PR and significant reputation damage.

Opportunities: (other benefits that might accrue on successful management of risk)
- Improved financial control and business continuity/contingency planning
- Estate strategy implemented effectively with improved facilities available for staff and students as quickly as possible.
- Enhanced reputation with funding and other business partners and associated reputation benefits.
- Positive PR and business/income growth opportunities.
- Improved carbon performance.

Current management processes or mitigating actions: (Identify the major elements in managing the risk and how you ensure those elements are operating properly. For some risks, if it is possible to identify actions that would be taken in the event of the risk event occurring that would mitigate its impact, please also identify these.)

The funding context of the capital development programme has changed since 2008/09 and it has been necessary to adopt an incremental approach to the approval of approved projects through the pre-contract RIBA plan of work so as to maintain the rate of expenditure at an appropriate level.

Estates Committee and F & GPC receive regular reviews of estates and financial planning on estate development and maintenance programmes.
Strategic Project Boards have been established for all major estates development projects and risk registers are maintained and reviewed at the Board meetings. In addition the Estates and Buildings Department has reviewed project management procedures for estates development projects and are consistent the Scottish Funding Council’s Decision Point Process guidance.

At the meeting on 30th November 2011, the Estates Committee noted a paper which reported on the review and update of the suite of Estate Development Project Procedures that were approved by Court in 2010. These procedures describe the approach adopted for all Strategic, Major and Minor projects providing a consistent approach to project definition, business case approval and implementation and assist our in-house team meet the challenges of effective project delivery by providing a clear description of the tasks to be undertaken, whilst retaining sufficient flexibility to meet the needs of individual projects. These procedures form part of the Estates and Buildings system and wider University regulatory framework. References to regulatory documents, policies and procedures prepared outside of Estates and Buildings are referred to accordingly. In particular, all projects shall be approved in accordance with relevant Delegations of Authority.

We have mapped the estates strategy as a Microsoft excel project document which illustrates inter-dependencies of projects and shows linkages to property disposals. This is being used as a planning tool and provides linkages to financial outputs and cashflow forecasts. It can be sorted by College or estates zone and notes approved projects/projects awaiting approval. This is updated quarterly and provides the basis for monitoring expenditure and the Capital Projections Plan reports to Estates Committee.

Measures that have been taken to mitigate the impact of slippage on the programme include writing to senior management of the construction companies engaged on the works to communicate the impact of slippage on the programme, the University’s inability to comply with funder’s conditions of grant and the consequential damage to reputations.

We are developing our EBIS software to enhance our project management and capital reporting which will allow project managers and others to build up the cost of projects including funding, and profile spend and funding over-time, at each RIBA / and Decision point stage, allowing full cash-flow analysis. It will also allow capture other key project data to allow enhanced management of the capital programme linking with University estate and financial strategy. Phase I is delivered and being tested however progress with Phase 2 is dependent upon external support and funding priorities and consequently the software developments is behind programme.

At the Estates Committee meeting on 22 February, the Committee endorsed the acceleration of proposals to form a teaching cluster with associated study lounge/catering space within the David Hume Tower basement area in time for the 2014/15 academic year. The project addresses a key infrastructure issue helping to meet the expectations of students as well as teaching demand from increasing post graduate numbers. Early completion also offers the opportunity to pull forward the David Hume Tower refurbishment and the subsequent opportunities in Buccleuch Place.

Given the current economic climate, there is a greater risk of insolvencies and hence the due diligence processes carried out prior to contractor appointments has been reviewed. As part of our tender processes, we review Pre-Qualification Questionnaires and obtain Dunn and Bradstreet reports providing financial strength and risk indicators of tendering contractors who have been short-listed for Strategic projects. We also take advice from Finance Office colleagues when reviewing company accounts and where appropriate, our procedures also provide that guarantee bonds are obtained on Strategic Projects.

The Health and Safety at Work Act etc. 1974 and the Construction (Design and Management Regulations) (CDM) 2007 place a duty on the University to ensure that the contractors and consultants that we employ are competent. We have therefore examined the options for
establishing Stage 1 competence for contractors and consultants and though we will recognise any of the schemes validated by Safety Schemes in Procurement (SSIP), the Contractors Health and Safety Assessment Scheme (CHAS) is our preferred option. All duty holders (consultants and contractors) who we have contracted with are invited to attend briefing sessions and to demonstrate compliance with basic health and safety law and sound management of it by gaining accreditation as a compliant company with CHAS or an equivalent. We also host an annual Safety Management Seminar and invite all of our contractors and consultants to attend.

At Little France, there will be an increase in operations on site when the Royal Hospital of Sick Children enabling works commence in 2012 and we will work with the NHS and Consort to communicate information and co-ordinate site construction activity.

Both the Holyrood Development and Flowave Test Tank Facility projects are being procured via a non traditional approach. A wholly owned subsidiary company (FloWave TT) has been established to develop and operate the Wavetank project and a project board has been established to provide Governance and direction for the construction period. In conjunction with colleagues from Finance Office and ERI, we are also developing a procedure note that provides guidance on Governance and financial management and reporting on wholly or jointly owned subsidiary companies.

On the Holyrood Development, we have engaged specialist support to advise on funding and legal matters and are using a Competitive Dialogue procurement process and software package (AWARD) to process tenders and identify the preferred bid.

The Deaconess residential accommodation is a time-limited opportunity and given the funding complexities, we have engaged professional advisors and we are liaising with the Finance Office in taking this initiative forward.

The Clinical Research Imaging Centre project at the QMRI has been subject to an exhaustive ERDF follow-up audit and whilst we do not expect significant findings, we are currently awaiting on the outcome of this exercise.

We will carry out a strategic review to identify options to reduce the size of our estate over the period of the next Estates Strategy (2015-2025). We will also progress initiatives within the Carbon Action Plan and identify future engineering installations that have a potential to provide significant carbon emission savings and assist meet carbon targets.

Monitoring of Risk / Performance Indicators: (Identify how you would know that the risk is not being adequately managed; and identify relevant key performance indicators that provide an indication of the adequacy of risk management/mitigation. Attach tables or graphs of those indicators.)

Strategic Project Boards have been established for all major estates development projects with the aim of monitoring programme and costs and reporting to Estates Committee. Projects are monitored in terms of time, quality, cost, health and safety and sustainability and we review risk and maintain risk registers on all of our Strategic, Major and Minor projects.

In May 2009, EPAG endorsed a risk model recommendation for assessing the status of a project to establishing at the outset whether a project would benefit from an independent review. The risk model includes a range of financial, operational and reputation criteria for assessing risk and provides a guide as to how to assess whether a project has sufficient impact for it to be classed as Strategic, Major or Minor and therefore the approach to independent project reviews.

<table>
<thead>
<tr>
<th>Senior Manager’s assessment of current management of risk:</th>
<th>Yes/No</th>
<th>If no, please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are the current management processes and mitigating actions operating satisfactorily?</td>
<td>Yes</td>
<td></td>
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</tbody>
</table>
Do the current management processes and mitigating actions, coupled with the evidence from the Performance Indicators provide you with assurance that the risk is being adequately managed?

Yes

Is the Residual Risk “rating” above acceptable given the nature of the risk? (If no, please state what “rating” the University should be regarding as acceptable, and identify below the actions that are to be put in place to achieve an acceptable level of management/mitigation)

Yes

<table>
<thead>
<tr>
<th>Further actions (either required to achieve an acceptable level of adequacy of management/mitigation, or planned to enhance the existing management/mitigation processes)</th>
<th>Responsibility</th>
<th>To be completed by</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Provide Estates Committee with update report on Project Procedures in December each year.</td>
<td>Depute Director Estate Development</td>
<td>December 2012</td>
</tr>
</tbody>
</table>

**Note** – where actions above are to be shown as the responsibility of an individual, then those individuals must agree to the action and the timescale. Any actions not yet agreed with the individual or potential areas for action that require to be discussed, to be included in the table below.

<table>
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<tr>
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<tbody>
<tr>
<td>1. N/A</td>
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<td>2. N/A</td>
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<td>etc</td>
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</table>

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