Learning legacy

Lessons learned from the London 2012 Games construction project

Managing risk across the Olympic programme

The Olympic Delivery Authority (ODA) was tasked with completing the venues 12 months ahead of the London 2012 Olympic and Paralympic Games, and within its £7.2 billion budget. The risks to these targets were great, with a heavily contaminated site, worsening economic conditions, multiple stakeholders and the eyes of the world's press ever present. Key to the success of the ODA's approach was a strong risk management process, including a clear risk hierarchy (allowing the right people to manage the right risks), a robust quantified risk analysis controlling contingency allocation and a healthy balance of review, assurance and audit promoting an 'honest' culture of risk awareness.

The second line of defence

The ODA set out a risk management policy with three distinct lines of defence: Programme Delivery through detailed analysis of risks, Programme Assurance through quality and compliance reviews, and Corporate Control through external audit and policy review. Risk management was the first chance to control change before the trends and change control processes were applied.

Change ←—— Trend ←—— Risk

Increasing certainty

← — — — — — — —

Risk management process

The objectives of the risk process were set out in a corporate risk policy that was governed by integrated and consistent frameworks for the ODA delivery programme and implemented through individual project risk management plans.

Hierarchy of risk management

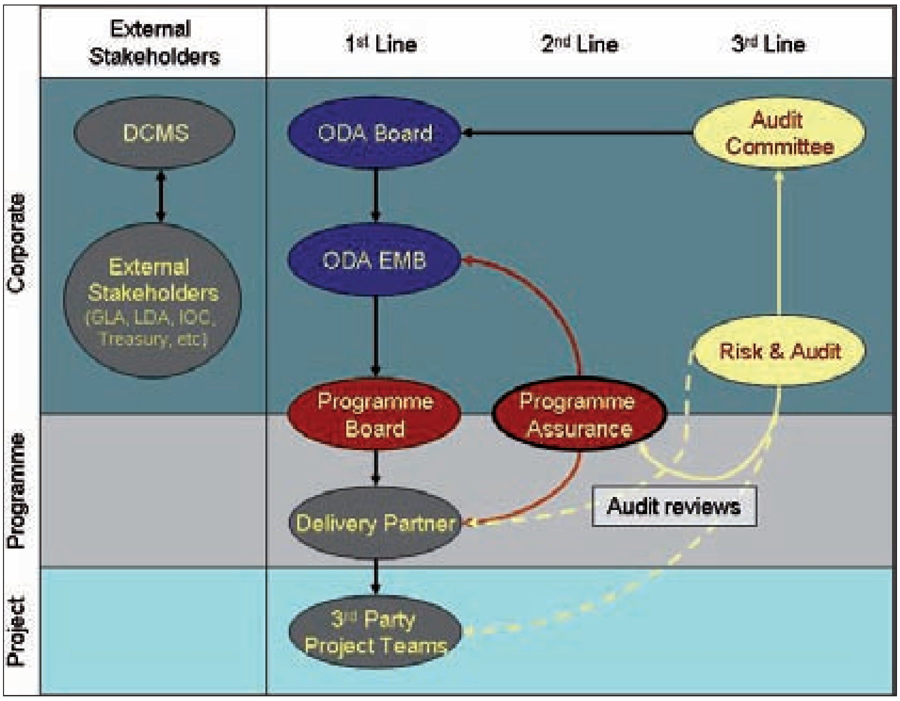
From the beginning, a risk hierarchy was established comprising:

- project – risks within the project scope;
- programme – risks outside the control of the project, but within the overall programme scope;
- funders – risks outside the control of the programme, such as political (eg, the change in VAT), force majeur and scope changes.

This approach enabled the management of risk at the right level, ie, project teams could focus on project risks, the executive could focus on programme-wide risks and the funders could focus on the external programme risks. This also encouraged involvement in risk management across the whole programme.

Risk register

The programme and project risk registers were established from a wide contingency of stakeholders (internal and external) and recorded in a common format, in a central database, with clear ownership and action responsibility established.



Three lines of defence

Quantified risk analysis

Every risk with a cost and time impact was quantified, and included in a Quantitative Risk Analysis (QRA) at project, programme or Funders level. The results of the QRA for each project and the programme were taken into account for the contingency requirement of the Anticipated Final Cost and to determine the relative importance of each risk across the programme.

Each quarter, throughout the programme lifecycle, the amount of contingency held was reduced as the risks reduced, expired or occurred. The use of the risk process has been one of the key elements of forecasting the programme outturn cost, and savings of approximately £470 million have been made through the release of risk. This has still been achieved despite significant draws from contingency as a result of the credit crisis, insolvency and integration across the Park, together with the expected draw downs for scope development uncertainty and gaps.

The use of QRA at project and programme level, and its inclusion within the Anticipated Final Cost, gave clarity to the amount of contingency required and sufficient detailed understanding remained high throughout the programme. This enabled potential savings to be realised or budgets maintained as appropriate.

Reporting, assurance, audit and review

Responsibility for risk was held by the project and functional teams, and supported and assured by a central team to ensure consistency and compliance with the process.

Reporting and escalation of key risks was achieved through inclusion in the monthly Project Status Reports and programme reports.

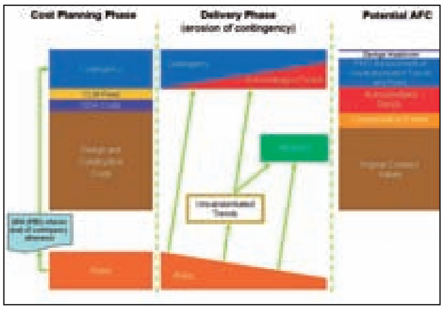
Risks were then reviewed at the risk, trends and implementation meetings which allowed executive intervention to focus on the key risks and to ensure project managers worried about the right things. This approach generated an 'honest' culture that encouraged project managers to be open about the risks they faced and the contingency they required to manage them.

A small central team was responsible for assurance of the risk processes. This included oversight of the process and compliance with it, quality checks of the data produced and support during the monthly or quarterly updates.

ODA Risk and Audit group set the policy, audited the outputs and process, and reported to the Audit Committee.

Conclusion

The setting of corporate policy and processes, adequate assurance and audit to confirm compliance, and an independent Core Risk team within the delivery organisation, gave great clarity to the risks being faced. This gave the funders and government confidence that the risks were being consistently and effectively managed.



Anticipated Final Cost trends and risk

Project
Risk Management

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CLM

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