Edinburgh Tram Network

RISK REPORTING SUMMARY

1.0   Introduction

1.1   This paper sets out the way that the Tram Project proposes to report risk consistent with the requirements and formats within the Transport Scotland (TS) Period Reporting structure.

2.0   Background

2.1   TS's reporting templates require the provision of risk reporting each period.

2.2   The TS Cost Report Template requires risks and their values to be grouped by the TS WBS.

2.3   Given that the risk values are input into the QRA model to derive the Project Risk total only a crude approximation can be made as to the contribution that each risk (or group of risks) makes to the Project Risk Total.

2.4   This limits the value of analysis that can derived from presentation of summarised risk information in this way.

3.0   Proposals

3.1   To provide the information required by TS we propose:-
- Allocate the risks in the Project Risk Register to the WBS categories agreed with TS. These categories are:-
  - General/Overall - this is a catch all WBS Item and includes Land & Property.
  - Procurement Consultant - this includes Project Management overhead and consultant hire.
  - Design - for the purposes of the risk report, this will not be split into Sections as it is not applicable.
  - Financial Issues/ Funding/ Procurement Strategy – JRC modelling costs
  - Parliamentary Process/ Approvals – historical costs only
  - Advance Works
  - Utilities – MUDFA and non MUDFA utilities costs
  - Infraco
  - Tramco
  - Testing and Commissioning – costs included in Procurement Consultant
  - Handing Over and Service Operations – costs included in Procurement Consultant
- Sub total the input values of the risks allocated to each category (after application of the relevant probabilities) – the Input Value
- Derive the Approximate Value of the contribution that each Input Value makes to the Project Risk Total by applying the following formula:-
  - Approximate Value = (Input Value/Total Input Value) * Project Risk Total
- The Approximate Values will be phased in equal increments between the Period in which the risk with the earliest exposure period

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commences and the Period in which the risk with the latest exposure period concludes (i.e. a "jam spread").

- Only open risks or treated risks that retain a residual value are reported on within this report.

3.2 Risks will be apportioned to Phases 1a and 1b by applying a percentile at the WBS level.

3.3 For reasons of commercial probity the value of risk included within the Project Estimate is as included in the £500m Phase 1a and £92m Phase 1b estimates. These were updated when the Initial Analysis was undertaken in January this. To provide meaningful reporting of current status the current assessment of risk will be used. This will over time evidence the direction of risk realisation, mitigation and release (i.e. an upward or downward trend).

3.4 Other points to note are:-
- Whilst values are shown for each Period for the phasing of Approximate Values these are notional. The reality is that:-
  - o The exposure start of the WBS Item is equal to the exposure start of the earliest exposed risk start for that WBS Item.
  - o The exposure end of the WBS Item is equal to the exposure end of the latest exposed risk end for that WBS Item.
  - o Risk allocation for each period is the risk allocation monies at P90 level, divided equally across the number of periods to which that WBS Item is exposed (i.e. "jam spread").
  - o If the current period is later than the earliest exposure start for a WBS Item, the whole risk allocation for the WBS Item will be spread equally across the remaining period. It should be noted that this will be one source of apparent in-period variance.
  - o Phasing is spread across exposure period only and does not account for any spend on risk treatment prior to exposure.
  - o A realised risk could result in the expenditure of the total amount rather than the incremental amount shown for the Period.
  - o Even though a Period may have passed without the realisation of a risk the amount allocated for that Period is not saved and in these circumstances the value for the Period will be rolled forward.
- Note: These phasing principles represent an attempt to meet the reporting requirements of Transport Scotland and do not necessarily reflect risk spend will occur in reality.

3.5 The proposed arrangements are shown graphically in Appendix A.

3.6 A Summary of the phasing of risk will be included in Appendix G to the report together with an explanation of variances where relevant.

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Risk Management Reporting
Summary Explanation

Budget Category	Allocated Risks	Input Value	QRA	Approximate Value		Phasing				Total	Variance	
						P1	P2	P3	P4		Value £	Comments
Procurement Consultation	R1, R2, R3	PC_{RI}		PC_{ARI}						PC_{ARI}		
Consultation Works	R10, R11, R12	CW_{RI}								CW_{ARI}		
Totals			Risk Total $_{(P90)}$	Risk Total		P1 RT	P2 RT	P3 RT	P4 RT	Risk Total	RT_V	

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Key

R1 etc	Risk Items as per Risk Register
PCRI	Total value of Risks (i.e. input values into QRA) for Procurement Consultant budget category
QRA	Quantified Risk Assessment
Risk Total$_{(P90)}$	Output value of the QRA at P90 Confidence Level
PC$_{ARI}$	Estimate Proportion that PC RI contributes to the Risk Total$_{(P90)}$ within the QRA calculation
Risk Total	Total of the Approximate Values (This will equal Risk Total$_{(P90)}$)
Phasing	For each Approximate Value (eg PC$_{ARI}$) the value allocated to each period during the risk exposure timespan. This will be the approximate value decided by the number of periods over the risk exposure timespan
Variance	Change to Approximate Values from the previous period and an explanation of the reason