appendix 14 – Risk Management Plan
Cairns Entertainment Precinct

Risk Management Plan

June 2011

Revision # 3

Prepared by   Savills Project Management
## Revision Control Register

<table>
<thead>
<tr>
<th>Rev No.</th>
<th>Date</th>
<th>Reason</th>
<th>Issued By</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>3 March 2011</td>
<td>Preliminary issue</td>
<td>Adam Thomas</td>
</tr>
<tr>
<td>02</td>
<td>4 March 2011</td>
<td>Revised Preliminary Issue</td>
<td>Adam Thomas</td>
</tr>
<tr>
<td>03</td>
<td>24 June 2011</td>
<td>Post CRC Workshop - draft issue</td>
<td>Adam Thomas</td>
</tr>
</tbody>
</table>
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1.0 Executive Summary

Cairns Regional Council (CRC) has engaged Savills Project Management (Savills) to prepare a risk management plan for the proposed Cairns Entertainment Precinct (CEP) in Cairns. The final risk management plan, together with the findings and recommended actions contained within, will serve as a management tool for reference, control and recording of project risks and the implementation of measures to treat and manage known risks. It will also provide direction in the development of procurement and probity plans.

The preliminary Risk Management Plan (RMP) and Risk Register (RR) were discussed at a CRC key stakeholder workshop on 3 May 2011. The RMP and RR have now been updated, and Savills recommend that these now be issued to other interested parties including representatives from the various State and Federal funding authorities and external specialist advisers. A schedule of project risks is provided for discussion in Appendix A, as agreed at the workshop of 3 May 2011. Savills note that a further risk workshop may be required with the various State and Federal agencies.

Once the final risk workshop is completed, cost and time contingencies will be developed based on the project risks to allow determination of appropriate contingencies in both the project budget and master programme. In the initial review of the project risks, completed by Savills, there are eight project risks that have been ranked as Extreme, and numerous others classified as high. The risks which are currently rated as Extreme are as follows:

<table>
<thead>
<tr>
<th>ID</th>
<th>Risk</th>
<th>Mitigation Strategy / Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Agreements with Ports North not satisfactory and not able to resolve</td>
<td>Commence early discussions with Ports North as required, including agreement on site size and contamination, approval process / lease terms etc</td>
</tr>
<tr>
<td>17</td>
<td>Complete State funding not provided</td>
<td>Commence early dialogue with current state government and potential new government to secure the additional funding required</td>
</tr>
<tr>
<td>18</td>
<td>Federal funding committed not spent by June 2012, and subsequently withdrawn</td>
<td>Programme to be developed that achieves required expenditure. Clarify requirements of the funding agreement to all the team. Meet with Michelle Poyser to discuss</td>
</tr>
<tr>
<td>19</td>
<td>Additional Federal funding not provided</td>
<td>Commence early dialogue with current state government and potential new government to secure the additional funding required</td>
</tr>
<tr>
<td>37</td>
<td>Approval from Ports North is delayed or conditions are unacceptable to support the development</td>
<td>Commence early discussions with Ports North planning consultant, and update during DA design development. Draft conditions to be sought</td>
</tr>
<tr>
<td>95</td>
<td>Approval of PAF causes delays to the project</td>
<td>Regular reviews with Treasury and CBRC</td>
</tr>
<tr>
<td>126</td>
<td>Hazardous materials in the ground</td>
<td>Obtain agreement with Ports North to remediate</td>
</tr>
<tr>
<td>142</td>
<td>Change in funding policy of State or Federal Government</td>
<td>Regular contact with funding bodies to discuss. Maintain dialogue with State / Federal member</td>
</tr>
</tbody>
</table>

The majority of the above Extreme risks relate to funding or Ports North matters.

At this time, and in consideration of all the risk factors, the Cairns Entertainment Precinct demonstrates a medium to high level of risk, predominantly surrounding the ability to secure adequate funding, ability to stage the project adequately in line...
with funding, and the resolution of outstanding matters with Ports North, including resolving the approval process and remediation of contamination.
2.0 Introduction

Cairns Regional Council has engaged Savills Project Management (Savills) to prepare an RMP for the proposed Cairns Entertainment Precinct.

Savills have prepared this preliminary risk management plan and risk register intended to assist during a risk workshop that is required to be held with Cairns Regional Council and the relevant, key project stakeholders.

The preliminary risk management plan will be updated following the risk workshop, and at regular intervals during the duration of the project. The final risk management plan will serve as a management tool for reference, control and recording of project risks and the implementation of measures to treat and manage known risks.

The risk management plan outline is listed below.

Risk Management Process
Context
- Strategic
- Organisational
- Vision, Mission, Need and Objectives
- Risk Management Context
- Extent of Risk Management Activities

Risk Identification
- Risk Criteria
- Project Risks

Risk Analysis
- Likelihood
- Consequences
- Risk Levels

Risk Evaluation
- Compare against criteria
- Establish priorities

Risk Treatment
- Identify and Assess Options
- Preparation and implementation of Treatment Plans

Monitoring and Reporting
3.0 Risk Management Process

The flowchart below depicts the risk management process adopted by Savills for the Cairns Cultural Precinct.
4.0 Context

4.1 Strategic

The strategic context is based on the requirement for a multi venue cultural facility in the heart of Cairns that comprises a mixture of performing arts venues and museum.
Cairns Entertainment Precinct will be a highly visible project and is likely to attract a high level of public scrutiny. The project will be publicly funded and has various policy, operation requirements and procedures that reflect public asset investment. Funding approval from Queensland Government requires the project to proceed in accordance with the steps outlined in the Project Assurance Framework.

4.2 Organisational

The intent of this risk management plan is to ensure that all risks are identified and treatment plans and other actions, as appropriate, can be developed. The communication strategies for this risk management plan will be based on the contractual and reporting structure established for the project through implementation of the project management planning process.

4.3 Vision, Mission, Need and Objectives

This risk management plan has been structured to allow evaluation of known and potential risks on the new Cairns Entertainment Precinct objectives. It is understood that these objectives form an important part of a wider and interconnecting hierarchy of aims and objectives for Cairns Regional Council.

4.4 Risk Management Context

4.4.1 Programme

A copy of the proposed project master programme is included in Appendix B.

Key programme milestones include:

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion of Stages 1 - 3 of the PAF framework</td>
<td>24 November 2011</td>
</tr>
<tr>
<td>Development Consent Obtained</td>
<td>16 December 2011</td>
</tr>
<tr>
<td>Award Construction Contract</td>
<td>3 February 2012</td>
</tr>
<tr>
<td>Commence Early Works Construction</td>
<td>6 February 2012</td>
</tr>
<tr>
<td>Complete Construction</td>
<td>30 January 2015</td>
</tr>
</tbody>
</table>
4.5 Extent of Risk Management Activities

This risk management plan extends to the identification, analysis, evaluation and proposed treatment of risks related to the Cairns Cultural Precinct

The extent of risk management activities to be carried out will be defined by the proposed project stages below:

- Identification of demand / stakeholder needs
- Finalise project objectives and scope
- Clarification of project funding options
- Acceptance of designs by the community
- Consultant appointments

**Phase Two: DA& Design Development/ Funding including staging options (July 2011 – October 2011)**
- Secure funding
- DA submission and negotiation of approval
- Design development finalisation and cost review

- Tender documentation, cost reviews and pre-tender estimate.
- Establish tender shortlist, prepare contract particulars, tender, assess tenders, negotiate, prepare tender report and approvals.

**Phase Four: Construction (February 2012 – February 2015)**
- Award contract, site establishment, construction works, including early works, fit-out, commissioning and defects rectification.

**Phase Five: Operational (March 2015 onwards)**
- Marketing of the facility to the community and various potential user groups
- Maintenance cost to be managed
- Operational cost to be managed
5.0 Risk Identification

5.1 Risk Criteria

Project risks have been allocated by Savills under the following Risk Criteria headings.

- Demand, Need, Objectives and Scope
- Commercial and Legal
- Economic and Financial Risk
- Procurement and Delivery
  - General
  - Authority Compliance and Approval
  - Design and Documentation
  - Construction
  - Programme
  - Cost
- Technology
- Operational Environment
- Environmental
- Occupational Health and Safety
- Governance and Probity
- Political
- Stakeholder and Community
- Sustainability

5.2 Project Risks

Individual project risks are included with the risk management register, included as Appendix A.
6.0 Risk Analysis

The risk register contained in Appendix A of this risk management plan contains Savills initial assessment of the identified risks.

This quantitative analysis is provided by combining the risk likelihood with the consequence if it occurs. The likelihood of risk events occurring has been classified as follows, with guidance as to the meaning of each classification also included:

- Rare - May occur, but only in exceptional circumstances
- Unlikely - Could occur but doubtful
- Moderate - May occur at some point in the future
- Likely - Will probably occur
- Almost Certain - Is expected to occur in most circumstances

The consequence of risk events occurring has been classified as follows, with guidance as to the meaning of each classification also included:

<table>
<thead>
<tr>
<th>Insignificant</th>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
<th>Catastrophic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injuries or ailments not requiring medical treatment</td>
<td>Minor injury or First Aid Treatment Case</td>
<td>Serious injury causing hospitalisation or multiple medical treatment cases</td>
<td>Life threatening injury or multiple serious injuries causing hospitalisation</td>
<td>Death or multiple life threatening injuries</td>
</tr>
<tr>
<td>Minority of project not completed to specification</td>
<td>Policy procedural rule occasionally not met</td>
<td>One or more key accountability requirements not met</td>
<td>Strategies not consistent with Government’s agenda</td>
<td>Critical system failure, bad policy advice or ongoing non-compliance</td>
</tr>
<tr>
<td>People errors</td>
<td>Project scope impacts occasionall</td>
<td>Project scope impacts severe</td>
<td>Critical system failure, bad policy advice or ongoing non-compliance</td>
<td>Project and item is effectively useless</td>
</tr>
<tr>
<td>Financial</td>
<td>Program</td>
<td>Scope</td>
<td>Quality</td>
<td></td>
</tr>
<tr>
<td>1% of budget or &lt;$50K</td>
<td>2.5% of budget or &lt;$50K</td>
<td>5% of budget or &lt;$50K</td>
<td>&gt;16% of budget or &lt;$5M</td>
<td>&gt;25% of budget or &gt;$5M</td>
</tr>
<tr>
<td>Insignificant</td>
<td>Program</td>
<td>Scope</td>
<td>Quality</td>
<td></td>
</tr>
<tr>
<td>Insignificant project scope</td>
<td>Program scope ca</td>
<td>Scope reductions unacceptable to the Client</td>
<td>Project and item is effectively useless</td>
<td></td>
</tr>
<tr>
<td>People errors</td>
<td>Project scope impacts occasionall</td>
<td>Project scope impacts severe</td>
<td>Critical system failure, bad policy advice or ongoing non-compliance</td>
<td>Project and item is effectively useless</td>
</tr>
<tr>
<td>Financial</td>
<td>Program</td>
<td>Scope</td>
<td>Quality</td>
<td></td>
</tr>
<tr>
<td>Insignificant</td>
<td>Program</td>
<td>Scope</td>
<td>Quality</td>
<td></td>
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<tr>
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<td>Scope reductions unacceptable to the Client</td>
<td>Project and item is effectively useless</td>
<td></td>
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<tr>
<td>People errors</td>
<td>Project scope impacts occasionall</td>
<td>Project scope impacts severe</td>
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<td>Project and item is effectively useless</td>
</tr>
<tr>
<td>Financial</td>
<td>Program</td>
<td>Scope</td>
<td>Quality</td>
<td></td>
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<tr>
<td>Insignificant</td>
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<td>Quality</td>
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<tr>
<td>People errors</td>
<td>Project scope impacts occasionall</td>
<td>Project scope impacts severe</td>
<td>Critical system failure, bad policy advice or ongoing non-compliance</td>
<td>Project and item is effectively useless</td>
</tr>
</tbody>
</table>

This has provided an overall classification of risk into four areas:

- Low
- Medium
Refer to the Risk Management Register at Appendix A for the ranking of Project Risks.

### 7.0 Risk Treatment

#### 7.1 Risk Ranking

Savills have provided a preliminary classification for the risks contained in the risk register, based on the assessment detailed in Section 6 of this document. These classifications range from Low to extreme as noted below. The required actions emanating from risk rankings may be generally described as follows:

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Manage by routine procedure</td>
</tr>
<tr>
<td>Medium</td>
<td>Specify management responsibility</td>
</tr>
<tr>
<td>High</td>
<td>Required action of the Project Control Group</td>
</tr>
<tr>
<td>Extreme</td>
<td>Risk Treatment Plan required</td>
</tr>
</tbody>
</table>

#### 7.2 Risk Treatment

Specific actions for individual risks, together with proposed treatment, responsibility, cost and time impact and further actions are detailed within the risk register, included in Appendix A.

The aim, through adoption of the required actions, is High and Extreme risks may be downgraded to Medium and Low risks.
8.0 Monitor and Review

Savills will provide an updated risk management register within each Project Control Group (PCG) report. Part of the review will include details of how the classification of risks are being mitigated over the duration of the project.

Any new risks with a High or Extreme ranking or upgrade of an existing risk to a High or Extreme ranking will be highlighted within the Executive Summary of the PCG monthly report.
Appendix A – Risk Register
Appendix B – Master Programme
Staff name, Savills location
D: +61 2 0000 0000
F: +61 2 0000 0000
M: +61 412 000 000
E:name@savills.com.au
www.savills.com.au
<table>
<thead>
<tr>
<th>#</th>
<th>Risk</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Level of Risk</th>
<th>Treatment / Mitigation Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Complete State funding not provided</td>
<td>MODERATE</td>
<td>CATASTROPHIC</td>
<td>EXTREME</td>
<td>Commence early dialogue with current state govt and potential new government to secure the additional required funding. Subject to PAF and CBRC approval. Staging plan being developed to mitigate risk of future funding</td>
</tr>
<tr>
<td>18</td>
<td>Federal funding committed not spent by June 2012, and subsequently lapses</td>
<td>MODERATE</td>
<td>CATASTROPHIC</td>
<td>EXTREME</td>
<td>Programme to be developed that achieves required expenditure. Clarify requirements of the funding agreement to all the team. Meet with Federal government</td>
</tr>
<tr>
<td>19</td>
<td>Additional Federal funding not provided in time for initial stage of project</td>
<td>LIKELY</td>
<td>CATASTROPHIC</td>
<td>EXTREME</td>
<td>Commence early dialogue with current state govt and potential new labour to secure the additional required funding. SUBJECTR TO NEW FUNDING AND NEW PROGRAMS. Staging plan being developed to mitigate risk of future funding</td>
</tr>
<tr>
<td>37</td>
<td>Approval from Ports North is delayed or conditions are unacceptable to support the development</td>
<td>MODERATE</td>
<td>CATASTROPHIC</td>
<td>EXTREME</td>
<td>Commence early discussions with Ports North planning consultant, and update during DA design development. Draft conditions to be sought. Discussions commenced with Ports and their approval consultant RPS</td>
</tr>
<tr>
<td>95</td>
<td>Approval by CBRC of PAF causes delays to project</td>
<td>MODERATE</td>
<td>CATASTROPHIC</td>
<td>EXTREME</td>
<td>Regular reviews with AQ, Treasury and CBRC</td>
</tr>
<tr>
<td>126</td>
<td>Hazardous materials in ground</td>
<td>LIKELY</td>
<td>CATASTROPHIC</td>
<td>EXTREME</td>
<td>Obtain agreement with vendor to remediate. Studies have been and are continuing to be done</td>
</tr>
<tr>
<td>142</td>
<td>Change in funding policy of State or Federal govt</td>
<td>MODERATE</td>
<td>CATASTROPHIC</td>
<td>EXTREME</td>
<td>Regular contact with funding bodies to discuss. Maintain dialogue with state / Federal member</td>
</tr>
<tr>
<td>147.1</td>
<td>State Government going into caretaker mode affects ability to make decisions on PAF submission</td>
<td>MODERATE</td>
<td>CATASTROPHIC</td>
<td>EXTREME</td>
<td>Work to current programme, and attempt to develop alternate plans in case the State goes to caretaker mode</td>
</tr>
<tr>
<td>147.2</td>
<td>Council goes into caretaker mode and affects ability to sign contracts / make decisions</td>
<td>MODERATE</td>
<td>CATASTROPHIC</td>
<td>EXTREME</td>
<td>Work to current programme, and attempt to develop alternate plans for when CRC goes to caretaker mode</td>
</tr>
</tbody>
</table>