



Webinar Summary Sheet – Application support for the Start Strong Capital Works Grants Program

Risk management in construction projects

In construction, the risk management process involves planning, monitoring, and controlling instances of risk.

Why have a risk management plan?

- Project issues are clarified, understood and considered from the start.
- Decisions are supported by thorough analysis.
- The definition and structure of the project are continually monitored.
- Clearer understanding of specific risks associated with a project.
- Buildup of historical data to assist future risk management procedures.

To craft your risk plan, you'll first need to identify the factors that could most jeopardise your projects. These risks can be grouped by category

- Contractor risks
- Health & Safety Risks
- Operational Risks

- Financial risks
- Legal risks
- Project risk
- Environmental risk
- Fire

In your application, you will be asked to provide a risk assessment detailing any identified risks, their likelihood, impact and mitigation strategies.

When working through the risk management process, first identify hazards; who or what may be harmed, evaluate the risks arising from the hazard and determine the control measures required. Then, evaluate the remaining risk after control measures have been put in place.

Record the findings of the risk assessment and make a contingency plan for the residual risks. Importantly, review and revise your risk management plan regularly as needed.

Risk matrix

The risk matrix plots probability of a risk event with its impact in a color-coded chart to show overall risk for different situations.

Determine the **likelihood** of the risk occurring:

Certain – More than 90% chance of an event occurring over the life of the project

Likely – 61% -90% chance of an event occurring over the life of the project

Moderate – 41% -60% chance of an event occurring over the life of the project

Unlikely – 10% -40% chance of an event occurring over life of the project

Rare – less than 10% chance of an event occurring over life of the project

After determining the likelihood, then rate the risk for **severity**:

Minimal – The consequences are minimal and may cause a near negligible or only minor damage. This hazard poses no real threat. Examples: no media coverage, and/or no bodily harm to employees or customers.

Moderate – The consequences are moderate and may cause a sizeable amount of damage. This hazard cannot be overlooked. Examples: loss of \$100K, regional media coverage and/or minor bodily harm.

High – The consequences are critical and may cause a great deal of damage. This hazard must be addressed quickly. Examples: loss of \$1M, national media coverage, major bodily harm and/or police involvement.

Major – The consequences are catastrophic and may cause an unbearable amount of damage. This hazard is a top priority. Examples: loss of \$10M, extreme bodily harm and/or police involvement.

The **intersection** of these elements determines the **risk rating**.



Severity

	Insignificant	Minor	Possible	Major	Severe
Likelihood					
Certain	Medium	High	Very High	Very High	Very High
Likely	Medium	High	High	Very High	Very High
Moderate	Low	Medium	High	High	Very High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium



Mitigating risks

Risk mitigation is a process, to reduce adverse effects.

'ACCEPT' RISK strategy

With some risks, the expenses involved in mitigating the risk is more than the cost of tolerating the risk. In this situation, the risks should be accepted and carefully monitored.

'AVOID' RISK strategy

In general, risks should be avoided that involve a high probability impact for both financial loss and damage.

'TRANSFER' RISK strategy

Risks that may have a low probability of taking place but would have a large financial impact should be mitigated by being shared or transferred, e.g. by purchasing insurance, forming a partnership, or outsourcing.

'REDUCE' RISK strategy

The most common mitigation strategy is risk limitation, e.g. businesses take some type of action to address a perceived risk and regulate their exposure. Risk limitation usually employs some risk acceptance and some risk avoidance.

'HEDGING' RISK strategy

Hedging assumes the additional risk that works in the opposite direction as the mitigated risk. While natural hedging organises the business in a way that "internal" risks offset each other, external hedging uses the instruments that create offsetting risks (e.g. by locking the price secures against price fluctuations).



Please [watch the webinar](#) for further detail and information.



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