



NEC3 Briefing Note – managing project risks through the NEC3 Engineering and Construction Contract

PROVISIONS FOR A RISK REGISTER

The NEC3 ECC does not specifically define “risk”. It is therefore defined in accordance with the common usage of the term, namely “danger”, “possibility of loss, injury or other adverse situation” or “the possibility of commercial loss”. The ECC does, however, define a “Risk Register” (Clause 11.2(14)) as a register of risks which are either:

- listed in the Contract Data by either the Employer or the Contractor immediately prior to the formation of the contract or
- notified by the Project Manager or Contractor in terms of the contract as an early warning matter, i.e. a matter (see Clause 16) which:
 - increases the total of the Prices
 - delays Completion
 - delays meeting a Key Date
 - impairs the performance of the works in use.

Clause 16 also permits the Contractor to give early warning of any other matter which could increase his total cost, but excludes a matter for which a compensation event has previously been notified.

The Risk Register therefore only deals with contract-related risks which might impact on project objectives relating to time, cost and quality/performance, and excludes risks relating to design and legislated matters, such as the management of health, safety and the environment, unless they negatively impact upon the total of Prices, Completion, meeting a Key Date or the performance of the works in use.

The definition for the Risk Register states that the Risk Register includes a description of the risk and a description of the actions which are to be taken to avoid or reduce the risk.

Clause 16 requires that:

- the Project Manager enters early warning matters in the Risk Register
- those who attend a risk reduction meeting
 - cooperate in making and considering proposals on how the effect of the registered risks can be avoided or reduced
 - seek solutions that will bring advantage to all those who will be affected
 - decide on the actions which will be taken and who, in accordance with the contract, will take them

- decide which risks have been avoided or have passed and can be removed from the Risk Register
- the Project Manager revises the Risk Register to record the decisions made at each risk reduction meeting and issues the revised Risk Register to the Contractor.

NOTE 1: Clause 32.1 requires that revised programmes reflect the effects of notified early warning matters, while Clause 63 requires that where an early warning which an experienced contractor could have given and an early warning was not given, compensation events will be assessed as if an early warning had been given.

NOTE 2: In Options C and D (Target contract), Option E (Cost reimbursable contract) and Option F (Management contract), a failure by the Contractor to give an early warning required in terms of the contract which results in costs being incurred is a Disallowed Cost. Such costs are at the Contractor’s risk.

NOTE 3: The PMBOK® Guide (2000 edition) uses the term “risk response plan” as an alternative term for risk register. A risk response plan is defined as *a document detailing all identified risks, including description, cause, probability of occurring, impact(s) on objectives, proposed responses, owners and current status.*

THE STRUCTURE OF A RISK REGISTER

Table 1 illustrates the structure of a Risk Register which is consistent with the pro-

visions of the ECC relating to the management of risk. The status of identified risks can be changed from time to time.

Each risk event can be triggered by one or more causes and can result in one or several outcomes. The actions to avoid or to reduce risk can include “monitor and review from time to time” or “take no action” if the likelihood (probability of frequency or the chance that an event will occur) is low in relation to a specific course of action.

A = Actioned
N = Take no action

M = Monitor and review
T = To be actioned

Note: The terms in Table 1 have the following meanings:

- **Risk event:** specific happening that can influence the subject matter of an early warning
- **Cause:** the trigger of the event
- **Possible outcome:** the increasing of the Prices, a delay to Completion, a delay to meeting a Key Date, an impairment of the performance of the works in use or an increase in the Contractor’s total cost □

Table 1 Structure of the Risk Register and an example of an entry

#	Entry date	Description of the risk			Action to avoid or reduce risk			Action status*
		Risk event	Cause	Possible outcome	Description of action	Responsibility for action	Timetable for Implementation	
1	06-10-09	Piling for block A delayed	Unforeseen geological conditions	Completion delayed Less time available to meet first Key Date Total of Prices may increase	An alternative pile design using different equipment is required	Project Manager	By 21-10-09	T