

Construction Risk Management Plan

How risk is owned, scored, treated, escalated and funded on this project. Owner side.

EXAMPLE CONTENT. Every figure below is a worked example on an invented \$48,000,000 project. The thresholds in Sections 2, 3 and 7 are DELEGATIONS - replace them with your own before you issue this plan.

Project	Ridgemont County Public Safety Building	Owner	Ridgemont County
Construction value	\$48,000,000	Delivery method	Construction Manager at Risk
Contingency held	\$3,840,000 (8%)	Owner float	45 days
Risk matrix in use	5×5 (state which and do not change it mid-project)	Plan version	1.0 · [Month DD, YYYY]

1 PURPOSE AND SCOPE

What this plan does	It sets out how risk is identified, assessed, owned, treated, escalated and closed on this project, and who may decide what. It is approved once, reviewed on the cycle in Section 8, and reissued when the thresholds or the delivery method change.
What this plan is not	It is not the risk register. The register is the live list of individual risks and it is maintained continuously; this plan is the rules the register runs under. Where the two disagree, this plan governs and the register is corrected.
Who it binds	Everyone named in Section 2, and every consultant and contractor to the extent their agreement incorporates it. A risk owner named here cannot decline the role by not looking at the register.

2 WHO OWNS RISK, AND WHAT EACH ROLE MAY DECIDE

AUTHORITY IS A DOLLAR FIGURE, NOT AN ADJECTIVE. Every article on this subject says risks should be owned by an appropriate person. This says who, and up to how much - which is the only version of the sentence that settles an argument at a monthly review.

County Board	<i>Sponsor's governing body</i>	Accepts any risk with an exposure over \$2,000,000 or over 60 days. Approves any change to the contingency amount. Sees the register quarterly, exceptions immediately.
Capital Projects Director	<i>Project sponsor</i>	Accepts risks up to \$2,000,000. Approves contingency drawdown up to \$500,000 per event. Chairs the monthly risk review. Owns this plan and reissues it.
Owner's Project Manager	<i>Client side, day to day</i>	Maintains the register, assigns risk owners, runs the workshops, prepares the escalation. Accepts risks up to \$250,000. Cannot accept a risk they also own.
Risk owner	<i>Named individual, one per risk</i>	A person, never a team or a company. Responsible for the treatment actions, the review date and telling the Owner's Project Manager when the exposure moves. Named in the register.
Construction Manager at Risk	<i>Contractor</i>	Maintains its own register for means, methods, site safety and its subcontracts, and reports into this one monthly. Its register is not a substitute for this one.
Design Lead	<i>Consultant</i>	Reports design and code risks as they emerge rather than at each submission. Where the County supplies the design, the County carries its adequacy - see Section 9.

3 THE SCALES, AND WHAT THEY MEAN IN DOLLARS AND DAYS

Likelihood	Probability	Meaning on this project
Almost certain	Over 80%	Expected on this project; plan for it happening
Likely	50 to 80%	Has happened on more than half of comparable projects
Possible	20 to 50%	Credible on this project; has happened locally
Unlikely	5 to 20%	Would need an unusual combination of events
Rare	Under 5%	Known to be possible; not seen on this asset class

Consequence	Cost	Schedule	Safety	Reputation
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A likelihood scale with no percentages and a consequence scale with no dollars is why two people score the same risk three levels apart. These are the definitions this project uses.

Severe	\$2,000,000 and over	Over 60 days	Fatality or permanent disability	Sustained regional coverage; Board intervention
Major	\$500,000 to under \$2,000,000	21 to 60 days	Lost-time injury requiring hospitalization	Local coverage; formal complaint to the County
Moderate	\$100,000 to under \$500,000	8 to 20 days	Medical treatment injury	Community concern raised at a public meeting
Minor	\$25,000 to under \$100,000	3 to 7 days	First aid injury	Contained within the project team
Insignificant	Under \$25,000	Under 3 days	No injury	No external interest

RISK TOLERANCE

Cost	\$3,840,000 of contingency, being 8% of construction value	Contingency is drawn only against a risk in the register that has occurred. Scope additions come from the separate owner allowance. Drawdown above 40% before construction reaches 50% complete is a reportable exception.
Schedule	45 days of owner float, held at the program level	Float belongs to the project, not to whoever reaches it first. A party consuming float notifies the Owner's Project Manager. Below 15 days remaining, the recovery plan in Section 8 is triggered automatically.
Safety	No tolerance	No risk with a Severe safety consequence may be accepted at any level. It is avoided, reduced below Severe, or the work does not proceed. This is the one row with no dollar figure.
Quality and defects	Low at handover, none for life-safety systems	A defect that can be corrected before substantial completion is a schedule and cost risk and is scored as one. A defect in a life-safety system - fire, egress, structural - is not accepted at any level and does not reach this table; it is a Severe safety consequence.
Reputation and community	Low	Any risk likely to produce a formal complaint to the County or coverage beyond the local paper is escalated to the Capital Projects Director whatever its dollar value.

4 HOW RISK IS RUN ON THIS PROJECT

1	Identify	Risk workshop at each stage gate, plus continuous capture. Anyone may raise a risk; the Owner's Project Manager decides whether it enters the register, and records the ones that do not and why. Sources: the design, the schedule, the estimate, the site, the approvals path, the market, and the last project's lessons learned.
2	Assess	Score likelihood and consequence against the scales in Section 3. Score the UNTREATED exposure first, then the residual after treatment. A register holding only residual scores cannot show whether the treatment is working.
3	Assign	One named person. The Owner's Project Manager assigns; the risk owner accepts in writing or the assignment escalates. A risk with no owner is reported as an exception, not left blank.
4	Treat	One of the five responses in Section 5, with dated actions and a cost. A treatment with no date and no cost is an intention.
5	Monitor	Every open risk carries a review date. The monthly review tests whether the exposure moved, not whether the risk still exists. Risks whose review date has passed are reported by count.
6	Close	A risk closes when it has occurred and been paid for, or when the window in which it could occur has passed. Closure is recorded with the reason and the final cost, because that is the only data the next project gets.

5 THE FIVE RESPONSES, AND WHO MAY APPROVE EACH

Avoid	<i>Remove the cause or the activity</i>	Change the sequence, the design or the scope so the risk cannot occur. The most effective response and the one most often skipped because it costs something visible today.	Capital Projects Director
Reduce	<i>Lower likelihood, consequence or both</i>	Investigation, early works, prototyping, staged release, additional survey. Reduce is the default and it must name what specifically drops - likelihood or consequence.	Owner's Project Manager up to \$250,000
Transfer	<i>Move it to a party better placed to carry it</i>	Insurance, bonds, a fixed price, a warranty, a subcontract term. TRANSFER IS NOT DELETION - the risk stays in the register with the residual retained by the County, and the cost of transfer is recorded.	Capital Projects Director, with counsel
Accept	<i>Carry it knowingly and fund it</i>	Only with an authority from Section 2 and only where the exposure sits inside contingency. Acceptance is dated and named. An accepted risk is still reviewed.	By threshold - see Section 2
Exploit	<i>Act to make an upside happen</i>	Opportunities go in the same register. An early utility connection, a favorable bid market, a salvage credit. A register with no opportunities in it is a register nobody is reading properly.	Owner's Project Manager

6 CONTINGENCY, AND THE RULE THAT KEEPS THE REGISTER HONEST

Contingency spent on scope is the commonest way an owner-side project runs out of money while its register still looks healthy. These four rules are what prevent it.

Contingency funds risk. It does not fund scope.	A drawdown must name the register ID of the risk that occurred. If no register ID applies, the cost is a scope change and it comes from the owner allowance or a budget increase - not from here. This single rule is what keeps the register honest, because a risk nobody logged cannot be paid for.
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Draw against the residual, not the gross	The register carries an untreated and a residual exposure. Contingency is sized on residual. Where a treatment has not been executed, the residual is not yet earned and the gross applies.
Release is as deliberate as drawdown	When a risk closes without occurring, its allocation returns to contingency and is reported. Contingency that is never released is contingency being quietly spent.
Track the burn against the build	Contingency drawn should trail percent complete. Above 40% drawn before 50% complete is a reportable exception under Section 3 - not because the number is wrong, but because it means the register understated something and the rest of the project is now underfunded.

7 WHAT ESCALATES, TO WHOM, AND HOW FAST

Trigger	Escalates to	Within
Residual exposure over \$2,000,000 or over 60 days	County Board	Next scheduled meeting, or a special meeting where the treatment window is shorter
Residual exposure \$250,000 to \$2,000,000	Capital Projects Director	Within 5 business days
Any risk with a Severe safety consequence	Capital Projects Director and the County Board	Immediately, before the work proceeds
Owner float below 15 days	Capital Projects Director	Within 5 business days, with a recovery plan
Contingency drawn above 40% before 50% complete	Capital Projects Director and the County Board	At the next monthly report, with a revised forecast
A risk with no named owner for more than 10 business days	Capital Projects Director	At the next monthly report, by count and by ID

Thresholds here must match Sections 2 and 3. If you change one, change all three - they are three statements of the same delegation.

8 REVIEW CYCLE

When	Who	What happens
Weekly	Owner's Project Manager	Review risks whose review date falls this week. Update exposures. No formal report.
Monthly	Capital Projects Director chairs; risk owners attend	Full register review. Movements, new risks, closures, contingency position, escalations. The monthly project report carries the top ten by residual exposure and the contingency burn.
At each stage gate	Full project team plus the Construction Manager at Risk	Re-identification workshop. The risk profile of a project changes completely between design, procurement and construction, and a register carried forward unexamined is the commonest cause of a stale one.
Quarterly	County Board	Register summary, contingency position, and every accepted risk over \$250,000 with the name and date of the person who accepted it.
On any change of delivery method or contract form	Capital Projects Director	The allocation in Section 9 is re-tested and this plan is reissued. Who carries design risk changes with the delivery method, and the register must change with it.

9 THE RISKS THIS OWNER CANNOT TRANSFER

Every published article on construction risk lists safety, weather and cost overrun - contractor risks, on a contractor's list. These nine stay with the owner whatever the contract says, and each one belongs in the register with a named owner from Section 2.

Permitting and entitlement	You cannot contract away a planning commission, a zoning board or a state agency. A contractor can be made to prepare the application; it cannot be made to guarantee the decision or its timing. Treat with float and a staged approvals path, not with a contract clause.
Site availability and access	Utility relocations, easements, existing occupants, environmental clearance. Almost every delay claim that succeeds against an owner starts here, because the owner warranted access on a date and did not control the parties who deliver it.
Funding drawdown and appropriation timing	A bond sale, a grant milestone or a fiscal-year appropriation moves on its own calendar. A project that cannot pay on time carries a schedule risk that no contractor will price and no insurer will cover.
YOUR OWN DECISION LATENCY	The owner's approval turnaround is a schedule risk and it is the one owners never enter in their own register. Submittal reviews, change order decisions, color selections, sign-offs. Set the turnaround in the contract, then measure yourself against it monthly and report the misses.
Stakeholder and community objection	Neighbors, tenants, advocacy groups, elected officials. The consequence is almost always schedule and reputation rather than direct cost, which is why it scores low on a cost-only scale and then stops the project anyway.
Operational readiness	Staffing, training, FF&E, IT, licensing, the move. A finished building is not a project delivered, and the gap between substantial completion and being open is owner-side work that sits in no contractor's schedule.
Existing conditions and hazardous materials	Asbestos, lead, contaminated soil, unknown utilities, undocumented structure. On almost every US form the owner carries pre-existing conditions it did not disclose, and a differing site conditions clause converts the discovery straight into a change order. Survey early: this is the one risk on this list where money spent before award reliably beats money spent after.
Interfaces with your own operations	Where the work sits beside a live facility - a hospital wing, a campus, an operating station - the owner controls shutdowns, access windows, noise curfews and the users. A contractor can be held to a program; it cannot be held to your operational calendar, and every hour it waits on one of your departments is an hour you will pay for.
Design adequacy, where the County supplied the design	Under the Spearin doctrine, an owner that furnishes plans and specifications impliedly warrants they are adequate for the work, and a contractor that builds to them is generally not liable for the resulting defect. That allocation is the default in design-bid-build. It shifts under design-build and can be modified under Construction Manager at Risk - so the delivery method on the cover of this plan decides who carries this row, and it must be re-tested whenever that method changes.

The last row moves with the delivery method. Re-test this whole table whenever the delivery method or the contract form changes, and reissue this plan - see Section 8.

10 WHERE EVERYTHING ELSE LIVES

Document	What it holds	
<i>This plan is the rules. It is not the register, the matrix or the mitigation plan, and it does not replace any of them.</i>		
This plan	The rules	Approved once; reissued on a threshold or delivery change.
Risk register	The live list of individual risks	Maintained continuously by the Owner's Project Manager. Mastt publishes a Project Risk Register.
Risk matrix	The scoring grid the scales in Section 3 feed	Mastt publishes a 4×4 and a 5×5 Risk Matrix Template. Pick one and state it on the cover; a project that changes grid mid-flight loses its trend data.
Risk mitigation plan	The treatment actions, per risk, with dates and costs	Mastt publishes a Risk Mitigation Plan Template. It is the detail behind Section 5; this plan sets who may approve each response, that file records what was done.
Monthly project report	Where the register surfaces to the sponsor	Top ten by residual exposure, contingency burn, escalations. Mastt publishes a Monthly Project Report Template.

11 APPROVAL

This plan is approved for issue. The thresholds in Sections 2, 3 and 7 are the delegations that apply to this project until this plan is reissued.

Capital Projects Director	_____	Date	_____
Owner's Project Manager	_____	Date	_____
Print name and title	_____	Plan version	_____

IMPORTANT This is a template and a worked example, not legal, insurance or financial advice. The project, the parties, the thresholds and every figure in it are invented and illustrative - the dollar and day thresholds in Sections 2, 3 and 7 in particular must be set to your own project's value and your own delegations before this plan is issued. Risk allocation is governed by your contract and by the law of the state where the project is located, and the Spearin reference in Section 9 is a general statement of a default rule that is modified by delivery method and by contract terms. Have the allocation, the thresholds and the delegations reviewed by counsel and by your insurance broker before you rely on them.

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