Nationwide Foundation

**Supporting Community Led Housing
Accredited Advisor Training**

power to change

C1 Identifying and Managing Risk

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What is Development Project Risk?

A risk is an uncertain event where, if the outcome is different from the current prediction, the project will be affected. It might be affected in terms of:

- Achieving the project objectives / targets
- Project cost
- Project income
- Timescales – both intermediate and final completion
- Project quality
- Control

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What are the Main Development Risks?

- Site
- Planning
- Build costs and quality
- Finance availability and costs
- Funding availability
- Sales
- Partnerships

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Planning how to Manage Each Risk

In deciding how to manage the risks there will need to be an assessment of the risk versus benefit to the project objectives. Critical to managing risk is understanding who is responsible for the risk and who will be affected by it. Responses to a risk can be either to:

- **Avoid**: eliminating the exposure to a risk usually means a major change to the project plan or objectives (e.g. avoiding exposure to the sales risk means not doing any units for sale).

Planning how to Manage Each Risk

- **Reduce**: typically, this involves gathering more information (e.g. ground investigation reports prior to purchasing a site; undertaking financial checks on contractors prior to letting the building contract).
- **Transfer**: this involves passing the impact of the risk onto another party (e.g. taking a partnership approach to the development; entering into a design and build contract or taking out an insurance policy).
- **Manage**: creating fall back positions in the event that the risk crystallises (e.g. having more homes for sale if there is not enough funding for affordable housing).

Partnerships

One of the main ways for a group to manage large numbers of risks is to consider a partnership route for the development of their project.

- A development partner can be a private developer, a registered provider or a local authority.
- The services that a development partner will provide and the costs for these should be set out in a legally binding agreement at the start of the arrangement. The development services should be clearly separated from any ownership or longer-term management interests.
- The balance of the risk will usually determine how much control a group can retain in the project.

Partnerships

- Partnerships can however be a risk in themselves if they are not set up with the appropriate framework of clear responsibilities of each party.
- Partnerships depend on clear communication and an understanding that changing requirements will have a cost implication.

Managing Retained Risks

Regularly update the budget and schedule to include:

- The expected cost and time implications of the active responses
- A contingency allowance for all the risks that have been simply accepted and are not being actively managed.

Completing a risk register, setting out**:**

- The long list of risks;
- The probability / impact assessment
- The resulting list of significant risks;
- The risk response(s) chosen for each significant risk;
- Mitigation plans for those retained risks.

Live Phase Risk Management Strategy

- The Governance and Financial Viability Standards
- Systems in place to identify, record, rate and manage risks
- Functional and cross functional risks
- Probability
- Impact
- Risk mapping and RAG rating
- Controls – policies, procedures and rules
- Management responsibility
- Being ‘fraud aware’ and having procedures that minimise the risk of fraud
- Tolerate, treat or transfer?

Functional Risks

- Provision of accommodation
- Tenancy and leasehold management
- Collection of rents and service charges
- Day to day maintenance
- Major works / cyclical maintenance – asset management plan
- Cleaning and grounds maintenance
- Contract management
- Financial management and loan covenants
- Governance
- Complaints

Accredited Advisor information

The Community Led Housing section on the CCH website contains the following useful training resources:

- Course Notes
- Course Presentations
- Case Studies
- Videos

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