



**Developing during uncertain times:
Approaches to strategic and
project risk management**

25 April 2024

Who we are



- Affordable Housing Consultancy advising clients in the public/private sectors for over 20 years
- Team of over 60 people
- Dedicated to enabling the delivery of quality affordable homes
- Services span Land, Development and Sales
- Expertise in financial viability, providing independent advice on development proposals across London and the South East and West.
- Over 50 clients including Local Authority, Housing Association & Private sector



Our speakers

Samantha Phelps

- Senior Development Consultant
- Joined Red Loft in 2017
- 20 years in real estate specialising in affordable housing
- Providing project management services for both large and small RPs



Emma Davies

- Senior Development Consultant
- Joined Red Loft in 2018
- 20+ working in Affordable Housing, development & regeneration
- Most recently working with Councils & RPs on new-build and asset management



What we will cover

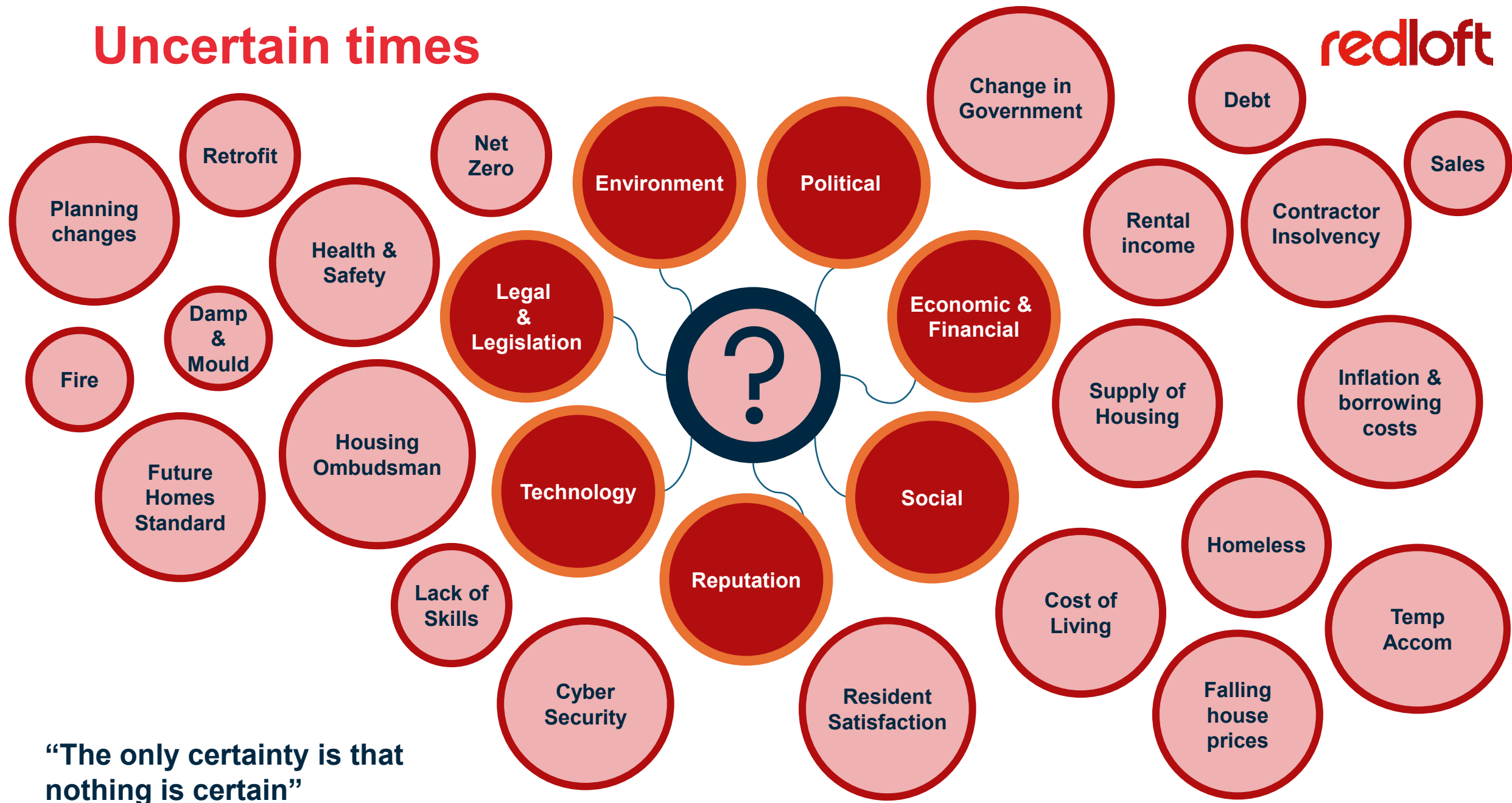
- Uncertain times
- What is risk management
- Common themes and risk appetite

- Embedding a risk culture
- Ways to monitor and control risk
- How to report risk
- Examples of how we are responding

- Martin Arnold – EA view
- Q&A



Uncertain times



“The only certainty is that nothing is certain”

What is risk management?



Common themes

Top 10 strategic risks



2022-23 (left bar), 2021-22 (right bar)

- Cyber security/IT management
- Health and safety
- External economic conditions
- Development
- Recruitment and retention of staff
- Financial (including viability and/or management and/or resilience)
- Asset management (including investment in, condition, quality and compliance of stock, and home standards)
- Customer service/satisfaction/expectation/experience
- Quality, integrity, protection and governance of data
- Legal and regulatory compliance

Source: Inside Housing research

Next 10 most common strategic risks



2022-23 (left bar), 2021-22 (right bar)

- Net zero carbon/sustainability/environmental commitments
- Political environment (including changes in policy, legislation and regulation, welfare reforms and rent control)
- Income/revenue (including setting and collection of rent and service charges, and arrears)
- Supply chain and/or contractors and/or procurement
- Home sales (including housing market risk)
- Funding and/or liquidity
- Fire and/or building safety
- Reputation
- Governance
- Lending agreements and covenants

Source: Inside Housing research

Risk appetite



- Economy and financial environment
- Safe, decent homes
- Shared Ownership & Sales exposure
- Construction Process & Supply Chain
- Future Homes Standard
- Treasury Management

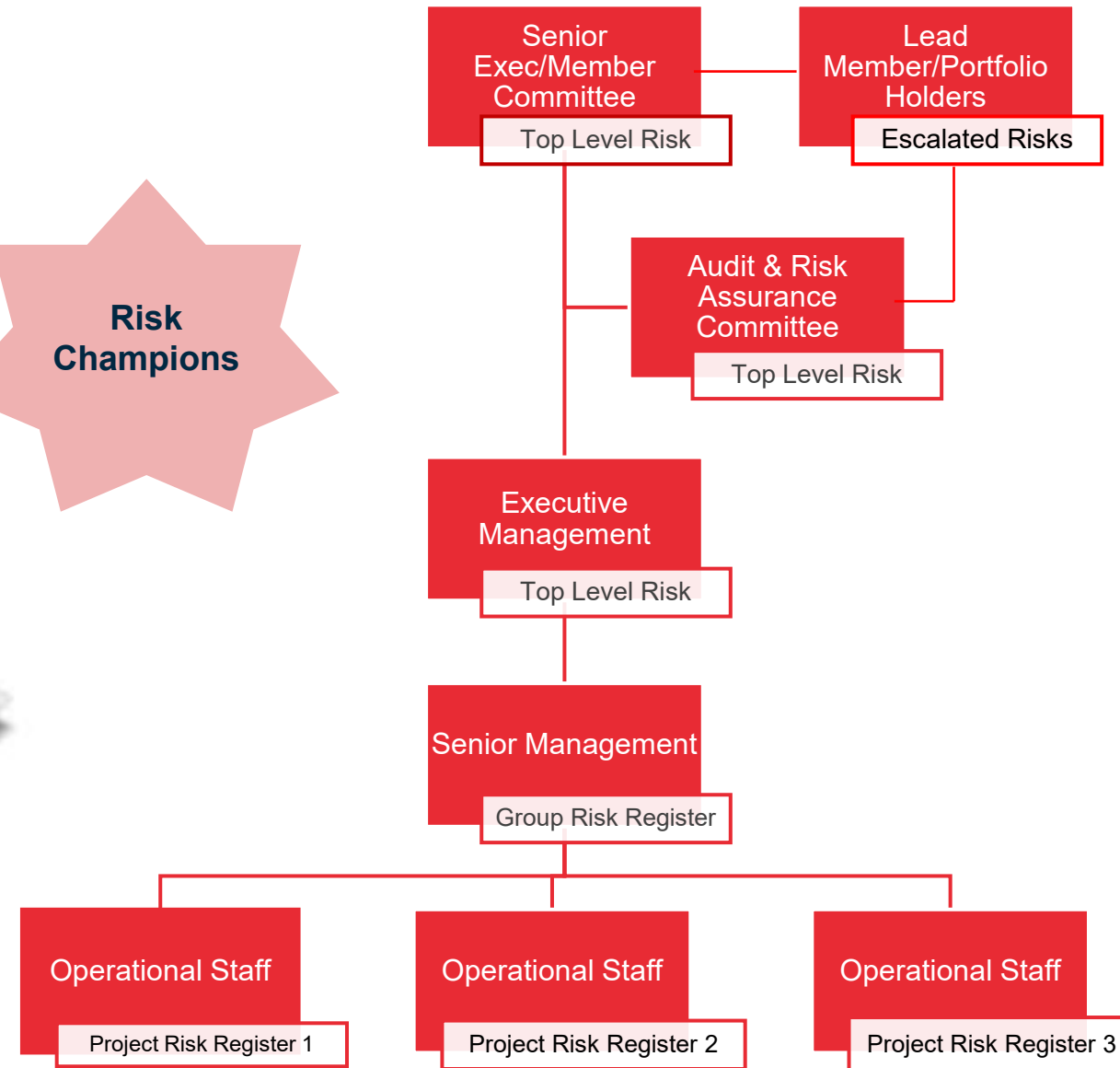
Risk appetite is not static

It evolves depending on your organisation's objectives and market conditions

Regular review is essential

Rating	Averse/Opposed	Minimalist	Cautious	Open/Mindful/Flexible/Receptive	Eager/Enterprise
Philosophy	Avoidance of risk is a core objective	Extremely conservative	Preference for Safe Delivery	Will take strongly justified risks	Will take justified risks
Tolerance for Uncertainty	Extremely Low	Low	Limited	Expect some	Fully anticipated

Embedding Risk Culture

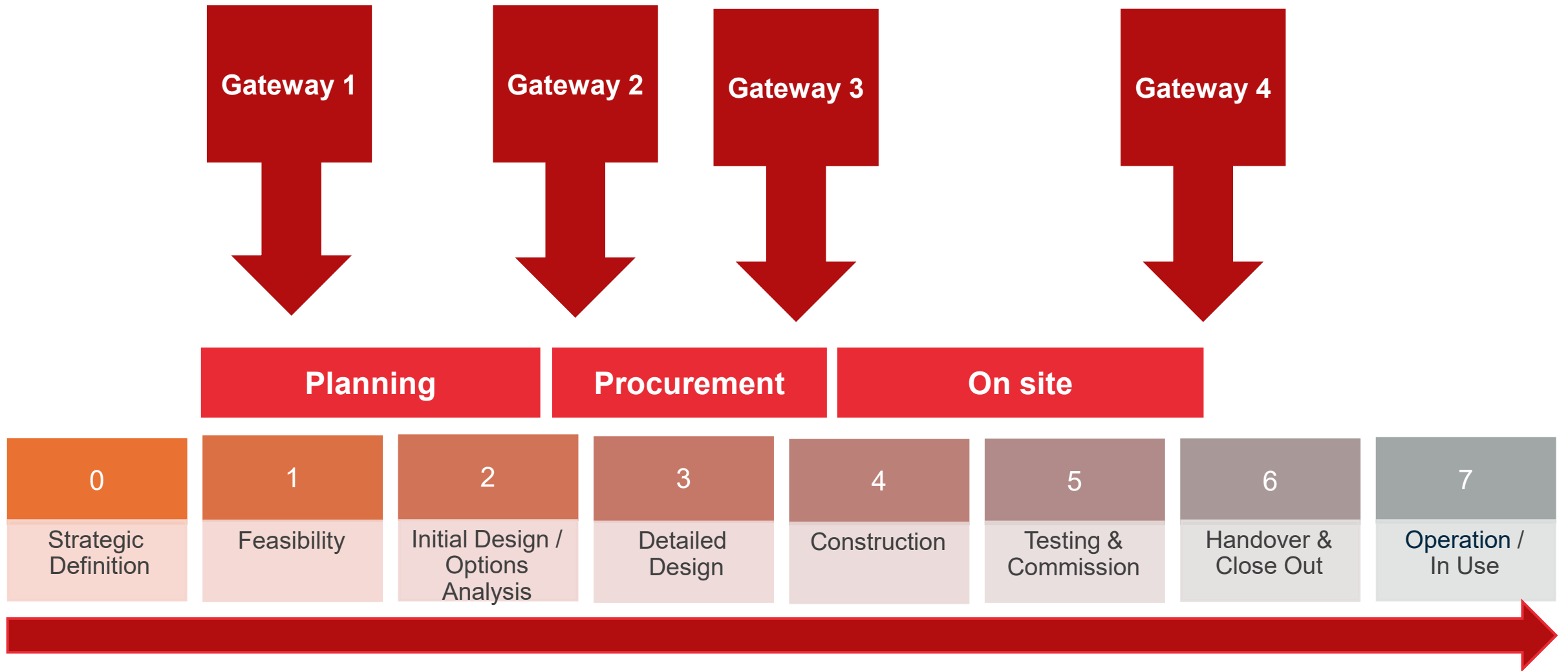


Quarterly Review

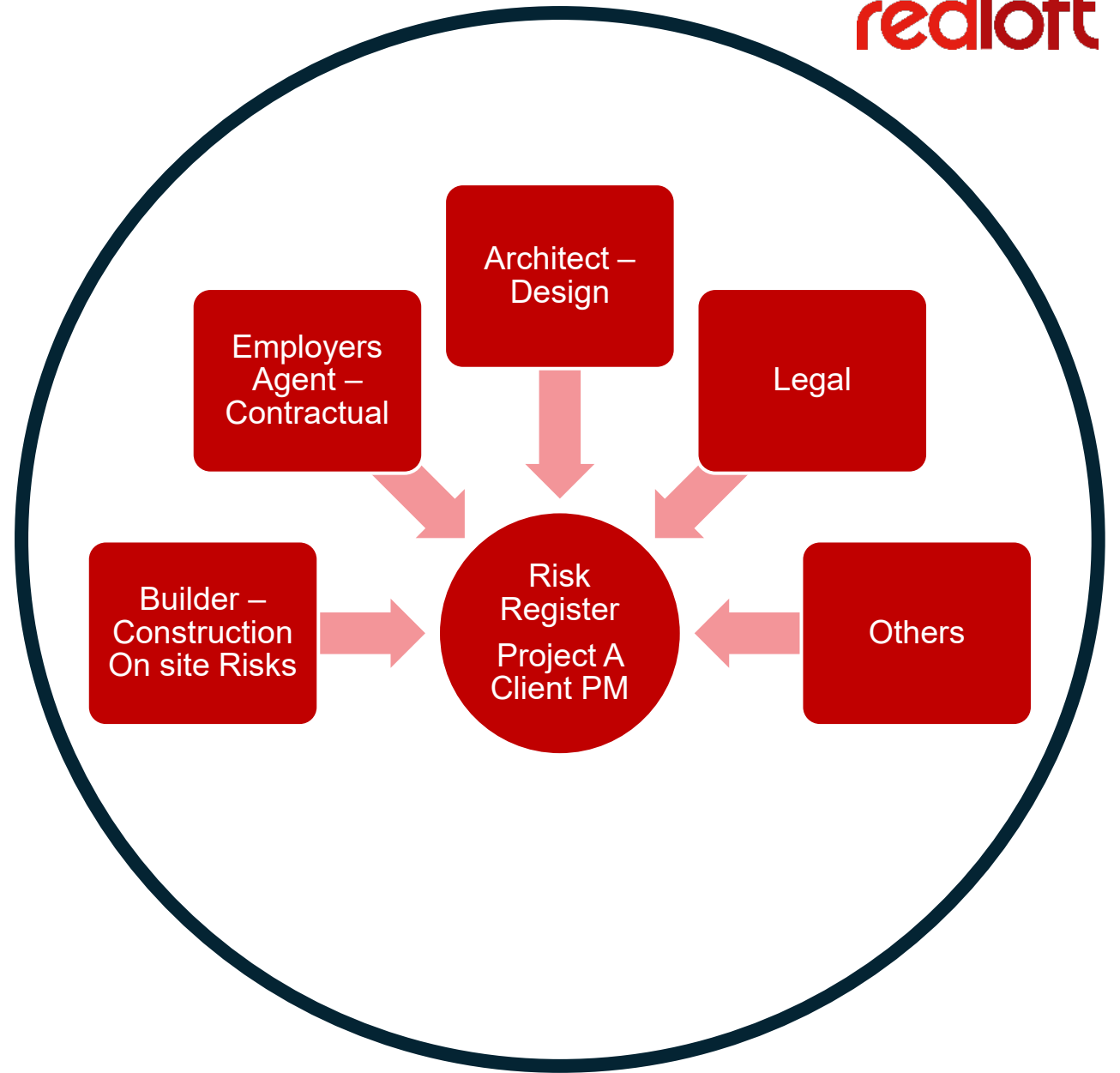
Workbook/ Project Review/ Dashboard Report

Monthly Update

Risk Monitoring & Control



How to report risks



Examples of how we are responding

Risk	Mitigation Action
Contractor insolvency and supply chain issues	<ul style="list-style-type: none">• “Deep Dive” financial check• Project Bank Account• Monitoring performance via contract managers & site inspectors• Spreading work across different contractors
Increase in construction costs	<ul style="list-style-type: none">• Develop Partnerships• JVs & Local Housing Companies• Early collaboration• Design efficiencies - inc MMC
Change in government/ leadership or legislation changes	<ul style="list-style-type: none">• Stress testing of policy changes & development pipeline• Become members of organisations to share knowledge, lobby & influence
Lending/ Availability of Finance	<ul style="list-style-type: none">• Charging – stock portfolio• Holistic Funding Budget – institutional investor appetite
Resident satisfaction & regeneration	<ul style="list-style-type: none">• Consultation/Vocal groups• Ballot/Vote – stands up to political scrutiny• Getting right team for the job
Achieving Building Safety & Quality	<ul style="list-style-type: none">• Value for Money – not cheapest• Training and education
Cost of living - rents and service charges	<ul style="list-style-type: none">• Mixture of tenures to meet needs/ ability to flip tenures• Consider operational needs and design out “expensive to maintain” areas
Lack of skills – labour & repairs & housing officers (qualified)	<ul style="list-style-type: none">• Develop apprentices and grads – add to contracts• Lessons learned from new build for retrofit



Chartered Surveyors & Construction Consultants

Developing During Uncertain Times

Developing During Uncertain Times

Introduction



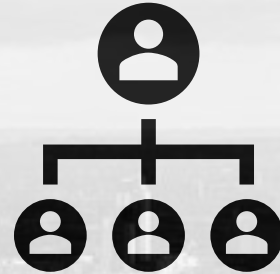
- Chris Martin FRICS – Director, Martin Arnold Limited
- Multidisciplinary construction consultancy, specialising in residential and affordable housing
- www.martinarnold.co.uk

Developing During Uncertain Times

Risk Culture



Project Level



Organisational
Level



Practical
Applications

- Gateways
- Reporting

Developing During Uncertain Times

Current Market Risks - Issues

- Contractor Insolvency
- Legacy Projects
- Fire Remediation
- Second Staircase
- Building Safety Act
- Construction Cost Inflation



Friary Park Estate Regeneration

Developing During Uncertain Times

Current Market Risks - Responses



Market Risk



Prolongation



Level of risk
clients are
willing to take

Developing During Uncertain Times

Market Mitigation – what is the market doing?

- JVs
- CM
- Grant Support
- Legacy Projects – Sensible Discussions
- Sharing Knowledge
- Housing Investment Partnerships
- JCT 2024



Barnsbury Estate Regeneration

Developing During Uncertain Times

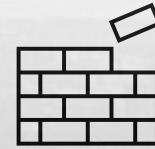
Market Mitigation – what are clients doing?



Increased due diligence



Maintain / build relationships with LPA colleagues



Programme review and delivery

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Future

- The next 12-18 months
 - Construction Costs
 - Contractors – Level of risk appetite & insolvency balance
 - Building Safety Act – Gateways uncertainty
 - Contracts – allow for more shared unknowns time risk & inflation
 - Grant – Levels and flexibility



Beam Park

Summary



- Setting a positive culture of risk management
 - Risk champions
- Reduce stress & share experience
- Frame uncertainty as opportunity
- Be ready!

“A little risk management can save a lot of fan cleaning”

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Thank You

Q&A

Red Loft's Bitesize Broadcasts

Our series of informative discussions around key topics in the property, development and construction industry.

- 1** **Developing during uncertain times:**
Approaches to strategic and project risk management
- 2** **To retrofit or redevelop:**
Considering options and making the best use of assets
- 3** **Forearmed is Forewarned:**
Preparing for, and dealing with distressed projects
- 4** **Planning & Viability:**
Shining a light on viability in planning
- 5** **The intelligent client:**
Understanding your role as the client
- 6** **A quality handover for client and customer:**
Navigating the challenges

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