

Managing Risk in Community
Housing Operations
Concepts & Tools

National Community Housing Forum

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Thank you to the following organisations who have generously contributed samples and examples to this study:

Central Tablelands Housing Association (CTHA) has over the last three years grown from managing 275 to over 450 properties across a wide area of western NSW. Providing "Local Housing Locally Managed", it has offices in Bathurst, Mudgee and Orange. In preparation for continued growth, the organisation reviewed and reworked its risk management practices in 2005 and restructured its risk assessment within the framework of the National Community Housing Standards. CTHA has achieved Class 1 Grade A in the performance based registration system in NSW and was the winner of the Overall Excellence Award in the 2005 National Awards for Excellence in Community Housing.

Churches Community Housing Limited (CCHL) is a community housing organisation based in Sydney which has grown rapidly and is now managing over 250 units of supported accommodation. As part of the organisation's strategic planning process and in preparation for registration as a community housing provider in NSW, CCHL undertook a review of its risk profile and risk management practices. Following this review the Board developed a new risk management policy and a plan to better manage the existing risks to the organisation and the emerging risks posed by rapid and regional growth in the operations of CCHL.

The Association to Resource Co-operative Housing (ARCH) assists interested groups of people across New South Wales to plan, develop and establish housing co-operatives. It supports co-operative housing ventures with education, training and management materials and represents the interests of Co-operative Housing organisations in New South Wales.

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1. Introduction

Community housing organisations (CHOs) operate in an environment of increasing regulation and accountability, with many CHOs looking at the potential to expand their operations beyond the traditional activities of property and tenancy management. Adopting an integrated and structured process of risk management will enable CHOs to better meet the requirements of funders, accreditation and registration and to grow sustainable businesses which meet the needs of boarders, tenants and equity holders.

The concepts and tools in this guide are based on the current best practice standard for managing risk (the Australian Standard AS/NZ 4360:2004), the National Community Housing Standards¹, the distilled experience of housing organisations in the United Kingdom, and practical experience of developing and implementing risk management systems in CHOs and co-operative housing in Australia.

2. Why manage risk in community and affordable housing?

Business decisions usually involve trade-offs that lead to different risks for management, customers, suppliers, employees, tenants and other stakeholders such as government and investors. Whilst many day to day decisions entail few risks, long-term strategic decisions often involve high levels of risk². Sound and effective implementation of risk management is part of best business practice at a corporate and strategic level and is a means of improving operational activities³.

Some of the potential benefits of managing risk in CHOs include:

- Fewer surprises
- Identification and exploitation of opportunities
- Improved planning, performance and effectiveness
- Economy and efficiency
- Improved stakeholder relationships

- Improved information for decision making
- Enhanced reputation
- Protection of Board and managers
- Accountability, assurance and governance
- Personal wellbeing⁴

3. What is Risk?

The Australian Standard defines risk as “the chance of something happening that will have an impact on objectives”⁵. In English usage, the concept of risk usually has connotations of loss. The management of risk, however, can have powerful positive impacts through the identification and exploitation of opportunities for improving operational performance and enhancing organisational outcomes. Risks may be regarded as uncertain future events that could influence the achievement of the organisation’s strategic, operational and financial objectives.

4. Where to Start The Risk Management Process

The best practice risk management process defined in the Australian Standard comprises five key steps which are supported by accompanying processes of consultation & communication and monitoring & review. The key activity and process steps are designed to ask and, through inquiry and analysis, answer a series of questions.

- Establishing the context of the risks faced by the organisation
 - What are the internal and external boundaries of the risks faced by the organisation?
 - What is the risk appetite of the organisation?
 - What structures are needed to effectively manage risk?
- Identifying the risks
 - Within these boundaries, what is the range of risks faced by the organisation?

¹ NCHF (2003) *National Community Housing Standards Manual* Second Edition, NCHF.

² Hargreaves, J. & Mikes, A. (2001) *The Quantification of Risk: Risk Management Topic Paper 1*, The Housing Corporation UK.

³ *Handbook, Risk Management Guidelines Companion to AS/NZS 4360:2004* Standards Australia/Standards New Zealand, pp. 30-31

⁴ Ibid. p. 8

⁵ Ibid Clause 42, p. 30

- What can happen, why and where?
 - Analysing the risks
 - How likely are these risk events to occur and what would be the consequences?
 - What control measures are there currently?
- Evaluating the risks
 - Which risks are priorities for the organisation?
 - Can they be treated?
- Treating the risks
 - What options are there to mitigate or manage the risk?
 - What is the best plan?
 - What residual risk remains if the plan is implemented?

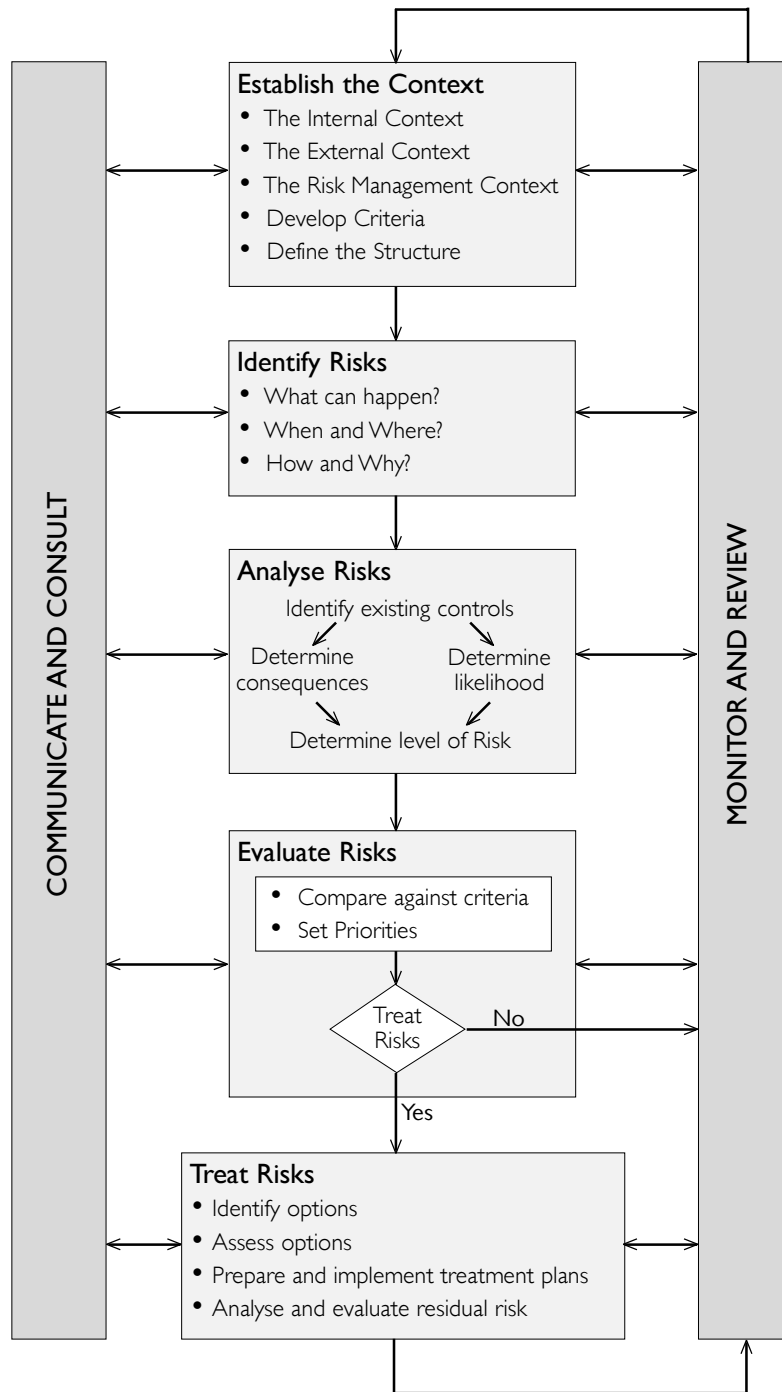


Figure 1: Risk Management Process Steps ⁶

⁶ From AS/NZS 4360:2004 Risk Management.

5. Establishing the Context of Risk in the Organisation

In its simplest form the risk management strategy for a CHO will focus on why you want to implement risk management, who is responsible and accountable for it and the processes which need to be embedded in the organisation to manage and monitor risk exposure effectively.⁷

This involves establishing a Board level view of the level of tolerance (or aversion) to particular classes of risk and establishing a structure and allocating resources to ensure risks are investigated, managed and monitored. This process is a governance issue.⁸ Developing a risk management policy appropriate to the scale and activities of the organisation which is formally approved by the Board will set in place the context, structure and criteria for managing

risk. (Appendices 2, 3 and 4 are examples of risk management policies for a medium sized 'traditional' CHO, a rapidly growing CHO and a sample policy for a cooperative housing organisation.)

The initial step in the process of establishing the context of risk in the organisation is designed to define the basic parameters of the risks faced by the CHO. These parameters are set by the external and internal operating environment of the organisation and the relationship between the two. For CHOs, these parameters will be set by the range of functions and scale of activities which the organisation undertakes or is planning to develop (See Figure 2). Traditionally CHOs have undertaken activities in asset, property and tenancy management (functions 3, 4 & 5). As the sector increasingly plays a role in the growth and development of affordable housing, CHOs are taking on additional functions in land procurement, housing development and community building. These additional functions will bring a new range of risk exposures to the organisation.

Functions in Community Housing

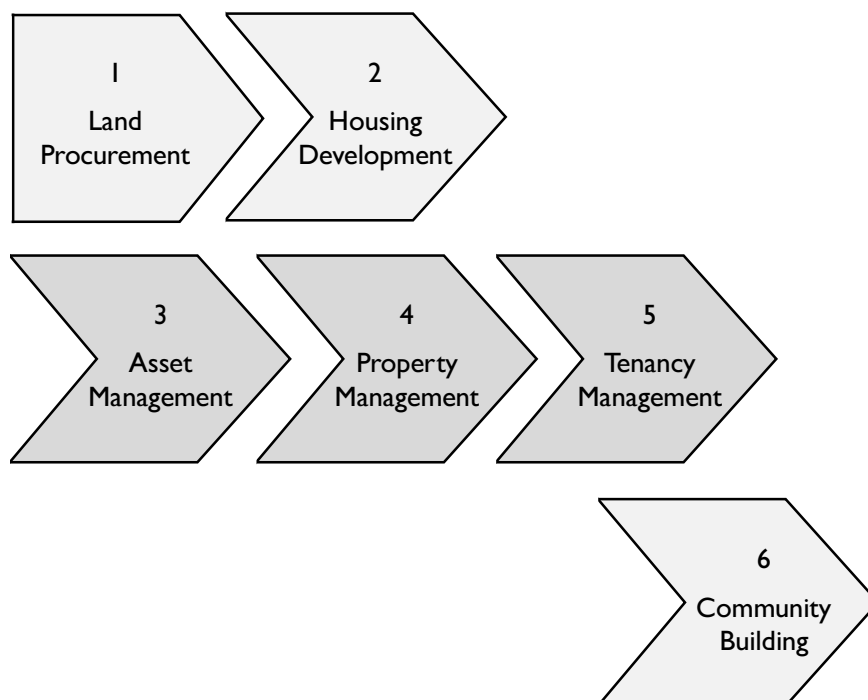


Figure 2: Activity Functions in Community Housing

⁷ Blackburn, S. & Bolton, G. (2002) *Risk Management Topic Paper No.2: Embedding Risk Management – Some Tips and Tactics* The Housing Corporation, UK.

⁸Gapp Consulting (2004) *Corporate Governance in Community Housing* NCHF p. 9.

The external environment includes the ecological, business, social, regulatory, cultural, competitive and political circumstances. A basic analytical tool used to understand an organisation’s operating environment is the SWOT analysis.⁹ This looks at the strengths, weaknesses, opportunities and threats faced by the organisation.¹⁰

There are a range of wider strategic drivers in the operating environment which impact on the operations of a CHO and need to be considered. These are economic and technological change, international shifts, social and cultural trends and government regulation.¹¹

A useful tool to bridge the strategic gap between the organisation’s external environment and its resources is the Five Forces Model originally developed by Michael Porter.¹² This model allows the systematic analysis of the economic and technological forces that are influencing the development of a particular industry. Porter deploys five “rules of competition” these are:

- the threat of new entrants to the industry
- bargaining power of suppliers
- bargaining power of buyers
- the threat of substitute products and services
- intensity of rivalry among existing competitors.¹³

As an illustrative example, Figure 3 below takes these categories and starts to define the content for the affordable housing industry.

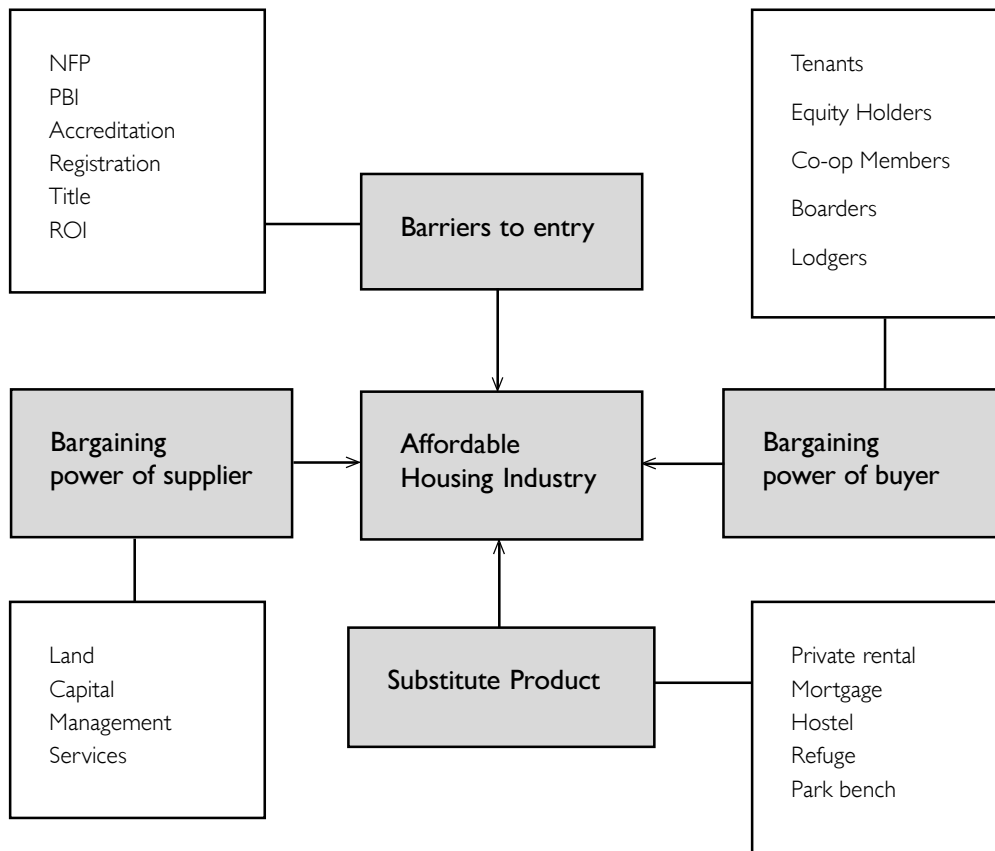


Figure 3: Five Forces Categories Applied to the Affordable Housing Industry

⁹ For a useful treatment of this analytical technique see Fleisher & Bensoussan, (2003) *Strategic and Competitive Analysis*, Prentice Hall, pp 92-103.

¹⁰ See *Hand book, Risk Management Guidelines Companion to AS/NZS 4360:2004*, Standards Australia/Standards New Zealand, pp. 30-31

¹¹ Op.cit. Fleisher, & Bensoussan, B. pp. 269-283

¹² Porter M. (1980) *Competitive Strategy: Techniques for analysing industries and competitors*. London Collier Macmillan Publishers.

¹³ Op.cit. Fleisher & Bensoussan, pp. 60-73

Risk management needs to be a core part of effective business planning and management. It should provide a check on the relevance of activities to objectives, improve strategic planning and facilitate the design of a robust and relevant control structure.

A rigorous approach should be driven by senior management and the Board, involve all stakeholders and be rooted in actual business activities. It should be logical and consistently applied, take nothing for granted and result in quantifiable financial outcomes. It should also be a dynamic process that grows with the business and informs strategic and individual investment decisions.

Business planning and risk assessment are complementary. It is vital to assess risks – the events that may affect the organisation’s ability to meet its key objectives either through things going wrong or missed opportunities. It is important that the objectives and risks are clear, current, appropriate and set at a strategic level with Board approval. Every organisation needs to set itself goals and targets based on its mission. These are set out in the business plan alongside operational targets and financial plans to support them.

An organisation which has weighed its activities against the risks they present (through a properly constituted business plan validated by a risk assessment process) will be in a balanced position to address challenges and take account of opportunities. The risks need to be prioritised and presented in a straightforward, readily understandable format that shows both the risks and how they are being managed. The organisation may also wish to improve its understanding of its capacity for taking on more risk.

Identifying and measuring risks at the planning stage enables CHO managers to assess two things: whether a particular activity is the best way to achieve a given objective, and whether the objective itself is sensible. In this way managers can form a comprehensive and relevant strategy to plan and manage the activity. This is illustrated in Figure 4 by showing how risk identification is an ongoing part of the business planning and review process.

This process is particularly important for CHOs which may have social objectives but nevertheless have to make capital and revenue budgeting decisions now, faced with a changing regulatory environment and the need to remain financially viable.

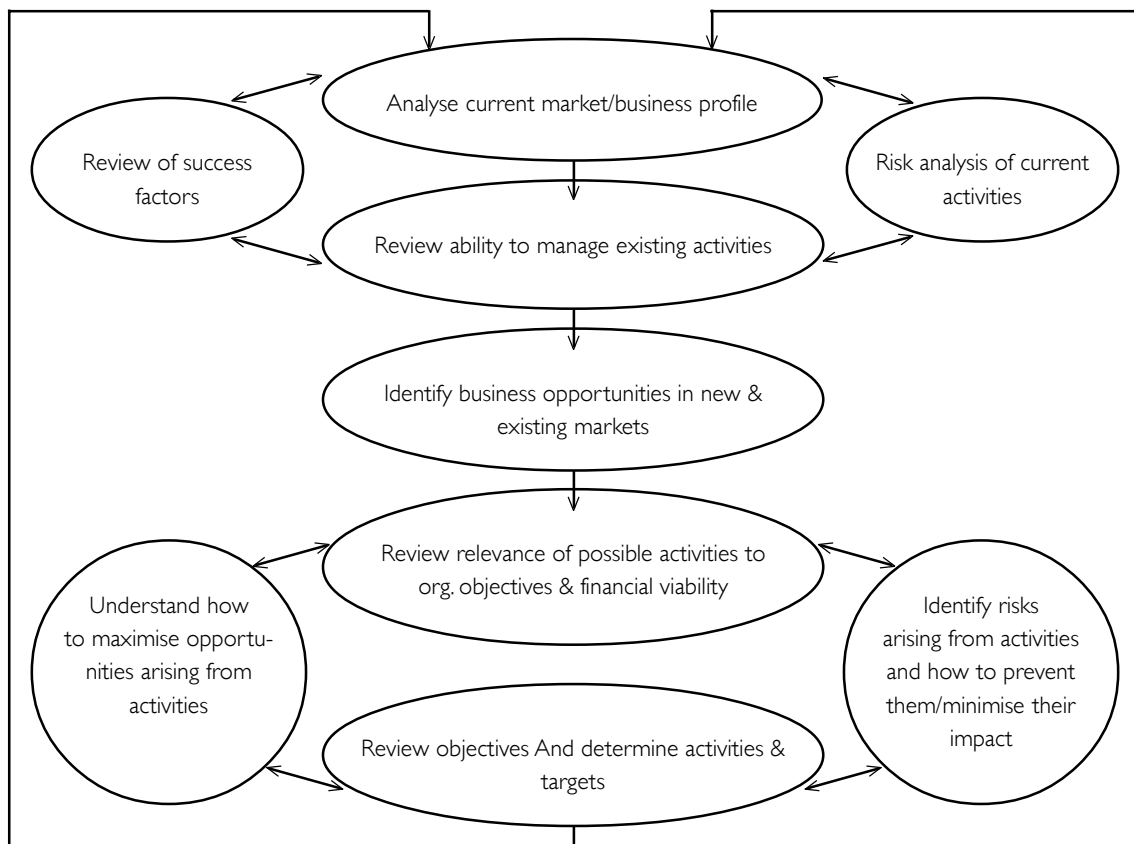


Figure 4: Risk Identification in Business Planning & Review¹⁴

¹⁴ Shah, S.(2003) *Risk Management Topic Paper No.5: A Practical Approach to Identifying Risk*, Housing Corporation UK.

6. The Identification of Risks

Risks, whether caused by external or internal drivers, arise from the specific activities that a CHO undertakes to meet its objectives. These activities consist of a mixture of external customer-facing activities and corporate activities. The actual or planned activities of a CHO should always be the starting point for risk identification and management. This approach also enables managers to understand which activities are critical to long-term success.

By focusing risk identification on specific business activities, managers are testing whether the organisation's high-level vision of where it should be heading is practically achievable. As they examine each activity in more detail, managers can start to explore the specific reasons of why it could fail. This leads automatically to a full analysis of the areas where managers need to concentrate efforts and resources to prevent identified risks from materialising and manage the consequences of those that do.

This approach demands concentration and thoroughness. It introduces a discipline to risk identification that brings significant benefits to the management and control of the business. The process is useful because it links each risk directly to its specific causes. As a result, areas where actions may be needed to prevent a risk from materialising are automatically identified. It enables business managers to review the business from the top down and to challenge how the business is planned, run and reviewed. The process of risk identification requires managers to ensure that for each activity all the following areas are effective:

- organisational structures
- terms of reference and delegated authorities
- strategic decision-making and review processes
- policies and procedures and their implementation and review
- human-resources issues
- financial planning, budgeting and performance monitoring
- information-technology issues.

A useful framework to ensure that the major areas of management and operations are systematically reviewed for risk identification and assessment is the

National Community Housing Standards Manual. The applicable standards and related signposts of good practice can be used in the form of a checklist of the systems, policies and procedures of the CHO. (Appendix 7 is an example of the housing standards being used as the framework for a risk management action plan.) The objective should be to identify all key risks, say the top 20, to ensure adequate focus is given to important issues.

An alternative starting point could be to focus initially on understanding and mitigating the risks related to the continuity of the operations of the CHO in the face of major disruptions (eg fire, flood, loss of power, crash of IT systems). The methods used to undertake such an analysis are usefully set out in the Standards Australia publication, *Business Continuity Management*.¹⁵

Traditionally, CHOs have engaged in activities around tenancy and property management however 'growth' housing providers will be engaged in a broader range of activities than the traditional tenancy and property management roles. In the future, CHOs could be involved in any or all of the following:

- **Property management:** providing a responsive maintenance service and implementing a planned maintenance program.
- **Tenancy management:** maintaining waiting lists, making allocations, administering tenancy agreements, collecting rents, operating within the parameters of the relevant residential tenancies legislation.
- **Procurement of property:** acquiring land for development of affordable housing.
- **Housing development:** managing the feasibility testing, town planning, design and construction of affordable housing.
- **Asset management:** holding title to the property and planning for its future upgrading, redevelopment or sale.
- **Body corporate management:** providing a service to private owners in buildings covered by a body corporate structure for insurance, administration of service contracts and maintenance of common areas.
- **Private rental management:** providing a service to private landlords who have invested in units in a mixed affordable/private building.
- **Community building:** implementing strategies to develop a sense of neighbourliness within properties and the surrounding community and facilitating the growth of social capital.

¹⁵ *Handbook: Business Continuity Management*, HB221:2004, Standards Australia

- **Economic development:** developing ways to harvest the opportunities for creating employment within the local community for residents of the local community.
- **Administration of affordable home purchase schemes:** working as agents of the public or private sectors in the administration of affordable home purchase schemes such as shared equity arrangements.¹⁶

Each of these functions entails a particular set of risks which require identification, assessment and management. (See section 10 on activity risks for details of the major activities involved in carrying out each of these functions and identification of some of the attendant risks and possible risk management strategies.)

The aim of risk identification is not to produce a long, unstructured list of risks that has no practical use. Instead, it is to highlight the key risks facing the business and determine the most effective levers for preventing them materialising or managing their consequences if they do. A successful and rigorous approach to risk identification should incorporate the following elements. It must:

- Be driven by senior management and the Board
- Involve both internal and external stakeholders of the organisation
- Be firmly rooted in the actual activities of the business
- Be logical and consistently applied across the entire business
- Take nothing for granted
- Result in quantifiable outcomes if the risk is financial
- Be a dynamic process that grows with the business.

It is essential for the Board and senior managers to be involved with risk management for a number of reasons:

- To ensure that senior managers have agreed to the purpose of the risk identification process
- To emphasise the strategic impact of risk on the long-term success of the business
- To facilitate the link between risk identification and strategic planning, ensuring the two processes are interrelated and complementary
- To help establish a culture of risk awareness in the organisation
- To ensure that the process gives people the authority to challenge accepted practice and wisdom about where risks lie and how they should be managed and controlled.

A risk identification process is useless if it is not thorough. However, without a focus, risk identification can bring its own problems in terms of the volume of information produced. To generate a really useful and focused outcome, it is critical to assess the relationship between identified risks for each activity, e.g. by grouping similar risks arising from a specific activity. This ensures that the CHO understands the sequence of events that could cause a risk to materialise and that it uses information to form a clear insight about the actions needed to prevent or manage the risk.

CHOs have all considered risks before at some level and have designed controls and procedures to prevent or manage them. Often it is tempting to dismiss certain risks as irrelevant because they are already controlled. This should be resisted: managers should assess the effectiveness of the control environment itself as part of the risk-identification process. The control environment may be inadequate for two reasons: controls may not have kept up with the development of the business and existing controls may not be focused on the right lever.

¹⁶ Bisset H, & Milligan V.(2004) *Risk Management in Community Housing*, NCHF p 51

7. Analysing and Evaluating Risks

For the risk-identification process to yield useful information, the CHO needs to quantify the impact if the risk materialises. This enables managers to prioritise the human and financial resources needed to prevent those risks that could have a significant financial impact on that activity’s performance and on the business as a whole.

This step of the risk management process involves identifying the existing controls (if any) over the identified risks, determining the likelihood of the risk event occurring, determining the consequences if the event occurred and, as a result of these two variables (likelihood and consequences), determining the level of risk. The matrix at Figure 5 illustrates these relationships in their simplest form.

There are a range of approaches and methods to quantifying risks. Ultimately the approach and methods used will depend on the individual circumstances of the organisation and its attitude to risk.¹⁷ The major approaches ranked from the simplest to the most sophisticated are:

- Active management of only the largest risks
- High/medium/low classification of risks
- 5 step classification utilising probability scaling
- Statistical analysis

Practical experience based on work in the United Kingdom indicates that “About 80% of the total risk facing an organisation is usually concentrated in the top dozen risks.”¹⁸ Active management of only the largest risks can be a useful initial approach to risk evaluation but does not provide an adequate basis for confident risk management in the medium term. The approach is also not comprehensive and some of the less prominent and therefore untreated risks can lead to serious consequences for the organisation.

The high/medium/low method provides a more complete coverage of risks and enables the plotting of identified risks on a two dimensional risk map (Figure 6), thus illustrating the position of risks relative to each other. The positioning of the identified risk on the map provides a guide to the management of the risk.

The high/medium/low approach produces a consistent result if undertaken by one person however it is a relatively crude yardstick which does not register gradations of risk within each category. The Companion Handbook to the Australian Standard (HB436:2004) provides guidance on the construction of extended likelihood and consequence scales and the use of probability scales.¹⁹

The foregoing approaches and techniques are adequate to estimate the impact and probability of a specific risk considered in isolation however a particular risk may have a wide range of impacts and

Likelihood	Probable	Medium Risk	High Risk
	Improbable	Low Risk	Medium Risk
		Minor	Major
Consequence			

Figure 5: Qualitative Risk Assessment Matrix²⁰

¹⁷ Op. Cit Hatgreaves, J.& Mikes, A.

¹⁸ Ibid. p. 2

¹⁹ See *Hand book, Risk Management Guidelines Companion to AS/NZS 4360:2004* , Standards Australia/Standards New Zealand, pp.43-61

²⁰ See *Hand book, Risk Management Guidelines Companion to AS/NZS 4360:2004* , Standards Australia/Standards New Zealand, p.50

vary in its severity. Risks with a wide range of possible impacts can be represented by a probability distribution of the risk impact. Spreadsheet-based statistical techniques can be used to define and assess the cumulative outcomes.²¹

The outcome of the risk assessment and evaluation stage of the risk management process will be a list of risks faced by the organisation which can be prioritised for detailed assessment and the development of risk treatment plans. Creating a risk register will enable documentation of this stage and provide a control tool for future action. (See Appendix 5 for a sample template and worked examples).

The concept of tolerable risk is often used as an initial way to separate risk into three bands:

- An upper band where adverse risks are intolerable whatever benefits the activity might bring and risk reduction measures are essential whatever their cost. This can be considered a basic level of safety.
- A middle zone where costs and benefits are taken into account and opportunities are balanced against adverse consequences
- A lower zone where negative and positive risks are so small that no risk treatment measures are needed.

Priority for risk treatment will be given to those risks in the upper band. These are often risks that relate to legislative requirements such as public and occupational health and safety and the risks to business continuity.

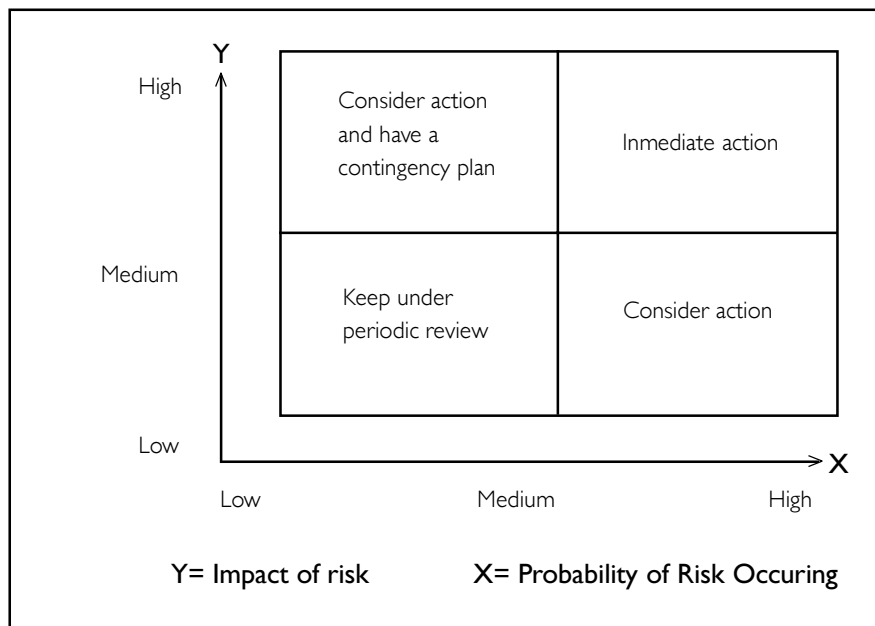


Figure 6:A Two Dimensional Risk Map²²

²¹ For a detailed treatment of managing variable and cumulative risk analysis see, Montague, D.(2002) *Monte Carlo Simulation and the Art of Aviation Risk Management* Topic Paper no.3 Housing Association UK.

²² Ibid p. 3

8. Treating and Managing Risks

Having identified risks and the main events that could cause them to materialise, managers can focus on taking practical actions that address those causes directly. This involves assessing whether managers are currently doing everything needed to prevent identified trigger events, as represented in Figure 7. The range of options for treating risks includes acceptance, transfer, elimination, increase, reduction and avoidance. (Appendix 1 contains definitions of these alternative strategies.)

Managers should ensure they are taking action at all levels of the business to prevent or respond to each event and its causes, down to the most specific detail. Nevertheless, they should prioritise resources towards preventing those events that would have the biggest impact. This requires subjective judgements based on knowledge and understanding of the issues. Skills training can significantly improve management and staff capabilities in risk assessment and treatment.²³

It is important to challenge the way that people currently manage risks. The aim is to improve performance wherever possible. Managers may find that the current response to a risk does not cover all the trigger events they have now identified. Current controls may not be completely adequate. To help managers form a clear idea of the likelihood that a risk will materialise, it helps to combine the assessment of whether a risk is within the association’s ability to control and the adequacy of current controls. Figure 7 represents this process diagrammatically.

Management of this part of the process is assisted by creating a risk register which can systematically capture the information for each considered risk at a summary level. (See Appendix 5 for a sample risk register template.) From the summary information on the risk register, an overall risk management plan for the organisation can easily be developed. (See Appendices 6 & 7 for samples of risk management plans.) Detailed risk mitigation action plans can then be developed for high priority risks. (See Appendix 8 for an example of a specific risk assessment template and methodology)

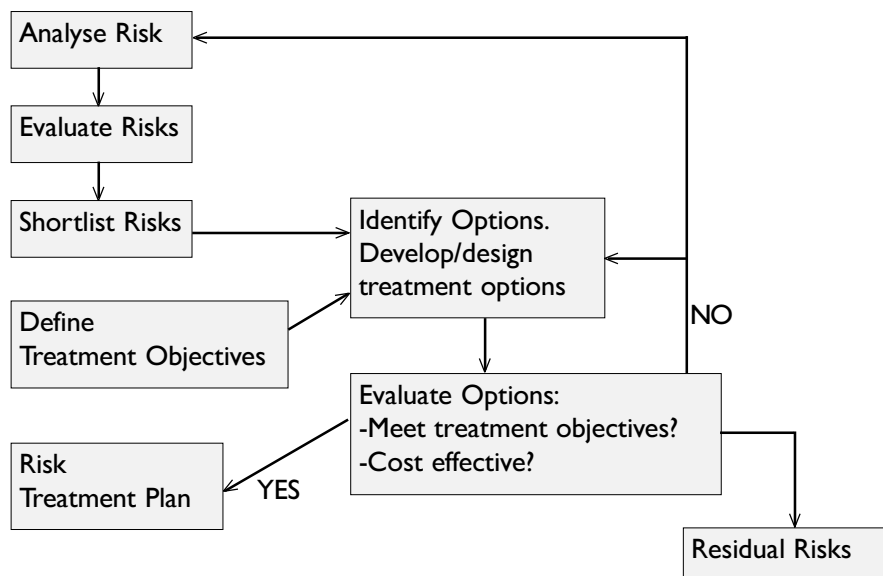


Figure 7 Risk Treatment Process

²³ Op.Cit. Bisset & Milligan, p. 68

9. The Cycle of Risk Management

The final feature of a successful risk management process is that it is not a one-off. It needs to develop as the business develops and should be revisited and challenged regularly. There are a number of reasons for this.

The profile of a business is dynamic. Business decisions lead to new activities and successful marginal activities may grow to become central. Even if the organisation is not actively seeking new opportunities, its operating environment can change as a result of economic, demographic or regulatory factors. Organisations can become complacent, imagining that because they have been through a rigorous risk identification process once, they don't need to worry about risk again. All parts of the business should be challenged periodically to check that old assumptions still hold and that received wisdom remains valid.

The process should be used to assess the relevance and viability of individual projects and test existing business assumptions. It is sensible to revisit the risk-identification process as part of the yearly planning cycle. However, major new business initiatives such as partnering in a housing development will also merit a review of risk. Some parts of the business are more dynamic than others, while some are the subject of regulatory review that may affect future strategies. These will require a more active reassessment of risk. Knowing how many resources to devote to reassessing risk for each activity is in itself a business decision that merits careful evaluation.

Ongoing risk management processes (and the documented outputs) can be used to assist CHOs in preparing for formal accreditation against the National Community Housing Standards and to perform well in the mandatory registration and/or regulatory processes for CHOs which have been introduced in several states.

Figure 8 summarises the risk management process and the key documents generated at each stage.

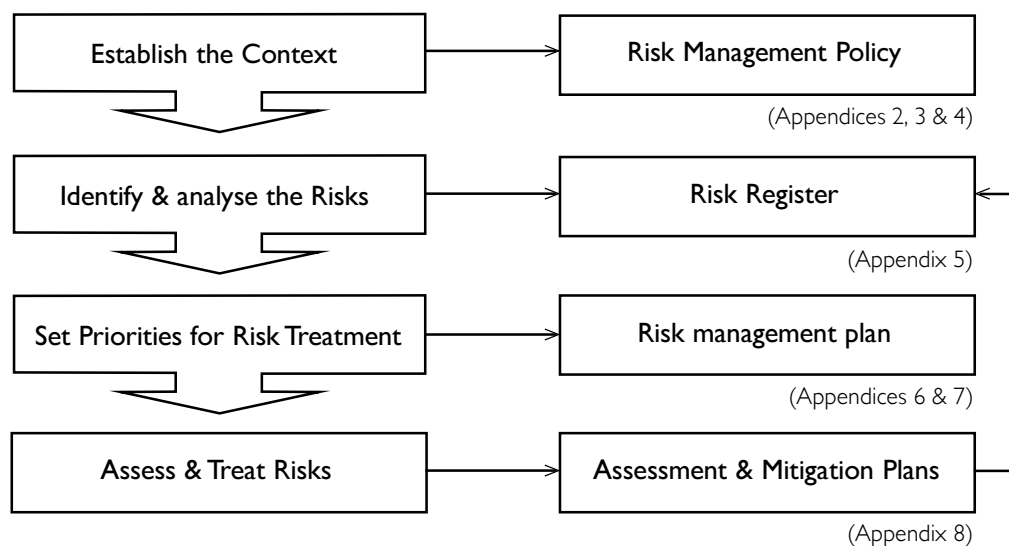


Figure 8 Risk Management Process Summary & Key Documents

10. Activity Risks faced by Community Housing Organisations

CHOs face a range of risks related to the specific functions carried out by the organisation. Bisset and Milligan in their seminal work on growth and risk in community and affordable housing identified the key risks attached to specific functions and activities in community housing operations and proposed potential risk management and mitigation strategies.²⁴ These are reproduced below with some

additions and minor modifications. ‘Traditional’ CHOs may wish to go straight to Function 3.

Function 1: Land Procurement

Land procurement involves:

- identification of sites for affordable housing development
- evaluation of the site to assess its potential
- determining a fair value for the site
- establishing sources of finance for the purchase of the site and the development of housing on the site
- initial assessment of the operational viability of the site
- purchasing the site in a timely way.

Risks	Potential Risk management strategy
Inability to identify suitable sites in a timely way	<ul style="list-style-type: none"> • Maintain effective contacts with the local real estate and development industries
Failure to identify contamination requiring remediation prior to development	<ul style="list-style-type: none"> • Research the history of site use • Carry out soil testing if research reveals any potentially contaminating uses
Failure to identify the constraints of existing buildings and service infrastructure on the site	<ul style="list-style-type: none"> • Engage structural engineers to inspect buildings and provide a structural report and estimate of demolition costs • Engage architects to assess the cost of renovation
Failure to identify constraints imposed by covenants over the title	<ul style="list-style-type: none"> • Engage legal consultants to undertake title search and report on findings and their implications
Pay too much for the site	<ul style="list-style-type: none"> • Engage a valuer to provide a sworn valuation of the site
Failure to recognise the limits to development imposed by planning constraints	<ul style="list-style-type: none"> • Engage a planning consultant to investigate and report on the planning requirements on the site
Failure to secure sufficient funds to undertake a development of the project	<ul style="list-style-type: none"> • Undertake an initial financial feasibility of the proposed project • Negotiate a forward commitment of capital funding from the state government which provides foundation for growth targets 3 years ahead • Establish a relationship with a bank through which loan finance can be secured provided the project meets known benchmarks
Inability to purchase because of insufficient cash flow	<ul style="list-style-type: none"> • Ensure organisation has sufficient working capital/cash flow to acquire land as required
Failure to furnish the Board with accurate information upon which to make informed decisions	<ul style="list-style-type: none"> • Ensure the Board includes at least one person with appropriate experience in property procurement • Ensure the employment of a skilled and experienced project development manager

²⁴ Op. Cit. Bisset & Milligan, NCHF 2004

Function 2: Housing Development

- determining the best use of the site
- estimating the cost of construction
- securing funding commitments

- demonstrating the financial feasibility of the project
- gaining planning approval
- designing the development
- documenting the design
- undertaking a tender to select a builder
- negotiating a building contract
- supervising construction.

Risks	Potential Risk management strategy
Identifying an inappropriate use for the site	<ul style="list-style-type: none"> • Consult widely with state and local government officials, local welfare and employment agencies, and business forums • Undertaking a detailed financial feasibility of the project including long-term financial modelling
Failing to secure commitments for sufficient funding	<ul style="list-style-type: none"> • Engage a quantity surveyor to estimate the cost of construction based on architect's concept plans • Do not proceed to planning stage until fund raising has reached an agreed benchmark • Ensure business plan has allocated budget to the project in appropriate time span • Execute MOU with project funders at early stage and maintain regular contact with potential funders during development process • Ensure an agreed exit strategy is in place prior to purchase
Delays in gaining planning approval from the planning authority	<ul style="list-style-type: none"> • Establish partnership with local governments and advocate for affordable housing objectives in planning schemes • Engage a qualified architect with experience in the particular planning scheme to design the project • Consult with planning officers at an early stage of design • Undertake community consultation to mitigate community opposition to the application for planning permit • Establish list of precedents for planning concessions and their rationale • Engage experts to represent the organisation at any planning appeals hearings
Cost of construction exceeds project budget	<ul style="list-style-type: none"> • Appoint qualified and experienced consultants including architects, engineers and quantity surveyors to design, document and cost the project thus minimising the potential for cost variations • Assume adequate contingencies in project budgets • Use conservative assumptions on debt servicing capacity of each project thus providing capacity for additional borrowings if required to complete the project
Poor documentation of design leads to cost blow-outs in construction	<ul style="list-style-type: none"> • Use architects with proven documentation skills as well as being good designers
Difficulties with builder in completing construction on time, within budget and according to specifications	<ul style="list-style-type: none"> • Insist on 5% retention or provision of bank guarantee to the value of 5% of the value of the construction contract

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From previous page

Risks	Potential Risk management strategy
<p>Builder goes into liquidation during construction program</p>	<ul style="list-style-type: none"> • Select builders with proven track record, not necessarily lowest price • Employ careful selection criteria to minimise problems including assessment of industrial relations record, credit rating, cash flow capacity, experience in projects of comparable scale and complexity, and demonstrated capacity to work collaboratively with the principal
<p>Building is damaged by flood, fire, storm etc during the course of construction</p>	<ul style="list-style-type: none"> • Ensure the builder has builders insurance in place
<p>Inadequate project management</p>	<ul style="list-style-type: none"> • Ensure the Board includes at least one person with relevant experience in project development • Ensure employment of project manager with the skills and experience to undertake typical affordable housing developments • Take out professional indemnity insurance to cover project development role

Function 3: Asset Management

- knowing accurately the value of the asset
- protecting the value of the asset
- maintaining the value of the asset
- ensuring the proper use of the asset
- ensuring the obligations of any funding agreements are met.

Risks	Potential Risk management strategy
Failing to retain accurate knowledge of all assets and their value	<ul style="list-style-type: none"> • Maintain and regularly update an assets register • Periodically engage a valuer to value the portfolio
Buildings damaged or destroyed as a result of fire, flood, storm, vandalism and other accidents	<ul style="list-style-type: none"> • Ensure adequate insurance cover of all properties • Increase cover on an annual basis in line with the increase in construction costs • Review coverage every five years after formal valuation of properties
Failure to adequately maintain properties such that they lose value and/or are hard to let	<ul style="list-style-type: none"> • Engage an experienced facilities manager or quantity surveyor to review the life costing of all properties and implement a long-term (40-50 year) asset management strategy • Ensure budget forecasts incorporate adequate provision for responsive and planned maintenance and anticipated capital improvements in line with the asset management strategy
Failure to observe the requirements of any Trust Deeds under which properties are held	<ul style="list-style-type: none"> • Ensure adequate reporting to Trustees and the provision of an annual report against the objects of the Trust
Failure to monitor the organisations obligations under all legal agreements associated with the development of the property	<ul style="list-style-type: none"> • Maintain contracts register; develop a checklist summary of all requirements under each contract and regularly review performance against the checklist
Failure to observe the requirements of the government funding body	<ul style="list-style-type: none"> • Ensure there is an annual review of the performance of the organisation against the requirements of the regulatory body
Failure to adequately coordinate and oversight asset management strategies	<ul style="list-style-type: none"> • Ensure the Board includes at least one person with expertise in asset management • Employ appropriately qualified professional to develop asset management strategy and supervise its implementation

Function 4: Property Management

- responsive maintenance
- vacancy maintenance
- planned maintenance
- grounds maintenance
- common area maintenance
- services maintenance.

Risks	Potential Risk management strategy
Failure to adequately budget for responsive maintenance	<ul style="list-style-type: none"> • Research industry standards for responsive maintenance of similar housing projects and budget accordingly
Failure to adequately budget for planned maintenance	<ul style="list-style-type: none"> • Engage an experienced facilities manager or quantity surveyor to review the life costing of all properties and implement a long-term (40-50 year) planned management strategy
Failure to identify opportunities for undertaking planned maintenance during vacancies	<ul style="list-style-type: none"> • Develop and implement policies and procedures which ensure coordination of planned maintenance during vacancy periods where possible
Failure to achieve value for money with maintenance expenditure	<ul style="list-style-type: none"> • Establish a list of approved contractors prepared to provide services at agreed figures
Failure to achieve best value with service contracts	<ul style="list-style-type: none"> • Engage a facilities management expert to advise on the tendering process • Enter rolling contracts with incentives for service improvement and cost efficiencies
Failure to maintain continuous supply of essential services	<ul style="list-style-type: none"> • Include continuous supply clauses in the contracts with relevant service contractors
Injury to contractors or members of the public during the carrying out of maintenance	<ul style="list-style-type: none"> • Require relevant insurance of all contractors on-site • Require appropriate Occupational Health and Safety compliance for all contractors on-site
Failure to adequately coordinate and oversight property management responsibilities	<ul style="list-style-type: none"> • Ensure the Board includes at least one person with expertise in property management • Employ appropriately qualified professional to develop property management policies and procedures and supervise their implementation

Function 5: Tenancy Management

- maintaining a waiting list
- allocating vacancies
- executing tenancy agreements

- providing adequate information to tenants
- administering tenancies in accordance with relevant tenancies legislation
- Liaising with tenant support services
- collecting rent
- coordinating responsive and planned maintenance
- terminating tenancies

Risks	Potential Risk management strategy
Failure to let vacant properties	<ul style="list-style-type: none"> • Implement an advertising strategy to recruit applicants • Maintain an active waiting list of applicants • Maintain effective communication and cooperation with the local public housing office • Ensure high standard of property maintenance
Failure to act in accordance with legislative requirements	<ul style="list-style-type: none"> • Employ trained and experienced tenancy managers • Ensure all tenants are aware of their rights and responsibilities • Employ an approved tenancy agreement for all tenants
Failure to collect rent	<ul style="list-style-type: none"> • Implement an active rent collection system which responds to arrears promptly in accordance with the residential tenancy legislation and which includes a commitment to evict tenants who fail to meet their obligation to repay arrears according to an agreed repayment schedule • Actively promote Centrepay or direct debit options for rent payment
Long vacancy periods	<ul style="list-style-type: none"> • Set an agreed turn around period as the target for vacancies taking account of planned maintenance requirements
Inadequate service standards leading to loss of accreditation	<ul style="list-style-type: none"> • Ensure the Board includes at least one person with experience in tenancy management • Adopt the National Community Housing Standards as the basis of service delivery and annually reviewing performance against the standards • Develop a Policies and Procedures Manual and measure staff performance against their application of the manual • Employ trained and experienced staff and insist on continuing professional development
Failure to manage relationships with support agencies	<ul style="list-style-type: none"> • Develop service agreements and communication protocols with support partners
Failure to maintain co-operative relationship with tenants	<ul style="list-style-type: none"> • Develop and implement a communication strategy with tenants • Develop and implement an appropriate tenant participation policy • Ensure staff are adequately trained in communication skills and dispute resolution strategies
Tenant and neighbourhood disputes	<ul style="list-style-type: none"> • Provide skills training in dispute resolution to tenants • Establish referral protocol with mediation service • Ensure staff are adequately trained in communication skills and dispute resolution strategies • Develop and communicate policy on quiet enjoyment

Function 6: Community Building

- facilitating tenant participation in decision making
- facilitating linkages between tenants and relevant community services
- facilitating positive relationships between neighbours
- promoting positive community attitudes to affordable housing and affordable housing residents
- contributing to the identification of gaps in community services and infrastructure and strategies to fill those gaps
- consulting with the community in relation to community needs and assisting to develop services which address those needs.

Risks	Potential Risk management strategy
Failure to undertake dedicated community building strategy leads to poor relationship with tenants and the wider community	<ul style="list-style-type: none"> • Ensure the Board includes at least one person with skills in community development • Undertake an annual consultation with tenants and the community to identify their needs and aspirations • Develop an annual community building strategy and promote its goals
Failure to adequately resource the community building strategy	<ul style="list-style-type: none"> • Establish a core budget for community building for core activities • Appoint appropriately trained professional to implement the community building strategy • Actively pursue external funding for all additional activities and only commit to their implementation when funding has been identified
Tenants develop unrealistic expectations of their capacity to influence the decisions of the organisation	<ul style="list-style-type: none"> • Document clear guidelines on tenant participation and ensure they are communicated to all tenants • Clearly articulate the feedback required within all consultative exercises and the way in which that feedback will be used
Community service organisations fail to provide the services necessary to ensure the sustainability of some tenancies	<ul style="list-style-type: none"> • Develop referral protocols with all relevant service agencies in the community and regularly update • Participate in the conduct of any community service networks within the community
Negative community attitudes to affordable housing results in declined access to services and/or poor treatment of tenants	<ul style="list-style-type: none"> • Actively participate in the civic life of the community • Regularly release positive press releases to the local media
Community development projects drain resources from core housing functions	<ul style="list-style-type: none"> • Establish clear parameters for resourcing all additional activities emerging from community building role • Ensure any community development initiatives are approved by the Board on the basis of a viable business plan
Community development ethos not backed up by practice of all staff	<ul style="list-style-type: none"> • Ensure all staff are trained in the principles and practice of community development

Appendix I: A Common Risk Language

Based on Blackburn, S. & Bolton (2002) G. Embedding Risk Management – Some Tips and Tactics. Risk Management Topic Paper No.2. The Housing Corporation, UK.

Risk

The threat that an event or action will adversely affect an organisation's ability to maximise stakeholder value and to achieve its business objectives. Risk arises as much from the possibility that opportunities will not be realised as it does from the possibility that threats will materialise or that errors will be made.

External risks

External risks arise when there are external forces that could either put an organisation out of business or significantly change the assumptions that drive its overall objectives and strategies.

Strategic risks

Those risks which affect the organisation's ability to meet its strategy or which derive from the strategy.

Operational risks

The risks associated with all the ongoing day-to-day management of the business. This will also include the risks around the business processes employed to meet the business objectives.

Information risks

Risks arising from the organisation making decisions, based on information which is in some way flawed.

People risks

Risks arising from the fact that people make both deliberate and inadvertent errors in carrying out their day-to-day tasks.

Financial risks

Risks related specifically to the financial aspects of the business and the underlying financial processes.

Risk Management

A logical and systematic method of identifying, analysing, assessing, treating, monitoring and communicating risks in a way that will enable organisations to minimise losses and maximise opportunities.

It consists of steps which, when undertaken in sequence, enable continual improvement in decision making.

Risk Treatment

The selection and implementation of appropriate options for dealing with risks.

These may include: risk acceptance; risk transfer; risk elimination; risk increase; risk reduction; risk avoidance.

Risk acceptance

An informed decision to accept the likelihood and consequences of a particular risk.

Risk transfer

Shifting the responsibility or burden for loss to another party; for example, through insurance.

Risk elimination

Finding some means to eliminate a risk entirely because if it happened the consequences would be unacceptable.

Risk increase

Deciding to increase a particular risk, i.e. to reduce the risk management activities around it. This may be because the cost of managing the risk outweighs its possible impact, or simply that the risk currently being accepted is less than the determined risk tolerance of the organisation.

Risk reduction

A selective application of appropriate techniques and management principles to reduce either the likelihood of occurrence or the impact, or both.

Risk avoidance

An informed decision not to become involved in a risk situation or to cease activities in a particular area because the risk is too high.

Residual risk

The remaining level of risk after risk treatment measures have been taken.

If it falls within the organisation's risk tolerance, then residual risk is acceptable; if it falls outside, then other actions may be needed.

Appendix 2: Churches Community Housing Limited (CCHL)

Risk Management Policy

Preamble

CCHL recognises that risk management is an integral part of good management practice and essential to good corporate governance.

The Board of CCHL is committed to the management of risk in the operations of CCHL.

As a minimum, CCHL will comply with all relevant statutory and legislative requirements such as occupational health and safety, equal opportunity and good governance.

Objectives

The main policy objectives for managing risks are to:

- Assist CCHL in achieving its strategic objectives and goals
- Safeguard the assets of CCHL – people, reputation, finances, property and information
- Create an environment where all employees assume responsibility for risk management
- Ensure that sound risk management practices and procedures are integrated into CCHL's strategic and operational planning processes.

Processes

CCHL will develop and maintain procedures to provide the Board and organisation with a systematic view of the risks faced in the course of its operations and business activities. These procedures will be consistent with the risk management standard, AS/NZS: 4360, 2004.

This will require CCHL to:

- Establish the strategic and operational context for the risk management process in CCHL (including the criteria for risk evaluation and defining the structure of the risk analysis)
- Systematically identify, analyse and evaluate the risks faced by CCHL.

- For higher priority risks, develop and implement specific risk management plans. (Lower priority risks may be accepted and monitored.)
- Continuously monitor and review the risk management system and any changes that might affect it.
- Communicate and consult with internal and external stakeholders at each stage of the risk management process as well as on the process as a whole.

Responsibilities

The Executive Officer is responsible for ensuring that a risk management system is established, implemented and maintained in accord with this policy.

The Executive Officer is responsible for:

- The formal identification of strategic risks faced by CCHL
- Allocation of priorities
- The development of strategic risk management plans
- Ensuring facilitation, training and support for the risk management system
- Regularly reporting to the Board on CCHL's exposure to risk and plans for the management of these risks.
- The Housing Manager is responsible for:
 - Implementing this policy within his/her area of responsibility;
 - Establishment and maintenance of the risk register
 - Ensuring compliance with risk assessment procedures.

All staff are responsible for managing risks in their areas of operation.

The CCHL Board will review the operation of the risk management system and progress against agreed risk management plans as part of the strategic and operational planning and review cycle.

Appendix 3: Central Tablelands Housing Association

Policy: Risk Management

Related Definitions & Legislation

Definitions:

Australian/New Zealand Standard

Risk management is an iterative process consisting of well-defined steps, which, taken in sequence, support better decision making by contributing greater insight into risks and their impacts. The risk management process can be applied to any situation where an undesired or unexpected outcome could be significant.

Risk management is recognised as an integral part of good management practice. To be most effective risk management should become part of an organisation's culture. It should be integrated into the philosophies, practices and business plans, rather than be viewed or practiced as a separate program. When this is achieved risk management becomes the business of everyone in the organisation. (AS/NZS 4360:1999, piii)

Primary Objective

The primary objective of this policy is to establish a process for CTHA to formally identify and manage the risks of events that may have major implications for the organisation.

The areas of impact of these events may be varied, including financial, human performance, tenancy management and reputation.

They may impact on the organisation, staff, tenants and/or various stakeholders

Objectives

- To implement risk management across the organisation in accordance with best practice
- To integrate risk management into the management culture of the organisation
- To foster an environment where staff assume responsibility for managing risks

Legislation

Australia/New Zealand Risk Management Standards
Code: AS/NZF4360: 2004

Procedure

The application of the following risk management framework will be the procedure adapted to all new and existing risks.

Risk Management Program Framework

I Risk Management Criteria

I.1 Likelihood

Quantitative measurement of the likelihood of an event occurring is very difficult, particularly where such likelihood is low. For this reason likelihood is to be defined by the following qualitative criteria:

- Low (L) – Over the long-term an event is considered likely to occur very infrequently in the normal course of activity
- Medium (M) – When an event is not expected to take place in the short- to medium-term, and its occurrence over the long-term is reasonably probable
- High (H) – An event is reasonably likely to occur in the short- to medium-term

I.2 Consequence

The consequences of an event may be measured in both quantitative and qualitative ways.

Financial consequences are more easily measured in term of financial impact on the organisation. Non-financial consequences may include the failure to achieve a desired outcome for a tenant, employee or stakeholder.

The following qualitative criteria are used for defining consequence:

- Low (L) – Minor impact, inconvenience, frustration or low financial consequence.
- Medium (M) – Impacting in a reasonably significant way, or upon a number or parties. Includes financial loss that may impact upon the resources available but not to a major extent.
- High (H) - Impacting in a significant way, or upon a number of parties. Including financial loss that may impact to a major extent upon resources, such that activities may be curtailed.

I.3 Existing Controls

In the evaluation of risks, the adequacy of existing controls needs to be considered as this may affect the likelihood and/or consequences of an event.

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In relation to each risk, existing controls are evaluated as:

- Strong controls (S) (A policy and a reporting procedure may be in place)
- Adequate Controls (A) (A policy may be in place)
- Improvement necessary (I)
- Unsatisfactory controls (U)

2 Risk Identification

It is impractical to suggest that all risks facing the organisation can be identified on all occasions. Despite this it is important to minimise the likelihood that an important risk is missed in the identification stage. Staff participation in the risk identification process, appropriate consultation and a structured process for risk identification are therefore necessary.

3 Risk Analysis

Each identified risk is reported to the Board by the Executive Officer. The Board will analyse the risk with respect to likelihood and consequences of risk, using the above criteria. A risk analysis matrix assists in the evaluation of risks.

4 Risk Evaluation

Risk evaluation and categorisation assists the Board to prioritise risk treatment priorities and apply appropriate management attention to each risk

Categories of risk evaluation include

- H: High risk – immediate action and or senior management attention
- M: Medium risk – management responsibility must be specified
- L: Low risk – management by routine procedures

Qualitative Risk Analysis Matrix

	Low Consequence	Medium Consequence	High Consequence
High Likelihood	M	H	H
Medium Likelihood	L	M	H
Low Likelihood	L	M	M

5 Risk Treatment

A risk action plan is required for those risks that the Board consider to be a priority. Strategies for risk treatment will be identified in the plan.

6 Monitoring and Review

The risk management program needs to be conducted on a cyclical basis with the following being considered

- The introduction of any new risks to the organisation
- Changes in the likelihood and/or consequences of existing risks
- Progress of risk action previously implemented

Scope and Responsibility

- The CTHA Board is responsible for the oversight of the Risk Management Program.
- The application of the Risk Management Policy will be the responsibility of the Executive Officer who will advise the Board on risk management and assist the Board to fulfil its risk management and oversight responsibilities.
- The Executive Officer and Branch Managers are responsible for the implementation of this policy through the risk management framework and processes.
- All branch managers must report all new risks and changes to existing risks to the Executive Officer as soon as they come to the attention of the manager.
- The Executive Officer will report to the Board, through the Risk Management Register on a six monthly basis regarding the risk profile as identified in the risk management action plan and a summary of any major changes since the last report, or as required

Scope

All staff are responsible for ensuring that their behaviours relating to their individual performance encompass informed decisions to do or not to do things based on a reasonable analysis of foreseeable risks, opportunities and their associated impact on the implementation of the organisations business strategies

Related Policies

Risk Management Program

- Risk Management Plan
- Risk Management Register
- Risk Management Identification Form

Date Ratified:

Date Reviewed:

Appendix 4: Association to Resource Co-operative Housing (ARCH)

Sample Risk Management Policy for Housing Co-operatives

Purpose

To outline how the co-op will identify and manage all the risks associated with its management activities.

Statement

- The co-op must be aware of all the risks facing it in carrying out its activities. These risks must be managed to minimise any threats to the co-op that might arise.
- The co-op will prepare an annual risk assessment and management plan.
- Risks will be assessed for likely occurrence and severity (implications) and prioritised accordingly.

- Where a situation poses a serious risk, the co-op will assess appropriate strategies and monitor these over a period of 6 months.

Sample Risk Management Procedure For Housing Co-operatives

1. The Board of the co-op will organise an annual risk assessment process and develop a draft risk management plan. All members of the co-op will be required to participate in the assessment of risks in the following areas:

- Service quality,
- Governance, and
- Financial viability of the co-op.

2. A risk management plan will be presented to the general meeting and will be implemented following approval by the membership.

3. The implementation of the risk management plan will be reviewed within 6 months from the date of approval. The board will look at changes already made or where additional changes need to be made.

4. High risks will be allocated to relevant subcommittees for implementation and regular monitoring. The subcommittees will report against the plan on a monthly basis to the co-op.

Procedure Chart

Steps	Responsible	Timeframe
Organise risk assessment in the areas of service quality, governance and financial viability Invite all the members of the co-op to participate in the risk assessment	The Board	At the beginning of the financial year/ annually
Develop a draft Risk Management Plan and present it to the members of the co-op	The Board	Within 1 month of risk assessment
Approve the Risk Management Plan and prioritise the risks	General Meeting of the co-op	Within 1 month of risk assessment
Delegate implementation of the plan to subcommittees	The Board	Within 1 month of risk assessment
Report against the plan	Subcommittees within their scope of delegation	Monthly
Review implementation of the plan	The Board	Within 6 months from the date of the approval of the plan

Appendix 5: Sample Risk Register Template

Based on: Risk management
Guidelines Companion to
AS/NZS4360:2004, Standards
Australia pp.100 & 101

Function/Activity		Compiled by		Date:	
Date of Risk Review		Compiled by		Date:	

The Risk	Revenue 1	Revenue 2
What Can Happen? (Event)	Reports to funders late or incomplete	Rental Arrears
How can it happen?	Inadequate information collection. Poor planning	Non or late payment of rent
What could be the consequences?	loss of funds	loss of income
Identify Existing Controls	timetable, systems and responsibility	Rental arrears report
Effectiveness & Implementation	Poor	Good
Likelihood	moderate	high
Consequences	major	moderate
Level of Risk	high	moderate
Priority	high	medium
Treat?	yes	yes
Further Action	Audit requirements. Review information systems	Review Systems

Appendix 6: CCHL Risk Management Plan 2005-2006

Background

CCHL recognises that risk management is an integral part of good management practice and essential to good corporate governance.

The objectives of the risk management plan (as set by CCHL policy) are to -

- Assist CCHL in achieving its strategic objectives and goals
- Safeguard the assets of CCHL – people, reputation, finances, property and information

- Create an environment where all employees assume responsibility for risk management
- Ensure that sound risk management practices and procedures are integrated into CCHL's strategic and operational planning processes.

These practices and procedures will be consistent with the risk management standard, AS/NZS: 4360, 2004.

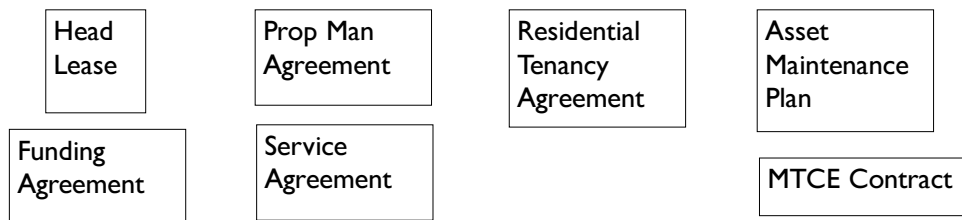
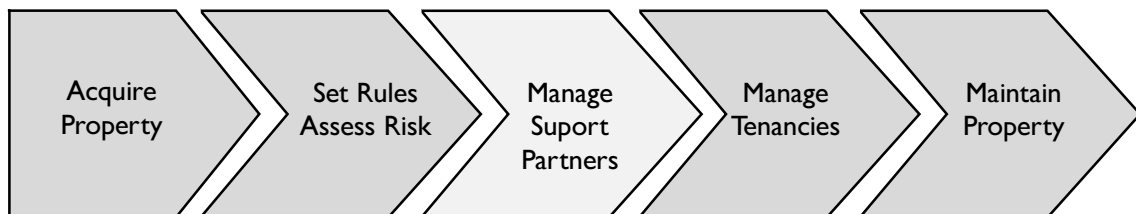
The Risk Management Process

Stage I: Establish the strategic and operational context for the risk management process in CCHL.

A formal risk management policy was adopted by the CCHL Board in ---. The overall strategic and operating environments for CCHL are defined in the Strategic Plan 2005-2009. The key governance, business and operational processes used by CCHL were defined and potential major sources of risk identified.



CCH Processes



Stage 2: Systematically identify, analyse and evaluate the risks faced by CCHL.

A preliminary identification of the major risk areas was carried out as part of the strategic planning process in September 2005. This established the priorities for Risk Management activities in 2005-06. The major areas requiring further investigation and potential mitigation strategies are:

1. Financial

The major potential financial risks are to ongoing government funding streams and to the risks of foregone rental income.

2. Reputation

Pursuing the high growth strategy would potentially pose organisational and systems challenges such as maintaining the level and quality of service.

3. Property

The major cost risks were assessed as arising from the unanticipated asset maintenance liabilities incurred in the transfer of the management of property to the CCHL portfolio.

4. People

A major potential risk to the organisation is the exit of dedicated and experienced managers and staff.

5. Information

There is a potential risk that the organisation has insufficient information and formal reporting in relation to maintenance scoping reports, vacancies and rental arrears.

Stage 3: Develop and implement specific risk management plans for high priority risks.

A forward programme of risk mitigation activity will be generated from the formal risk assessments in the high priority areas identified in Stage 2.

Stages 4 & 5: Continuously monitor and review the risk management system and communicate and consult with internal and external stakeholders.

Quarterly reporting to the Board against the risk management plan and an annual risk management workshop (held in conjunction with the strategic and operational planning processes) will ensure continuous review of the risk management program and priorities.

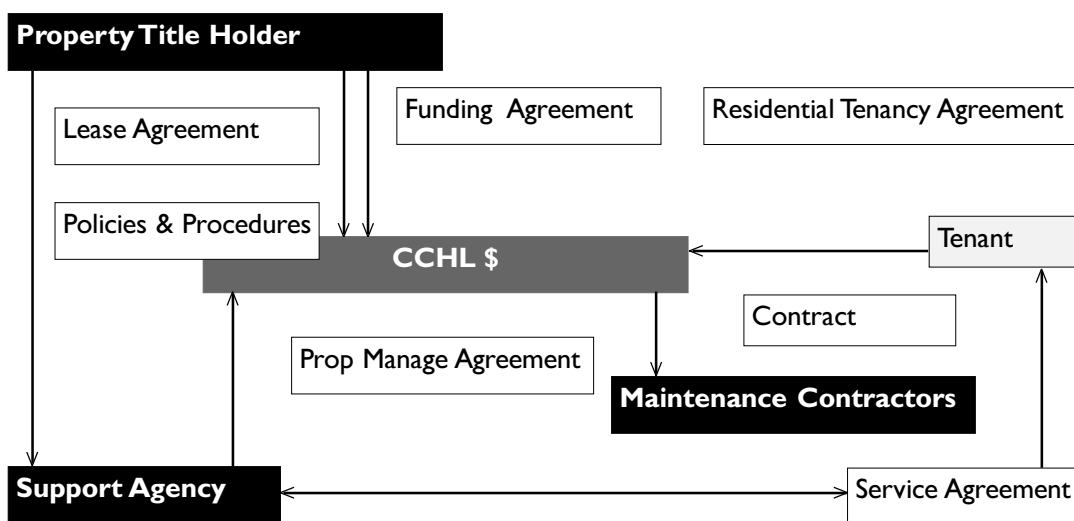
Assessment of Major Risk Areas

I. Management of Financial and Contractual Risk

The major sources of income to CCHL and the major areas of cost are indicated schematically below. Each of these flows is governed by contract documents.



CCHL - Contractual Relationships



1.1 Audit and assessment of key contractual income & expenditure risks

Method:

1. Assess the status of all key contracts (current, signed and for what period?)
2. Assess CCHL organisational capability to meet funding/payment criteria and reporting requirements.
3. Develop mitigation plan to address deficiencies and key risks.

Risk Assessment 1.1

Income - CHLP program

Risk Assessment 1.2

Income - OCH partnerships Program

Risk Assessment 1.3

Income - Support Service Agreements

Risk Assessment 1.4

Income - Residential Tenancy Agreements

Risk Assessment 1.5

Expenditure - Asset & Maintenance Management

Risk Assessment 1.6

Expenditure - Property Management Agreement

2. Management of Risks to CCHL reputation

These risks are primarily related to failing to understand, manage or meet the needs and expectations of the organisation's stakeholders. Stakeholders and their expectations are defined in the strategic plan 2005-2009.

Risk Assessment 2.1

Review of OCH final registration assessment of CCHL as a class A community housing provider.

Risk Assessment 2.2

Review of governance & reporting requirements to/from the Board.

Governance and Accountability

Regulators - ASIC	Good governance
Church orgs in NSW	Church assets used for Christian mission
Congregations	Church assets used for Christian mission
Ecumenical Council	Church assets used for Christian mission
Community Housing Sector	Land and assets for community housing
Support Agencies	Well managed tenancies and maintenance
Tenants	Representation?

Entities

Tenants	Affordable rent, safe accommodation
Supported tenants	Support with their life
Properties	Well maintained, green management

CCHL Teams

Board of Management	A well governed sustainable organisation
Executive Officer	Managing to achieve the mission
Management and Staff	Live the values, fair pay and good conditions
Maintenance Contractors	Fair dealing, prompt payment

Agencies

Owners - Department of Housing	Well managed public housing stock
Owners Agents (OCH)	Sustainable community housing
Owners Agent - Private	Profitable return on management
Regulators - OCH	Community housing management to standards
Funders - OCH	Funds acquitted
Developers - OCH	Increase stock of supported housing
Tenancy Management Organisations	Shared experience and support

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3. Manage risks to property portfolio and physical assets

Risk Assessment 3.1

Adequacy & completeness of coverage of insurances on property portfolio

Risk Assessment 3.2

Review of occupational health & safety environment in property portfolio.

4. Manage risks related to CCHL teams and people

A major potential risk to the sustainability, effectiveness and efficiency of the organisation is the exit of dedicated and experienced managers, staff and Board members. Values congruence, working conditions, personal and professional development opportunities and remuneration packages require fine tuning to continue to attract and retain valued staff and Board members.

Risk Assessment 4.1

Review staff satisfaction, professional/ personal development needs and remuneration packages.

Risk Assessment 4.2

Analyse effectiveness of performance appraisal process (Board, management, staff)

5. Manage risks to information flows, data bases and document controls

Risk Assessment 5.1

Review business interruption and disaster recovery plans and preparations

Risk Assessment 5.2

Pre handover property condition report and assessment of maintenance liability.

Risk assessment 5.3

Adequacy and effectiveness of vacancy reporting system and rental arrears management

Risk Assessment 5.4

Review document control system for contracts, funding agreements, policies & procedures

Risk Management - Priorities and Scheduling 2005-2006

Risk Management Activity

CCHL Risk Management policy approved	Priority	Completion Date	Who
RM Plan 2005/06 approved	1		
RA 1.0 Review business interruption & disaster preparedness	1		
RA 1.5 Expenditure – Asset & Maintenance Management	1		
RA 5.2: Vacancy and rental arrears management systems	1		
RA 1.4 Income - Residential Tenancy Agreements	1		
RA 1.1 Income - CHLP program	1		
RA 5.1: Property condition & maintenance liability	1		
RA 3.1 Insurance coverage on property portfolio	2		
Quarterly RM report to Board			
RA 1.2 Income - OCH partnerships Program	2		
RA 1.6 Expenditure – Property Management Agreement	2		
RA 1.3 Income - Support Service Agreements	2		
RA 5.3: Document control systems	2		
RA 2.2 Reporting requirements to Board	3		
RA 4.1: Staff satisfaction T&D needs	2		
Quarterly RM report to Board			
RA 2.1 CCH A class registration	2		
RA 4.2: Performance appraisal process	3		
Workshop RM priorities & Plan for 2006-2007	1		
RA 3.2 OHS environment in property portfolio.	3		
Quarterly RM report to Board			
Annual RM report and 2006/7 RM plan to Board			

Document Control:

Action	Date	Signature
Prepared by		
Endorsed by Executive Officer		
Approved CCHL Board		

Appendix 7:

Central Tablelands Housing Association

“Local Housing Locally Managed”

Risk Management Action Plan

Policy: No 1 Tenancy Management

Ref No	Inherent Risks	Recommended Control Measures	Risk Rating	Existing Control	Resp
TM 1.1	<p>Allocation of housing</p> <p>Staff open to inducement to provide housing ahead of waiting list</p>	<p>Train staff in professional standards</p> <p>Ensure tenants are aware of their rights and responsibilities</p> <p>Ensure staff apply Allocations Policy</p> <p>Monthly review of all allocations by EO</p>	M	S	EO Branch Managers
TM 1.2	<p>Establishing and maintaining tenancies</p> <p>Failure to collect rent</p> <p>Level of rent arrears exceeds benchmark</p>	<p>Actively promote Centrepay or direct debit payment options</p> <p>Ensure full implementation of the rent arrears policy and procedure including RTT orders for possession if all other steps have been exhausted</p> <p>Monthly monitoring of rental arrears levels and actions by EO</p>	M	S	EO Branch Managers

Ref No	Inherent Risks	Recomended Control Measures	Risk Rating	Existing Control	Resp
TM 1.2	Establishing and maintaining tenancies	<p>Develop and implement a communication strategy with tenants</p> <p>Develop and implement an appropriate Tenant Participation Policy</p> <p>Ensure staff are adequately trained in communication skills and dispute resolution strategies</p>	L	I	EO Branch Managers
	Failure to act in accordance with legislative requirements	<p>Employ trained and experienced staff</p> <p>Ensure compliance with the Residential Tenancy Act and any other relevant legislation</p>	M	A	EO Branch Managers
	Tenant and neighbourhood disputes	<p>Provide information and referral to Community Justice Centres if required</p> <p>Ensure staff are adequately trained in communication skills and dispute resolution strategies</p> <p>Ensure complaints are fully investigated in accordance with policy</p> <p>Promote the "good neighbour" policy to tenants through the newsletter</p>	M	A	EO Branch Managers

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Ref No	Inherent Risks	Recomended Control Measures	Risk Rating	Existing Control	Resp
TM 1.3	<p>Changing needs of tenants</p> <p>Failure to monitor number of tenant transfers</p> <p>Failure to monitor over/under occupancy</p>	<p>Six monthly review of transfer requests and tenant and applicant housing needs against property existing portfolios</p> <p>Implement Over/Under occupancy policy. EO to monitor and discuss options with Managers according to annual survey results</p>	M	I	EO Branch Managers
TM 1.4	<p>Ending tenancies</p> <p>Failure to let vacant properties and long vacancy periods</p>	<p>Maintain an active waiting list of applicants</p> <p>Maintain effective communication and operation with local public housing office and support agencies</p> <p>Ensure high standard of property maintenance</p> <p>Strive for compliance with OCH vacancy benchmark</p> <p>EO to monitor monthly branch vacancy statistics and discuss any vacancy over the benchmark with the Branch Managers</p>	H	S	EO Branch Managers

Policy: No 2 Asset Management

Ref No	Inherent Risks	Recommended Control Measures	Risk Rating	Existing Control	Resp
AM 2.1	Responsive Maintenance and Repairs				
	Buildings destroyed as a result of fire, flood, storm, vandalism etc	Maintain and update as required Insurance Register Ensure insurance cover is at a minimum the OCH package	M	S	EO Accounts/ Admin Officer
	Failure to adequately maintain properties so they lose value or are hard to let	Develop and implement long-term asset management strategy Ensure budget incorporates provision for responsive and planned maintenance	M	S	EO
	Failure to observe the requirements of any leases under which properties are held	Ensure adequate reporting to landlords (OCH) Regularly review lease conditions and agreement	L	S	Board EO
	Failure to monitor the organisations obligations under all legal requirements associated with the property	Maintain contracts register Develop a checklist of all requirements under each contract Regularly review performance against the checklist	M	A	Board EO
Failure to observe the requirements of the funding body	Ensure there is an annual review of the organisation against the requirements of the funding body Monitor against Accreditation/Registration	L	S	Board EO	

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<p>AM 2.1 cont.</p>	<p>Failure to adequately coordinate and oversight asset management strategies</p> <p>Poor quality of work by contractors</p> <p>Managing warranties</p> <p>Failure to adequately budget for responsive maintenance</p>	<p>Ensure the Board includes a person with asset management expertise</p> <p>Employ a qualified professional to develop an asset management strategy and to supervise its implementation</p> <p>Ensure contractors comply to contract and work complies with standards</p> <p>Develop and implement quality control measures</p> <p>Develop and maintain a register of all warranties</p> <p>Ensure property data base is maintained</p> <p>Ensure budget includes adequate provision for maintenance and repairs</p> <p>Budget at a minimum OCH recommended costs for maintenance accordingly</p>	<p>M</p> <p>H</p> <p>L</p> <p>M</p>	<p>I</p> <p>I</p> <p>S</p> <p>S</p>	<p>Board EO Asset Manager</p> <p>EO Branch Managers Asset Manager</p> <p>Account/ Admin Officer</p> <p>EO Branch Managers Accounts/ Admin Officers</p>
<p>AM 2.2</p>	<p>Planned Cyclical Maintenance and upgrade</p> <p>Failure to secure adequate funding for stock transfers</p> <p>Failure to retain accurate knowledge of all assets and their value</p>	<p>Identify appropriate funding prior to stock transfer</p> <p>Negotiate capital contribution requirement prior to transfer</p>	<p>H</p>	<p>I</p>	<p>EO Board</p>

<p>AM 2.2 cont.</p>	<p>Failure to manage property risks such as asbestos, lead paint and other risks during building maintenance</p> <p>Failure to achieve value for money with contractors</p>	<p>Ensure all contractors have relevant insurance</p> <p>Require appropriate O H & S compliance for all contractors</p> <p>Research industry standards and controls on asbestos management</p> <p>Establish a list of approved contractors and implement quality control procedures</p>	<p>H</p> <p>M</p>	<p>A</p> <p>S</p>	<p>EO Branch Managers Asset Manager</p> <p>EO Asset Manager</p>
<p>AM 2.3</p>	<p>Acquiring and developing Stock</p> <p>Failure to acquire properties of a reasonable standard and appropriate to target group</p>	<p>Employ a qualified property expert to inspect property</p> <p>Ensure a property inspection report before acquisition</p> <p>Ensure property meets need of target group</p>	<p>M</p>	<p>I</p>	<p>EO Asset Manager</p>
<p>AM 2.4</p>	<p>Developing income streams</p> <p>Failure to develop alternative income streams and missed opportunities</p>	<p>Ensure skilled staff identify opportunities to submit for new funding and alternative funds</p> <p>Continually develop partnerships and fee for service opportunities</p> <p>Promote the organisations achievements and expertise</p>	<p>M</p>	<p>A</p>	<p>EO Board</p>

Policy: No 3 Tenants Rights and Participation

Ref No	Inherent Risks	Recommended Control Measures	Risk Rating	Existing Control	Resp
TR 3.1	<p>Tenant Rights and responsibilities</p> <p>Failure to communicate effectively with tenants on organisations standards and policies leading to dissatisfaction</p> <p>Failure of staff training on legislative changes</p> <p>Failure to monitor tenants satisfaction</p>	<p>Ensure tenants are aware of their rights and responsibilities by providing information through tenancy handbook, tenants rights and responsibilities booklet on commencement of tenancy</p> <p>Produce and distribute quarterly tenant newsletter</p> <p>Ensure staff are trained to communicate effectively with tenants about organisations policies and procedures</p> <p>Encourage staff to undertake regular industry training</p> <p>Conduct an annual tenant satisfaction survey reporting to tenants, staff and directors</p>	<p>L</p> <p>L</p>	<p>S</p> <p>I</p>	<p>Branch Managers EO</p> <p>Branch Managers EO</p> <p>EO</p>
TR 3.2	<p>Tenant Participation</p> <p>Failure to consult and encourage tenants participation in delivery of service</p>	<p>Develop and implement an appropriate tenant participation policy</p> <p>Develop and implement a tenant advisory committee</p> <p>Ensure staff are adequately trained in the aims of tenant participation</p> <p>Encourage tenant participation and input to tenants newsletter</p>	L	S	EO

<p>TR 3.4</p>	<p>Access to Services</p> <p>Failure to consider the needs of the tenant in accessing the organisations service</p>	<p>Develop a communication strategy to promote the organisations services to tenants, distribute promotional material</p>	<p>L</p>	<p>S</p>	<p>Branch Managers</p>
<p>TR 3.5</p>	<p>Confidentiality and privacy</p> <p>Failure to comply with legislative requirements regarding the obtaining, storing and sharing of private and confidential material</p>	<p>Train staff in all areas of privacy legislation</p> <p>Ensure process are in place for obtaining, recording, keeping and sharing of information</p> <p>Implement procedure for access to tenants files</p>	<p>L</p>	<p>S</p>	<p>EO Branch Managers</p>
<p>TR 3.6</p>	<p>Complaints and Appeals</p> <p>Failure to act in accordance with all legislative requirements</p> <p>Excessive number of complaints and appeals</p>	<p>Employ trained and experienced tenancy managers</p> <p>Ensure tenants are aware of their rights and responsibilities</p> <p>Promote organisations policies and procedures through brochure and newsletters</p> <p>Employ an approved tenancy agreement</p> <p>Monitor and report number of complaints and appeals every quarter</p>	<p>L</p>	<p>S</p>	<p>EO Branch Managers</p> <p>EO Branch Managers</p>

Policy: No 4 Working With the Community

Ref No	Inherent Risks	Recommended Control Measures	Risk Rating	Existing Control	Resp
CO 4.1	<p>Tenants' access to support</p> <p>Failure of community support agencies to provide adequate support</p>	<p>Develop referral protocols with relevant agencies and regularly update</p> <p>Participate in the conduct of any community networks</p>	L	S	Branch Managers
CO 4.2	<p>Building Community Capacity</p> <p>Negative community attitudes to affordable housing results in declined access to service and/or poor treatment of tenants</p> <p>Community development projects drain resources from core housing functions</p>	<p>Actively participate in civic life of the community</p> <p>Regularly release positive press releases for the local media</p> <p>Establish clear parameters for resourcing all additional activities emerging from community building role</p> <p>Ensure any community development projects are approved by the board on the basis of a viable business plan</p>	L	A	Branch Managers EO Board EO

CO 4.3	<p>Providing housing information, advice and referral</p> <p>Failure to inform tenants of their of choices, options and services impacting on the tenant ability to maintain tenancy</p>	<p>Ensure staff are aware of local resources and services</p> <p>Ensure staff participate in a local network of services</p> <p>Provide appropriate information to tenants</p>	L	S	Branch Managers
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Policy: No 5 Governance & Organisational Management

Ref No	Inherent Risks	Recomended Control Measures	Risk Rating	Existing Control	Resp
CO 5.1	<p>Establishing and maintaining governing bodies</p> <p>Failure to attract and sustain appropriate skilled board members</p> <p>High turnover of board members</p> <p>Low attendance at meetings</p>	<p>Develop and implement recruitment strategy for board members identifying skill level required</p> <p>Establish induction and training for board members</p>	H	S	Board EO

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TR 5.2	<p>Good Governance</p> <p>Failure of board members to understand the complexity of the organisations business and to employ good decision making</p> <p>Failure to report conflict of interest</p> <p>Failure to resource Board</p>	<p>Ensure timely and sufficient resourcing of board members in organisational business</p> <p>Employ when required outside professional expertise to advise the board</p> <p>Ensure governance training opportunities are provided</p> <p>Ensure signing on an annual basis the code of conduct and conflict of interest policies</p> <p>Regularly update and provide resource manual to Board</p>	M	S	Board EO
TR 5.3	<p>Effective Management</p> <p>Ineffective management structure, policies and process</p>	<p>Ensure regular review of structure, policies and procedures</p> <p>Develop appropriate identified targets and performance measures and Board to manage against them</p> <p>Regularly review reporting framework</p> <p>Regularly review delegations</p>	M	I	Board EO
TR 5.4	<p>Planning and development</p> <p>Failure to secure sufficient funds to undertake development of</p>	<p>Develop three year business plan</p> <p>Analyse any growth against the business plan to ensure long-term viability</p>	H	I	Board EO

TR 5.5	<p>Organisational Review</p> <p>Failure to recognise the need for annual planning and evaluation sessions</p>	<p>Ensure an annual planning session is part of Board responsibility</p> <p>Engage professional to evaluate organisational structure from</p>	L	I	Board EO
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Policy: No 6 Management Systems

Ref No	Inherent Risks	Recomended Control Measures	Risk Rating	Existing Control	Resp
MS 6.1	<p>Financial Systems</p> <p>Failure to develop, amend and monitor realistic budget</p> <p>Failure to develop effective monitoring controls for the financial process and systems</p>	<p>Ensure the board includes at least one person with financial experience</p> <p>Ensure staff are adequately trained in financial systems</p> <p>Engage an auditor to assess financial systems from time to time</p> <p>Ensure financial reporting mechanisms are in place and adequate</p>	L	S	Board EO Accounts/ Admin Officer
MS 6.2	<p>Administrative Systems</p> <p>Failure to develop appropriate administrative process for collection, storing and retrieval of information</p>	<p>Ensure systems are in place for the storing and retrieval of information</p> <p>Ensure there are systems in place for storing of information off site</p> <p>Regularly review back up register</p>	L	S	EO Accounts/ Admin Officer

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<p>MS 6.3</p>	<p>Management Information Systems</p> <p>Failure to have in place a system for the keeping of information off site</p> <p>Failure to keep abreast of new information soft wear systems</p>	<p>Ensure the storage of information off site</p> <p>Review update/upgrade soft wear and systems as required</p>	<p>L</p>	<p>S</p>	<p>Board</p> <p>Accounts/ Admin Officer</p>
<p>MS 6.4</p>	<p>Office Environment</p> <p>Failure to ensure a safe working environment for all staff and visitors</p> <p>Failure to provide adequate office premises and facilities</p>	<p>Train staff in O H & S requirements for a safe working environment</p> <p>Regularly inspect offices to ensure compliance with O H & S requirements</p> <p>Ensure compliance with organisations O H & S policies</p> <p>Investigate new office options</p>	<p>M</p>	<p>S</p>	<p>EO</p> <p>Accounts/ Admin Officer</p>
			<p>M</p>	<p>U</p>	<p>EO</p> <p>Accounts/ Admin Officer</p>

Policy: No 7 Human Resource Management

Ref No	Inherent Risks	Recommended Control Measures	Risk Rating	Existing Control	Resp
HR 7.1	<p>Recruiting, selecting and appointing staff</p> <p>Failure to recruit and to keep highly trained and appropriate staff</p> <p>Failure to have in place a succession plan</p>	<p>Develop and implement recruitment policies which ensure the attraction of appropriate staff</p> <p>Develop a sustainable remuneration system</p> <p>Ensure at least one board member has experience in human resource management</p> <p>Employ a human resource consultant to review structure, delegation, recruitment procedures and position description</p>	M	S	Board EO
HR 7.2	<p>Supervision, training and development of staff</p> <p>Failure to supervise and train staff adequately</p> <p>Understaffing resulting in high work loads</p> <p>Staff isolated and unsupported</p> <p>Staff not performing to standards</p>	<p>Ensure annual performance appraisals are in place</p> <p>Ensure that annual training plans are developed for all staff</p> <p>Employ trained and experienced staff and insist on continuing professional development</p> <p>Employ consultant to investigate and develop performance management system</p> <p>Ensure regular contact, staff meetings and face to face support</p> <p>Ensure adherence of organisations policies and procedures through compliance review</p>	M	I	Board EO

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<p>HR 7.3</p>	<p>Employment Systems</p> <p>Failure to adequately manage staff entitlements</p> <p>Management of staff leave impedes workflow</p> <p>Industrial arrangements are not affordable</p>	<p>Ensure all staff entitlements are full costed and budgeted</p> <p>Ensure system in place for the projection of staff leave</p>	<p>M</p>	<p>S</p>	<p>Board EO Accounts/ Admin Officer</p>
<p>HR 7.4</p>	<p>OH & S</p> <p>Injury to staff, contactors and members of the public dues to staff negligence</p> <p>Organisation is exposed to litigation dues to professional negligence</p>	<p>Require appropriate O H & S training for all staff</p> <p>Regularly monitor and review O H & S policies and procedures</p>	<p>M</p>	<p>S</p>	<p>Board EO All staff</p>
<p>HR 7.5</p>	<p>Management of Volunteers</p>	<p>NA</p>			

Appendix 8: Sample Risk Assessment Template and Plan

Risk Assessment I: Income CHLP program

Rationale

CCHL derives its major revenue from an annual funding agreement for the management of designated properties from the NSW Office of Community housing (OCH) under the CHLP program. This funding is provided quarterly against certain reporting requirements. Failure to report as required significantly increases the risk of funds not being transferred to CCHL.

Methodology

1. A checklist of OCH contract and reporting requirements established.
2. CCHL's capability/performance to meet the requirements assessed.
3. Action plan to mitigate assessed risks developed.

Template for Contract Risk Assessment

Clause ID	Contract Requirement	Reporting Spec.	Timing	CCHL readiness	Action Required	Responsibility	By When

Outputs:

Report to Executive Officer on findings & recommendations by ----.

Risk mitigation action Plan by----

Summary Report to Board on risk mitigation action plan by-----

Notes:



Notes:



Notes:

