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| Report to: | AUDIT COMMITTEE |
| Relevant Officer: | Steve Thompson - Director of Resources Paul Jones – Head of Property Services Vikki Piper – Head of Housing |
| Meeting | 14 September 2023 |

STRATEGIC RISK REGISTER DEEP DIVE – PROPERTY

1.0 Purpose of the report:

1.1 To consider a progress report on individual risks identified in the Council’s Strategic Risk Register.

2.0 Recommendation(s):

2.1 To consider the controls being implemented to manage the strategic risk relating to property.

3.0 Reasons for recommendation(s):

3.1 To enable the CLT and Audit Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council’s approved budget? Yes

4.0 Other alternative options to be considered:

4.1 None.

5.0 Council priority:

5.1 The risk impacts on all of the Council’s priorities.

6.0 Background information

6.1 At its meeting in March 2023, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

6.2 Does the information submitted include any exempt information? No

7.0 List of Appendices:

7.1 Appendix 4(a) - Strategic Risk Register Deep Dive – Property

8.0 Financial considerations:

8.1 The controls being implemented will be done so within current budget constraints.

9.0 Legal considerations:

9.1 Risks need to be effectively managed in order to comply with relevant legislation.

10.0 Risk management considerations:

10.1 To enable CLT and Audit Committee to gain assurance that strategic risks are being effectively managed.

11.0 Equalities considerations and the impact of this decision for our children and young people:

11.1 Equality analysis should have been undertaken, where necessary, when decisions were made in relation to the identification of the actions identified in this document. As this report presents monitoring against pre-agreed actions, no further equality analysis has been undertaken as part of this report.

12.0 Sustainability, climate change and environmental considerations:

12.1 Sustainability, climate change and environmental matters should have been considered, where necessary, when decisions were made in relation to the identification of the actions identified in this document. As this report presents monitoring against pre-agreed actions, no further analysis has been undertaken as part of this report.

13.0 Internal/external consultation undertaken:

13.1 The progress report has been prepared in conjunction with risk owners.

14.0 Background papers:

14.1 N/a

Appendix 4(a) - Risk Category: Property

Risk Appetite: Cautious

Risk: a) Property failure due to poor maintenance or lack of inspection regime.

Risk Owner: Director of Resources

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| Gross Risk Score | 20 | Impact – 5 | Likelihood – 4 |
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What impact does this have?

- Death / injury to a member of staff / public resulting in civil or criminal proceedings.

What opportunities does this create?

- Well maintained and safe property portfolio.

What controls do we already have in place?

- Property Risk Management group in place which meets quarterly and reports to the Corporate Risk Management Group.
- Corporate Asset Management Group in place to oversee key decisions relating to property investment.
- Statutory inspection regime in place overseen by the Corporate Landlord (Property Services).
- Property maintenance planning in place focusing on key risk areas which could impact safety.
- Asset management system in place which records key information in relation to Council owned properties.
- Property risk audits undertaken by the Council's Property Insurers.

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| Net Risk Score | 15 | Impact – 5 | Likelihood – 3 |
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What are we doing to further manage the risk?

A process to undertake property compliance audits at the Council's wholly owned companies to be implemented.

The focus is currently on reviewing the processes of assurance around the asset management of the stock held and managed by the housing companies (further detail is included at sub-risk b). With regards to the other companies, various arrangements are in place which places the responsibility for property compliance on each company. Further work is needed to determine what level of oversight the Council (as Landlord and Shareholder) need from the other companies.

Ensure that up to date lease arrangements are in place with the wholly owned companies which clearly define roles and responsibilities for property maintenance and statutory inspection.

Operating agreements, leases or service level agreements are in place with each of the wholly owned companies. Where these have lapsed or arrangements have changed, work is underway to review and update these.

Deliver the corporate property rationalisation target due to the introduction of hybrid working and to seek to reduce energy consumption across the Council's property portfolio.

Work is ongoing to identify ways in which the Council Property Portfolio can be further rationalised. Discussions have taken place at the Corporate Leadership Team with regards to how to make best use of the space now that hybrid working has been introduced, however a final decision as to what this looks like is yet to be made.

Continue the work of the Building Resilience Task and Finish Group to ensure that Council used properties are resilient, safe and secure.

The Building Resilience Task and Finish Group have already completed a number of tasks including ensuring that emergency procedures are up to date and accessible on the staff intranet site, a review of fire warden and first aider arrangements to reflect hybrid working, implemented better signage, a roll out of counter terrorism training and access to the Protect App. Key resilience testing has also been carried out for the loss of power and the impact on the data center along with a physical security test. The group meets every quarter to progress the work and address any issues arising.

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| Target Risk Score | 10 | Impact – 5 | Likelihood – 2 |
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What will these additional actions achieve?

The aim of all of these actions is to continue to ensure that the Council's property portfolio is safe and is meeting all statutory requirements.

What barriers do we face?

Budgetary pressures will always be an issue however arrangements are in place to ensure that statutory requirements and safety issues are addressed.

Adapting to hybrid working and what this looks like going forward in terms of the property portfolio will also require further discussions and development which may require a culture change across the Council.

Cooperation and support from our services, companies and tenants is also important. Whilst there is a high level of confidence that properties managed by Property Services are compliant this is not always the case for other areas.

Do these actions contribute to the sustainability of the Council?

Income is generated through the property investment portfolio which helps contribute to the Council's financial sustainability.

Work continues to identify how the property portfolio can further contribute to the carbon neutral agenda through exploring different ways to deliver energy savings and considering the use of building materials which contribute to sustainability. One of the proposals in the Climate Action Plan is to move the Council property portfolio from gas fueled heating system to more energy efficient alternatives although this will require significant investment. However, the cost of doing nothing could be even greater.

Do these actions impact on the Council's finances?

There is a cost to property maintenance and priority is given to addressing any significant health and safety risks which may present in the portfolio.

How does this contribute to the Council Plan?

The property portfolio contributes to all of the Council's priorities.

Any links to other strategic risks?

Governance, Finance, Legal

Any additional changes to this strategic risk?

Inflation has had a significant impact on the cost of materials and labour which has had an impact on the property budget.

Likewise, the exploration of carbon efficient properties, whilst absolutely the right thing to do, can be expensive, particularly when it comes to retrofitting.

Any changes to legislation which impact on the property portfolio also need to be monitored on an ongoing basis so that appropriate action can be taken to implement them.

Risk: b) Failure to meet statutory obligations as a significant housing landlord across the town.

Risk Owner: Director of Strategy (Assistant Chief Executive)

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| Gross Risk Score | 16 | Impact – 4 | Likelihood – 4 |
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What impact does this have?

- Death / injury to a tenant resulting in civil or criminal proceedings.
- Poor quality Council owned housing stock.

What opportunities does this create?

- Enable people to stabilise their lives in quality homes.
- Reputation as a good landlord across the town.

What controls do we already have in place?

- Blackpool Coastal Housing, Blackpool Housing Company and Lumen Housing established as companies to develop and manage stock.
- Housing client function in place.
- Reporting of housing company performance to the Shareholder Committee.
- Property Risk Management Group in place which the housing companies attend.

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| Net Risk Score | 12 | Impact – 4 | Likelihood – 3 |
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What are we doing to further manage the risk?

Prepare for the implementation of any changes to legislation implemented following the Governments White Paper on Social Housing. As part of this we will be trialling a tenant survey for the new national Tenant Satisfaction Measures (TSMs) in Spring 2023.

The Social Housing White Paper (SHWP) was published by DLUHC in November 2020 as a response to a series of failings within the social housing sector, with the biggest incident being the fire at Grenfell. The requirements have been further influenced following the damp / mould case in Rochdale where a child died. The SHWP set out wide-ranging reforms designed to improve the quality of social housing and ensure residents felt safe, listened to and had access to redress when things go wrong.

Under the new regime Blackpool Council, as landlord, will be inspected by the Regulator and will be held accountable for any failings in its housing services.

To prepare for the new regulatory regime, the Council and its housing companies (for consistency) have formed a working group who meet monthly. This group are working through the various requirements of the SHWP and report to the SHWP Board which will ultimately report to elected members through the Shareholder Committee.

A tenant survey for the new national Tenant Satisfaction Measures has been trailed and the output is currently being evaluated. These measures cover a broad range of things and the evaluation has not identified any significant concerns in relation to building safety, although there is further work to do on tenant engagement and dealing with complaints.

Ensure that the companies have robust arrangements in place for statutory property compliance and other key safety risks such as damp.

Following the Rochdale case the Regulator asked all social housing providers to provide an urgent response with current data on damp and mould cases and planned actions. Following the submission of the initial response the Regulator asked for further information from the Council which was sent earlier this year. No further requests for additional information has been received from the Regulator at this time. This process prompted a Social Housing Fire and Asset Management Group to be created, chaired by the Head of Property Services, and attended by all of the Council's housing companies to ensure that the Council has a better understanding of what is in place at its housing companies. This groups reports to the SHWP Board.

To further strengthen our approach and provide additional assurance CIPFA are being commissioned to carry out a review of property compliance at the Council's housing companies and also make recommendations around the level of oversight that the Council needs to have going forward. This will consist of:

- A compliance review
- Data review
- Governance review
- Net zero
- Financial plans

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| Target Risk Score | 8 | Impact – 4 | Likelihood – 2 |
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What will these additional actions achieve?

The ultimate aim of these actions is to ensure that residents are safe and effectively demonstrate that the Council (and its housing companies) meet the new legislation requirements.

What barriers do we face?

The new legislation puts more onus on the Council to be accountable to the regulator. This in turn will have an impact on resource in a number of services including Housing Client and Property Services, which needs to be addressed. A new post has recently been created in the Housing Client Team for a Project Manager who will lead on the delivery of the requirements of the SHWP.

Do these actions contribute to the sustainability of the Council?

The provision of safe housing to residents in Blackpool is a key driver to help increase their personal resilience.

Furthermore, the provision of energy efficient housing stock going forward continues to be explored which will help contribute to environmental sustainability.

Adherence to the requirements is important so that the Council maintains its good reputation with the Regulator and Central Government Departments, particularly in relation to the work being undertaken on the Leveling-Up agenda.

Do these actions impact on the Council's finances?

As will all new legislation there will be costs associated with implementing and delivering the required changes.

How does this contribute to the Council Plan?

Providing safe housing options contributes to the Council's community priority whilst the link between affordable housing and employment contributes to the economy priority.

Any links to other strategic risks?

Strategy, Governance, Legal

Any additional changes to this strategic risk?

Not at this stage, however not all supporting guidance has been issued yet for the SHWP so there may be further work to do in due course. For example, whilst not confirmed, there is a suggestion that a senior employee in the Council will need to hold a relevant qualification in housing property.