

Risk management

Richard Wood, head of housing and health at Zurich Municipal



Today's housing providers face a significant number of operational risks, from longstanding hazards such as escape of water to risks such as climate change, with long-range forecasts indicating that extreme weather events such as flooding and heatwaves will become more common. New challenges also include the use of more flammable building materials that can result in fire spreading more quickly.

Escape of water remains the most persistent problem: burst pipes, leaking domestic appliances, accidental damage caused by contractors, and overflowing baths and showers. This is responsible for 24% of household insurance claims, according to the Association of British Insurers, with the industry paying out £2.5m every day for losses relating to water.

Weather too continues to pose a major operational risk to social landlords. In recent years, Britain's weather has changed significantly; floods from increased rainfall are becoming more common.

Researchers at the University of Oxford estimate that what was considered a one-in-100-year winter rainfall event is now a one-in-80-year event in the south of England – the risk of a very wet winter has increased by around 25%. It therefore comes as no surprise that senior managers within the housing sector consider the effects of climate change to be one of their top operational risks. Here, they face the challenge of budget cuts, but also the challenge of building new homes that meet increasingly tough regulations on environmental performance and carbon emissions while providing the resilience to protect their residents from flood and fire.

Fire has traditionally presented one of the biggest risks to social landlords' operations, not only to the physical housing stock but also to the safety of residents. This is likely to escalate in future, as the

increasing emphasis placed on environmental considerations drives the use of new methods of construction and building materials. These methods require a larger initial investment and may even present a greater risk in the event of fire or flooding. For example, the timber-frame construction used for many new housing developments lends itself to the rapid spread of fire.

While these risks can never be eliminated, preventing the fatalities and serious injuries of recent years must continue to be a priority. Social landlords should prepare for the risks facing them at the very earliest

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phase of design to minimise losses, reduce long-term maintenance costs and avoid disruption. Risk management strategies and mitigation processes will help providers to protect their customers, assets and reputations. Conversely, failing to manage these risks can have severe consequences for an organisation – financial, operational and even existential.

The management of these risks should be a core activity for all organisations. As the case studies in this chapter demonstrate, housing providers can draw on the specialist expertise of their insurance providers to identify preventative measures and to respond effectively in the event of an emergency.

At Zurich Municipal, we support our clients not only to protect their customers and buildings, but to ensure they will be around for the long-term to fulfil their mission for residents and communities.

Article written by:



Fighting the tide



Plans need to be in place to cope with severe weather, says **Tim Knight** from Severn Vale Housing

Friday 20 July 2007 will live long in the memory of the staff and customers of Severn Vale Housing. On that afternoon, the rain which fell during a period of around an hour was the heaviest many of us had ever seen. Even so, I don't think anyone realised immediately this rain would lead to severe flooding, and have such a huge impact on our customers. In total, 92 of our homes were so badly affected that the residents had to be moved out to caravans, and we were faced with a £5m insurance claim across our customer base.

As an organisation, we learned a lot about risk management that day and in the weeks which followed. The key message is that although flooding cannot be wholly prevented, its impacts can be reduced through good planning and management. This is vital to protect the long-term health of the organisation and, by extension, our customers and communities.

A key element of flood risk management is helping to prevent flood damage in the first place. As a landlord and developer, we ensure we do not undertake inappropriate development and any new development does not increase flooding elsewhere – a flood risk assessment is a fundamental part of the planning process.

Appropriate response

Another essential element of flood risk management is supporting our customers and communities, working together with them and the Environment Agency to reduce the risk of flooding in the future. For example, we worked with local residents near Gloucester to transform a clogged brook, so water can flow freely rather than swamping nearby homes in the event of heavy rain.

It is crucial to have appropriate response plans in place for when a flooding emergency does occur. We learned a great deal about this from the events of 20 July 2007. Within a matter of minutes,



flat roads were awash with six to eight inches of water and traffic was brought to a standstill. Our contact centre was soon receiving a high volume of calls from our customers, repairs and maintenance teams and other neighbourhood-based staff. People were also using the internet to check and report on developments minute-by-minute. They reported that roads and homes were flooded and people were becoming trapped – particularly in our sheltered housing schemes. One scheme in the centre of Tewkesbury was fast becoming unreachable.

With all of this, our communications systems were soon overloaded and stopped working effectively – no one could get through to our office and we could not get through to the emergency services. First learning point: don't assume in your emergency plan the usual communication channels will work. Realising we were in an emergency sit-

uation, we quickly reached for our disaster recovery plan, most of which was up to date. Second learning point: continually refresh the phone numbers of staff identified in a recovery plan.

On the whole the plan proved fairly robust, but some of the detail did not work. For example, it said the local council would provide sandbags to organisations and individuals suffering from flooding. Third learning point: there were insufficient bags and there was insufficient sand. Our repairs and maintenance teams were brilliant – working like Trojans late into the night and the weekend to find sandbags from here, there and everywhere.

Our repairs and maintenance teams also helped the emergency services to evacuate many of the customers in our sheltered schemes and estates to safety – sometimes carrying them hundreds of yards to dry ground as some of our prop-

erties were more than 10 feet under water.

Our emergency plan in hand, we gathered all relevant people together, reviewed who needed to do what, and put the plan into action. Many of our staff had worked at Severn Vale Housing for a long time, and the knowledge around the table, of both properties and customers, proved invaluable. Our then chief executive was on holiday in the US, so it was left to the remainder of the executive team (I was a director at the time) to deal with the response. Next learning point: ensure more than one person is identified to cover each role. It was essential we had agile and fast decision-making, and clear direction and allocation of responsibilities by the lead disaster recovery team, as well as regular internal and external communication.

Another important factor in achieving a successful outcome for both the organisation and customers affected by the floods

was that we were able to work closely with our contractors, partner organisations and stakeholders. More than half of those made temporarily homeless had a mobile home delivered and linked up to services adjoining their own home within a week of the waters receding.

Keeping record

We organised repair works through our insurers, which ensured the work was completed very quickly. The last family was able to move back home in March 2008, just nine months later. This was a remarkable achievement given the devastation and duration of the flooding – some parts of Tewkesbury Borough were cut off from access to mains water and food supplies for over a week.

One final factor which helped us to recover quickly was that meticulous records were kept of all associated costs. Receipts for purchases made to support customers – for example, dehumidifiers or skips for rubbish clearance – were kept separate from our day-to-day accounts and therefore easily matched to the final insurance claim. This ensured costs related to the flood were reimbursed in a timely manner and our cash flows did not suffer any more than necessary.

As Tewkesbury is based at the meeting of the Avon and Severn rivers and the majority of properties have been built at low level, flooding is always going to be an issue for both Severn Vale Housing homes and those in private ownership.

After the flood our surveying team carried out a review of all properties at risk of flooding, even some at a large distance from water. A number of ditches and culverts were cleared in partnership with local authorities and the Environment Agency, and there is now a regular programme to keep these areas clear of rubbish and other items. This is another learning point: effective and regular servicing and repair prevents bigger problems occurring later.

Across Severn Vale Housing, we now have a real appreciation of the potential impact of flooding on our customers, business and finances. We learned a great deal about risk management from our experiences, and about the importance of robust planning and prevention. After all, though the events of 2007 may have been described as a "once-in-100-years" flood, that does not mean it will be 100 years before the next one.

Tim Knight, chief executive, Severn Vale Housing ►

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