



## CAERPHILLY HOMES TASK GROUP – 2ND JULY 2015

**SUBJECT: WHQS POSITION STATEMENT**

**REPORT BY: INTERIM CHIEF EXECUTIVE**

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### **1. PURPOSE OF REPORT**

- 1.1 To provide an overview of the current position with the WHQS Programme and the challenges facing the Council to achieve the standard by 2020.

### **2. SUMMARY**

- 2.1 Arising from the stock transfer ballot in 2012 when tenants voted to remain with the Council as their landlord a commitment was made to tenants and Welsh Ministers that the Council would bring all the housing stock to meet the WHQS by 2020. An investment strategy and implementation plan was agreed in the latter half of 2012 and a staffing structure came into being at the start of 2013. There was a transition period from 2012 transferring from contracts that were committed under the former planned maintenance to the new WHQS arrangements. The new programme commenced in 2013/14 primarily through the in house work force. During 2013 there were a series of procurements undertaken to appoint the supply partner, and internal and external works contractors. However a number of setbacks were experienced resulting in significant slippage. It has been necessary to implement a number of additional measures to increase capacity and spread the risks. In addition there have been changing circumstances including increased costs above the Savills budget estimates, unanticipated stock condition deterioration, and the HRAS buy out resulting in a borrowing cap all of which are causing constraints and challenges. The report outlines the current position and measures being taken to ensure the objective of meeting WHQS by 2020 can still be achieved.

### **3. LINKS TO STRATEGY**

- 3.1 The Welsh Housing Quality Standard is intended to ensure that all local authority and housing association homes are improved and maintained to achieve specified standards.
- 3.2 The Single Integrated Plan 2013-2017 has a priority to “improve standards of housing and communities, giving appropriate access to services across the County Borough”.
- 3.3 The Council’s Local Housing Strategy “People, Property, and Places” has the following aims:  
“To provide good quality, well managed houses in communities where people want to live, and offer people housing choices which meet their needs and aspirations.”

### **4. THE REPORT**

- 4.1 The Council owns around 10,900 properties and in addition there are 417 leasehold flats. Following the outcome of the stock transfer ballot in February 2012 the Council worked with

the tenants on the Repairs and Improvement Group to develop an investment strategy and implementation plan to deliver WHQS by 2019/20. This was approved by the CHTG / Cabinet Sub Committee in September 2012. The plan is based on two separate programmes for internal and external works operating on a community basis with concurrent contracts in the three housing areas (Lower Rhymney Valley, Upper Rhymney Valley, and Eastern Valley). The works are split 50:50 between the in house work force and contractors. There will be a separate environmental programme. The in house work force is primarily focused on internal works and at Rowan Place and there are teams working in all three housing areas.

4.2 The contractors for internal works are:

|                   |                      |
|-------------------|----------------------|
| Contract Services | Lower Rhymney Valley |
| Vinci             | Upper Rhymney Valley |
| Keepmoat          | Eastern Valley       |

4.3 In respect of external works small lots packages are being utilised in the Eastern Valleys providing opportunities for smaller Caerphilly based businesses. Seven contracts were awarded as part of the 2014/15 programme with a further two having to be retendered. A framework for external works has been put in place for the Upper Rhymney Valley and packages of work will be tendered from this framework during the 15/16 financial year. The framework has 2 lots for work above, and below, £750,000. A more recent decision has been to reallocate the external works in the Lower Rhymney Valley as the in house work force has insufficient capacity to continue with this work due to the redeployment of resources to Rowan Place. New contract arrangements will have to be procured and the options are under review.

4.4 The WHQS business plan is based on the Savills stock condition survey undertaken in 2008. The conclusion from the survey was the stock had been well maintained on a day to day basis but required substantial investment to meet the requirements of the WHQS. A significant number of components were identified as having reached or were reaching the end of their useful life and required replacement in the short term. The main areas of failure against the standard related to the lack of internal modernisation to the properties and issues surrounding the environment around the properties.

4.5 With the lapse of time since the Savills survey and given that the survey was only a 15% sample all properties are receiving an individual survey to determine the scope of works necessary to meet the standard and /or verify whether previous works were fully compliant. There will be two separate surveys to scope the internal and external works. In addition a specialist surveyor will carry out an asbestos survey. Properties may also be visited by technical officers in relation to electrical and heating works.

*What has been achieved to date*

4.6 The first full financial year of the programme was 2013/14 and primarily consisted of internal works being carried out by the in house work force. The programme originally contained 642 properties but due to the amount of previously achieved works compliant with WHQS additional properties were brought forward increasing the total programmed number to 845. By the end of the 2013/14 financial year the in house work force had completed work to around 600 properties and properties that were recorded as internally compliant were 660. Compliance indicates that a property meets the WHQS internally because:

- Works have been carried out to renew one or more elements
- One or more elements were already compliant
- The tenant refused the renewal of one or more elements ( acceptable fail)
- A combination of the above

4.7 During this particular year there was a high level of pre existing compliance for heating and electrics.

- 4.8 Overall customer satisfaction levels were very high at 92% well above the target of 80%. In respect of service standards set out in the "Charter for Trust" the average standard met was 85% which fell short of the target level of 90%.
- 4.9 Following an EU procurement a supply partner was appointed during 2013 to manage the supply chain in respect of all material required by the in house work force and key components by contractors. This contract commenced in September 2013 and required a period of adjustment to new working practices. While there have been some issues the contract is now operating well but is dependent on good forward planning and communication of timely information on material requirements.
- 4.10 During 2013 there were a number of major procurements for the internal and external works contracts which had been planned to commence in April 2014. It had been anticipated there would be a step change in the volume of work during 2014/15 with either internal or external works planned for 3,713 properties. Unfortunately significant slippage has arisen which has been documented in other reports. In summary there have been delays in the commencement of the internal works contracts (one contractor commenced in November 2014, and the other two contractors in January 2015); the external works contracts in the Upper Rhymney Valley have been retendered (the first works package now expected to commence in May 2015); the small lots programme was curtailed from 800 to 240 properties and the 9 contracts associated will all run on into 2015/16. In addition the in house work force was unable to deliver the full external works programme in the Lower Rhymney Valley due to the redeployment of resources to Rowan Place.
- 4.11 Although a revised programme for 2014/15 was subsequently agreed to reflect the various setbacks of 1683 properties the out turn is lower again at around 700 (42% of the revised programme. Notwithstanding the lower number of completions overall satisfaction is 90%, and service standards met is 93%, both above target.

#### *What remains to be done*

- 4.12 Due to the extent of the slippage there are very big challenges to complete the programme by 2020 due to the sheer volume of work that has to be undertaken over the remaining 5 years. From April 2015 the average rate of completions over the 5 years needs to achieve 80 completions a week (external and internal works). A revised investment strategy and capital programme for 2015/16 were approved by Cabinet in February 2015. The latter at £36m will be the biggest ever annual housing capital programme since Caerphilly was formed in 1996. Some 4,500 properties have been planned for either internal or external works but in addition the further slippage on the 2014/15 programme of another 1000 properties will also have to be absorbed. The major part of this further slippage relates to external works (small lots in the Eastern Valley and the Lower Rhymney Valley). This will require a target of in excess of 100 property completions a week. It may be inevitable that the programme will have to be profiled again but this will increase the number of properties within the last year fully utilising the remaining time contingency within the programme. But prior to undertaking such an exercise it will be prudent to see the rate of progress over the next few months. This may dictate the need to consider further measures beyond those outlined below.

#### *Impact of slippage*

- 4.13 The slippage has resulted in a larger volume of work to be completed over a shorter timescale. The targets are challenging but not unachievable. The pre requisites are effective planning and organisation, timely and accurate information and appropriate resourcing. Recognising the need to accelerate the programme and the pressure this places on the WHQS a number of actions have been taken.
- 4.14 The senior management has been strengthened to help drive performance and operational efficiency. The project teams have been reorganised around the contract arrangements to ensure a more consistent approach across the County Borough and to make the accountabilities of the managers clearer. Additional staff have been recruited to increase the

complement of surveyors, clerk of works, quantity surveyors, and TLOs. It has been difficult to recruit directly to some of the roles and reliance has had to be placed on use of agency which has involved paying higher rates. But even with these additional posts the capacity to manage the volume of work against the timescale pressure remains a major risk. Therefore sub programmes have been created and allocated to others to manage including:

- The external works to 200 blocks of flats (circa £5m) in the Lower Rhymney Valley will be managed by the Private Sector Housing Team
- The sheltered housing schemes (27 with a budget of circa £10m) will be outsourced to a suitable multi disciplinary consultancy
- Part of the HRA garage programme (budget £600,000) has been allocated to Building Consultancy

4.15 These sub programmes increase capacity, spread the risks, and will improve the confidence of delivery by 2020. However the WHQS team still need to exercise effective client control including monitoring expenditure which is a management time demand.

*Capacity to deliver the programme*

4.16 The majority of the contract arrangements are now in place and the momentum is starting to build. The main exception to this is in the Lower Rhymney Valley where new external works contracts are required following the decision to reallocate the work that was originally awarded to the in house work force. However in the short term to ensure continuity it will be possible to utilise the small lots contract structure.

4.17 There are 2231 properties in the programme for internal works in 2015/16. These require a completion rate of 45 a week. The breakdown across the contracts is:

|                      | Planned | Completions per week |
|----------------------|---------|----------------------|
| In house (all areas) | 757     | 15                   |
| Keepmoat (EV)        | 815     | 16                   |
| Contract Services    | 426     | 9                    |
| Vinci                | 233     | 5                    |
| Total                |         | 45                   |

4.18 Based on experience over the last two years typically the number of properties involving internal work has been 15 to 20% lower due to a combination of factors including previously achieved compliance and tenant refusals. Early indications are that the three contractors will meet the targets outlined. The in house team were achieving an average of 10/12 a week during 2013/14 but performance appears to have fallen during 2014/15. This is subject to on going investigation but is partly accounted for by the redeployment of resources to Rowan Place in Rhymney and recruitment and retention of skilled operatives. The turn around time for a property having all 4 internal components renewed should not exceed 20 working days and should be less where the work is more limited. Rowan Place is an exception as the 72 properties are undergoing a full refurbishment internally and externally.

4.19 To achieve the targets requires that all contractors have continuity of work. This places pressure on the front end surveying and scheduling of work. To help speed up the surveying a pilot has been introduced whereby the kitchen designs are outsourced to Rixonway, the kitchen unit manufacturer. Whereas one surveyor was previously achieving on average 2 internal surveys a day, it is now possible to achieve 5 or 6 surveys a day, although time still has to be allowed for inputting the survey information back in the office. The full impact of the pilot has to be assessed in terms of process modifications but clearly speeding up the number of surveys completed per week is critical to maintaining the programme. It has therefore already been decided to make the Rixonway kitchen design service a permanent arrangement for the remainder of the programme. As an absolute minimum to keep pace with the 2015/16 programme 45 internal surveys a week have to be completed. Ideally the number of internal surveys needs to be higher (60 a week) to get ahead of the programme and improve forward planning.

- 4.20 A further consequence of the internal works targets is the large increase in the number of properties open at any one time. There could be up to 150 properties where internal works are in progress. This will stretch the clerk of works and TLO resources. The clerk of works are critical to the day to day contract management and the TLOs have to address a wide variety of tenant issues that crop up daily, often involving extra support where vulnerable tenants are involved.
- 4.21 The external works on average will also require 45 completions per week. However because the external works are organised differently completions will relate to contracts rather than individual properties. During the course of 2015/16 there are likely to be up to 30 contracts running. This will impose further pressures on contract management both in terms of preparing contracts for tender and in the on site management. There are also some concerns about the capacity of the market locally to meet the Council's requirement. The Procurement team are undertaking a supplier engagement plan to increase the number of contractors interested in tendering for work.
- 4.22 Another EU procurement will be necessary for external works in the LRV. Consideration is being given to make this a more flexible arrangement across both internal and external works with the ability to be used across the County Borough as a contingency if there are areas or contracts where further programme slippage becomes a problem.

#### *IT Systems*

- 4.23 With separate programmes for internal and external works there will be in excess of 20,000 individual property projects. The IT systems are fundamental to manage the information flows from the initial survey stage, works scheduling, through the works stage, to the completion and valuation process. The management and monitoring of the WHQS Programme is via the Keystone asset management system. The system records information relating to the age of individual components along with the estimated costs associated with replacing those components. A large amount of development work has been undertaken over the last 2 years to establish a series of financial, contract and customer satisfaction dashboards. The internal works volume metric dashboard provides real time information on the progress of all internal works contracts. The internal works financial metrics dashboard provides information on the costs incurred based on a schedule of rates. Dashboards have also been created that report on satisfaction and the issues raised in relation to the customer satisfaction surveys. All dashboards allow staff to drill down to see individual property detail from a high level summary view. Dashboards for external work remain under development.
- 4.24 The Keystone Asset Management system is one of the leading applications in the housing IT sector and was highly ranked in a recent industry survey. It is one of the few systems that provides a contract management module (the KPM) which has been successfully utilised to manage the WHQS internal works. CCBC has been recognised for use of the KPM and has become a reference site for other social landlords.
- 4.25 In parallel with the development of Keystone there has been a move to facilitate mobile working with new technology. This has taken much longer than anticipated but is critical to efficient working. With the increase in staff numbers mobile working is now an imperative as there is insufficient desk space in Cherry Tree House to accommodate all the staff. The deployment of tablet technology for TLOs and foremen has had some technical problems largely associated with mobile connectivity. The IT Service is working with the WHQS team to overcome the problems and there is a regular report on progress to the WHQS Project Board. However there are some limitations to mobile working due to network coverage within the County Borough. There are now 5 surveyors successfully completing internal condition surveys using tablets. This has saved the surveyors at least 10 minutes of data entry per survey resulting in improved efficiency. There are 3 surveyors undertaking external works surveys using the tablets and the surveys will link to the generation of electronic bill of quantities. Once this becomes embedded there will be significant time efficiencies, as well as a more structured and consistent approach to scheduling external works. Tablets have also

been successfully deployed for the Clerk of Works enabling the issue of electronic site instructions and thereby saving time on data entry and manual preparation of documentation.

- 4.26 Not all staff are keen to embrace technology and too much reliance is still based on paper based systems and individual spread sheets often causing duplication of work and scope for data errors. It has been demonstrated that the technology can deliver efficiencies and ensure consistency and all staff need to fully embrace the new ways of working.
- 4.27 The IT Service has successfully created a number of bespoke reports using Keystone together with Microsoft SQL Server Reporting Services. For examples the three contractors for internal works have different discount rates against the NSR for individual elements and a combined rate where all the internal components are being renewed (kitchen, bathroom, rewire and heating). Across the three internal works contracts there are 12 different discount rates. It has been possible to automate the calculation of these discounts which has saved a significant amount of time as these rates had previously been calculated manually.
- 4.28 The Welsh Government has introduced a requirement for a WHQS Compliance Policy which has to be in place by 1<sup>st</sup> April 2016. The IT systems will be a particularly important aspect of the policy covering data collection, data storage, progress reporting and independent verification.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 An EqIA has not been undertaken as the report is for information.
- 5.2 However Part 7 of the WHQS requires the accommodation provided within the dwelling should as far as possible suit the needs of the household. All necessary aids and adaptations to meet the specific requirements of any residents, including those with disabilities, should be provided.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The retention business plan to achieve the WHQS by 2019/20 was approved by the Council in October 2011. The business plan was based on the Savills cost estimates of £210m with the funding agreed as:

|        |   |
|--------|---|
| £22m   | General Fund capital resources  |
| £39.3m | Prudential Borrowing by HRA   |
| £1.5m  | HRA reserves  |
| £58.4m | MRA (£7.3m per annum from WG)   |
| £88.8m | HRA revenue contribution to capital (equates to an average of £11.1 per annum). |

- 6.2 The business plan has been revised on a number of occasions to support the annual MRA application. There is no longer any contribution from the General Fund. The whole programme will be funded by the HRA. The latest version of the business plan has taken into account the subsidy buy out. Due to the slippage that has arisen, it has not been necessary to draw down any borrowing for WHQS to date. A borrowing provision of £55m has been agreed for WHQS but the current version of the business plan shows a need for £43.7m. However actual expenditure is showing significant variances from the Savills estimates, particularly for external works. Significant additional costs are already being incurred in Rowan Place, Rhymney. The first round of small lots contracts in Argoed, Oakdale, Markham and Hollybush have increased from an original estimate of £1.5m to £2.5m, and the tender for the first external works package in the Upper Rhymney Valley was 60% above the Savills cost plan. If an increase in capital expenditure of 10% is assumed over 5 years this will increase the borrowing requirement by some £21m. Following the HRAS buy out there is now a borrowing cap on the HRA which could impact on the delivery of the WHQS Programme. During the

course of 2015/16 it is the intention to revise the cost plan in light of emerging information from external works contract tender information and valuations on the internal works contracts. There are some concerns about escalation of costs as surveys suggest there are similar problems on other estates to those discovered at Rowan Place.

- 6.3 The budget for the 2014/15 financial year was £29m but due to the major slippage that has occurred there is an underspend of £13.5m which will be carried forward to fund the programme.

The Capital Programme budget for 2015/16 is £36m. The renewals element is £30m based on a planned programme of work to 4,500 properties.

There are 80 professional, technical and administrative staff in posts employed directly on the WHQS programme and around 145 trade operatives forming the in house work force. At the time of writing there were 9 vacancies within the professional, technical and administrative group.

In 2014/15 £1.4m of staff costs were charged to the Capital budget against the fees built in to the business plan. All other staff costs including recharges from the Procurement, Systems and Performance, and Housing Finance teams are met by the HRA.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 The successful delivery of the WHQS Programme is entirely dependent on having the necessary staff resources properly aligned with the strategy. An organisation structure based on an area team approach was agreed in October 2012. The original structure brought together the planned maintenance team, the heating team, statutory maintenance, quantity surveying, together with the DLO manager and foremen on the contracts side of the DLO and around 100 trade personnel from the Building Maintenance DLO. The area based project managers had contract responsibilities within their respective areas and in addition cross cutting responsibilities. This was a blend of operational and strategic functions. In the light of operational experience it became clear there was lack of clarity over management accountabilities, inconsistencies of approach across the three area teams and insufficient flexibility over the use of staff resources.
- 7.2 In order to improve the effectiveness of the organisation structure a number of changes were introduced in December 2014.
- The matrix management was terminated and replaced with hierarchical responsibilities for the project managers
  - A separation of strategic and operational management functions
  - The establishment of a new senior position of Deputy Head of Programmes
  - The area team structure was replaced by three projects teams operating County Borough wide: the in house team; the team managing the contracted internal works; and the team managing the external works (also incorporating the servicing and statutory maintenance)
  - The establishment of additional posts in critical areas (surveyors, clerk of works, quantity surveyors, TLOs, environment officers).
- 7.3 The current staff structure is attached in Appendix 1. At the time of preparation of the report there were 9 vacancies.
- 7.4 The timescale is a particular pressure which has been compounded by the slippage. This has created a demand for additional posts including surveyors, clerk of works, quantity surveyors and TLOs. There has been a mixed response to recruitment and additional reliance is being placed on agency and consultancy support. A further review has indicated that to cope with the peak demand ideally additional staff resources beyond that shown in the structure in the Appendix will be needed in critical areas such as clerk of works and TLOs.

- 7.5 The office base is Cherry Tree House, Oakdale. The number of staff now exceeds the available desk space and it has been necessary to move to hot desking and mobile working supported by investment in new technology. Wider use of community locations is being explored to make most efficient use of staff time.
- 7.6 The in house workforce has grown from an initial 100 operatives to around 160 at the peak. However there is a constant turnover of agency personnel and numbers fluctuate between 140 and 160. Around 60 staff have been deployed to Rowan Place. There are 4 other teams working on the internal works programme. Performance has dipped during 2014/15 with completion running at an average of 8 per week. The 4 teams should be achieving an average of 12 per week. The allocated internal works programme for 2015/16 requires a completion rate of 15 per week. This may necessitate recruiting another team or contracting out some work. However there have been recruitment and retention issues for experienced and skilled operatives and this does not augur well for establishing another team. A longstanding arrangement has been the use of stand in foremen to ensure there is appropriate supervision. However these roles need to be properly consolidated as Assistant Foremen.
- 7.7 The affordability of additional staff resources is a factor that has to be taken into account given that the WHQS Programme has to be fully funded by the HRA, which is now subject to a borrowing cap. With other pressure on the HRA and the revenue contribution required to fund the capital programme the scope to recruit additional staff resource is limited and as such priority must be focussed on the most critical areas where capacity is a threat to programme delivery.

## **8. CONSULTATIONS**

- 8.1 Comments received have been incorporated within the report.

## **9. CONCLUSIONS**

- 9.1 The WHQS Programme is complex involving:
- A multiplicity of internal and external works contracts with differing procurement implications
  - Environmental projects, yet to be determined
  - The scale of the investment
  - The timescale
  - The packaging of works to meet tenant requirements and carrying out work in occupied homes
  - Concurrent contracts within the three housing areas
  - Transfer of sub programmes of work to third parties, but retaining client control
  - Maintaining the momentum of surveying, tenant liaison, and contract management
  - Quality service standards and customer focus
  - Deployment of skills and expertise at both strategic and operation levels
- 9.2 There is a need for constant adjustments to respond to both daily challenges and the wider strategic objectives. Although fundamentally WHQS is a property improvement programme there are numerous people issues in carrying out work in occupied homes. The added value is to meet the ambition of transforming lives and communities.
- 9.3 At the last cost plan review £29m of additional costs had been identified off set by £26m of savings. The next review due later in 2015 will examine the trend in valuations for the internal works undertaken by the three internal works contractors: together with tendered prices for small lots in the Eastern Valley and contract packages in the Upper Rhymney Valley all related to external works. There are indications of a significant increase in costs. In respect of delivery resources the fee element within the business plan has some limited headroom to fund additional resources but any further costs to the HRA would reduce the contribution to



fund the Capital works. Fees will also be payable to third parties commissioned to manage sub programmes of work but these will be subsumed as part of the contract costs. A balance is required between the need for extra resources to cope with the volume of work and the affordability within the HRA.

- 9.4 Officers periodically meet with Welsh Government officials to report on progress. Some of the challenges facing the Council are no different to those which faced the RSLs and other retention stock local authorities in completing their WHQS investment programmes. The WG officials have suggested it would be beneficial to learn from the experience of these other landlords. The Project Board will therefore make arrangements to meet with neighbouring social housing landlords and ascertain whether there are further measures that could be implemented in addition to those outlined in this report. The WG officials want the assurance that the Council has an action plan backed by a viable business plan to meet the 2020 deadline for WHQS.
- 9.5 It is not possible to give an absolute guarantee about the deliverability of the programme by 2020. But various actions have or are being undertaken to give the best opportunity of achieving this objective and further steps will be taken to follow up the suggestions from Welsh Government. If all parts of the process perform and deliver as planned then it should be possible to meet the 2020 deadline. But with the complexity of the programme, and the large number of players involved not every eventuality can be foreseen. The Project Board will continue to closely monitor progress on a fortnightly basis and proactively manage any necessary changes to keep the programme on track.

## **10. RECOMMENDATIONS**

- 10.1 The report is for information.

## **11. REASONS FOR THE RECOMMENDATIONS**

- 11.1 To meet a request for a position statement on the WHQS Programme.

## **12. STATUTORY POWER**

- 12.1 Local Government and Housing Acts.

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|-------------|-----------------|---|--|
| Consultees: | Cllr D V Poole  | - | Deputy Leader and Executive Member for Housing         |
|             | C Burns         | - | Interim Chief Executive                                |
|             | N Scammell      | - | Acting Director of Corporate Services and S151 Officer |
|             | S Couzens       | - | Chief Housing Officer                                  |
|             | M Lloyd         | - | Deputy Head of Programmes                              |
|             | J Roberts Waite | - | Strategic Co-ordination Manager                        |
|             | E Lucas         | - | Head of Procurement                                    |
|             | P Lewis         | - | IT Development Manager                                 |
|             | R Lewis         | - | Systems and Performance Manager                        |
|             | A Edmunds       | - | WHQS Implementation Manager                            |
|             | S Greedy        | - | WHQS Implementation Manager                            |
|             | C Roden         | - | WHQS Implementation Manager                            |
|             | G Hardacre      | - | Head of People Management and Development              |
|             | R James         | - | Principal HR Officer                                   |
|             | L Allen         | - | Principal Accountant                                   |

Appendices:

Appendix: Staff Structure at May 2015