



CAERPHILLY HOMES TASK GROUP – 10TH DECEMBER 2015

SUBJECT: RE-PROFILING OF WHQS PROGRAMME AND HRA CAPITAL PROGRAMME 2016/17

REPORT BY: CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 To advise on changes to the WHQS Programme and set out the HRA Capital Programme budget for 2016/17. The report is seeking the views of the CHTG prior to its presentation to Policy and Resources Scrutiny Committee and Cabinet.

2. SUMMARY

- 2.1 Major slippage during the 2014/15 financial year necessitated a review of the investment strategy. A revised strategy was approved by Cabinet in February 2015 together with the Capital Programme for the 2015/16 financial year. The new programme was front loaded in an attempt to catch up on the slippage. However this has led to resourcing issues particularly in the Eastern Valleys and has caused problems for the WHQS team due to the number of properties being worked on across the County Borough.
- 2.2 The number of properties in the internal works programme reduces in the later years of the programme and a further re-profiling is advocated to have a more consistent number of properties each year. This is a benefit to some community areas that will be pulled forward although others will slip back. Some of the changes are also to avoid gaps arising on the larger estates and enable continuity of phasing of works.
- 2.3 It will not be possible to catch up on the external works programme within 2015/16. Most of the current financial year planned programme is expected to run into 2016/17. There are a number of sequence changes to the external works to take account of the change in approach in the Lower Rhymney Valley and to minimise, as far as practical, conflicts between the internal and external works. Where overlaps arise, these will need to be managed on the ground.
- 2.4 The HRA Capital Programme budget allocates the necessary resources based on the Savills cost plan to deliver the programme during 2016/17. Experience has shown that significant variances will arise once the properties are surveyed and contract packages are specified. A large contingency has therefore been included within the budget proposal.

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. It is a Welsh Government requirement that the WHQS is achieved by 2020.

- 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.”
- 3.4 The HRA Capital Programme is aligned to the delivery of the Welsh Housing Quality Standard (WHQS) and links to the WHQS Investment Strategy and Business Plan.

4. THE REPORT

- 4.1 In September 2012 an investment strategy was approved by the Caerphilly Homes Task Group/Cabinet Sub Committee which outlined how the WHQS Programme would be implemented on a community based approach over the period to 2019/20. The work is split between the in house work force and contractors and there are separate sequences for internal and external works.
- 4.2 As a result of various setbacks during 2014/15 which caused slippage to the programme the investment strategy was reviewed and a revised programme was approved in February 2015. This formed the basis for the 2015/16 Capital Programme.
- 4.3 This revised programme was front loaded in an attempt to catch up on slippage. However this has given rise to a situation where too many properties were opened leading to delays in completing work to individual properties and complaints from tenants. This also caused difficulties for the TLOs and COWs as resources were spread too thinly. It has been necessary to review the position and ensure there is a manageable process on the ground.
- 4.4 The number of properties in the internal works programme is at a lower level after 2015/16. A more consistent number of properties in each year can be better managed and will benefit the contractors’ resourcing, the WHQS team, and the tenants especially if this ensures that properties are not open for extensive periods of time. The re-profiling of the programme will result in changes to the community sequences. A number of areas will benefit as they will be pulled forward in the programme whereas some will slip back. The end date of March 2020 is, of course, unchanged.
- 4.5 It will not be possible to catch up on the slippage on the external works programme during 2015/16. By October 2015 only one external works contract from the 2014/15 programme had been completed relating to 53 properties in Markham. There are several more small lots in the Eastern Valleys expected to be completed prior to the end of 2015 relating to 126 properties.
- 4.6 Only 2 contracts in the 2015/16 external works programme have been awarded in the Upper Rhymney Valley (Phillipstown 160 properties and New Tredegar 178 properties). Other major contracts are in preparation for Gelligaer and Hengoed.
- 4.7 The small lots programme for 2015/16 has not yet commenced.
- 4.8 Some delays have arisen due to the need to undertake re-surveys and amend the specification for the works. This was instigated because of concerns about cost escalation and the fact that some elements of work were considered to go beyond what is essential for WHQS.
- 4.9 It is currently anticipated that the 2015/16 external works programme will not be completed until the latter part of 2016. There have also been changes affecting the external works in the Lower Rhymney Valley. Originally it was proposed that this part of the programme would be undertaken by the in house work force but due to pressure elsewhere, particularly Rowan

Place, it was decided to contract out the LRV. The new contract arrangements are not expected to be in place until 2016/17. Although some work is continuing to the blocks of flats in the LRV through the Private Sector Housing Team.

- 4.10 The other major change is the decision to outsource the WHQS works for the sheltered housing schemes to a managed service provider. This is currently at the procurement stage.
- 4.11 Taking account of various factors impacting on the programme a revised profile is shown in the table below. Note that this excludes the sheltered housing schemes which are being outsourced. They will have a separate programme in due course. On a positive note surveying for the 2016/17 programme has commenced with the aim of seeing contracts commence much earlier in the financial year.
- 4.12 The programme profile assumes that the number of properties for either internal or external works will be delivered in the year shown and provides the basis for planning. However the reality is that this will never be the case on the ground and adjustments will inevitably arise between the years for a variety of reasons. An overriding concern is to limit the amount of slippage as the scope to catch up in the last year is limited.

Revised Property Profile

Year	Internal Work	External Work
2015/16	1835	1520
2016/17	1992	2071
2017/18	1899	2368
2018/19	1411	2181
2019/20	741	1531
	7878	9671

- 4.13 The average rate of weekly completions for internal works is 32. For the first six months of 2015/16 the average rate of completions for internal work has been around 30. There can therefore be some confidence that the internal works can be completed by March 2020.
- 4.14 For external works the average weekly rate of completions is 39. Currently the programme is falling well short with only one contract for 53 properties completed. The position will improve over the remaining months of 2015/16 but it will take more than one financial year to pull back the slippage. Note that external completions will be measured on the basis of contracts rather than individual properties due to the nature of the works and how they are organised.
- 4.15 The revised property profile will result in various amendments to the sequence of community areas. The changes are summarised in Appendix 1. For internal works 18 community areas benefit by being pulled forward and 4 community areas are pushed back. For external works the impact of slippage is more apparent with the majority of changes resulting in community areas being pushed back. The major impact is on the Lower Rhymney Valley due to the need to implement a new contract arrangement.
- 4.16 The re-profiled investment strategy is shown in Appendix 2. The expenditure estimates are derived from the Savills cost plan so have to be treated with some caution as experience has shown there will be significant variances. There are regular reviews of the cost plan based on trend data from valuations and tender prices. The latest assessment suggests that the programme currently remains within the limits of affordability set by the HRA business plan.
- 4.17 The HRA capital programme 2016/17 is shown in Appendix 3. As well as the programme renewals provision is included for adaptations undertaken on a response basis, major repairs to voids prior to re-letting incorporating WHQS works, and the continuation of the improvement programme to the HRA garages.

- 4.18 Energy efficiency measures continue to be investigated and there is some prospect of securing grant funding under ECO for the Wimpey No Fines properties located in Gelligaer, Pontlottyn and Gilfach. However this will not be 100% funded and match funding will be necessary. Notwithstanding there will still be a benefit in terms of cost saving to the WHQS programme.
- 4.19 Due to the ongoing variances to the budget a significant contingency sum has been included.

5. EQUALITIES IMPLICATIONS

- 5.1 An EqlA screening has been completed in accordance with the Council's Equalities Consultation and Monitoring Guidance and no potential for unlawful discrimination and for lower level or minor negative impact have been identified, therefore a full EqlA has not been carried out.
- 5.2 The implementation of the WHQS Programme will ensure compliance where appropriate with current Building Regulations and DDA requirements. The Council's procurement processes include equalities requirements and compliance by contractors undertaking WHQS work.

6. FINANCIAL IMPLICATIONS

- 6.1 The budget estimate for 2016/17 is £36m. The budget estimates for the programme renewals are based on the Savills cost plan but adjustments have been included for Rowan Place and Cefn Hengoed based on anticipated additional costs. Due to the experience of large in year variances the contingency sum has been increased to 10% of the programme renewals estimate.
- 6.2 Based on the estimates the works programme for 2016/17 will require an average expenditure of between £500,000 and £600,000 a week.
- 6.3 There are indications of cost escalation based on trends emerging from external works tender prices and valuations for internal works.
- 6.4 Most of the tenders received to date for external works relate to small lots contracts in the Eastern Valleys. In the light of experience some of these contracts were over specified. The requirements for external works have been reviewed and revised guidance issued to the surveyors including the application of "acceptable fail" criteria. The early tender costs will not be a reliable indicator for projecting future budget costs.
- 6.5 There have been two external works contracts awarded in the Upper Rhymney Valley which were tendered from a framework. The tender costs were in excess of the Savills budget cost for the respective estates but based on an average cost per property they were more in line with expectations when compared to the Savills average cost per property across the whole programme.
- 6.6 Valuations from the early contract packages given to the internal works contractors have resulted in a mixed picture. More detailed analysis is currently being undertaken to work out average costs for the internal components to compare with the Savills cost plan.
- 6.7 Currently there is insufficient robust data to be able to project a meaningful revised cost plan. Furthermore until all the properties have been surveyed there will not be a complete picture of all the work necessary to achieve the WHQS, nor will the full extent of exceptional items be known.
- 6.8 Although outside the HRA there is an additional Welsh Government grant (VVP) of £600,000 in the 2016/17 financial year to undertake environmental enhancements to the Rowan Place estate.

7. PERSONNEL IMPLICATIONS

- 7.1 The timetable pressure is increasing and there has to be the capacity within the staff resources to cope with the volume of work. During the course of 2015 steps have been taken to strengthen the team in a number of critical front line roles including Surveyors, Quantity Surveyors, Clerk of Works and Tenant Liaison Officers with mixed success. Staff movement and recruitment difficulties remain a risk to the programme. It is also proposed to recruit another Project Manager due to the pressures arising from contract management.
- 7.2 Elements of the programme have been allocated to third parties as a means to spread the risk and create extra capacity. These relate to the HRA garages allocated to Building Consultancy, the external works to the blocks of flats in the LRV allocated to the Private Sector Housing Team, and the outsourcing of the sheltered housing schemes to a managed service provider.

8. CONSULTATIONS

- 8.1 Comments received have been taken into consideration within the report.

9. RECOMMENDATIONS

- 9.1 The CHTG recommend to Policy and Resources Scrutiny Committee and Cabinet the adoption of the re-profiling of the WHQS Programme and the Capital Programme for 2016/17 that flows from the re-profiling.
- 9.2 A further report be presented when sufficient information is available to update the Savills cost plan based on an analysis of actual costs being incurred for internal and external works.

10. REASON FOR RECOMMENDATIONS

- 10.1 To appraise the Task Group, Policy and Resources Scrutiny Committee and Cabinet of changes to the WHQS Programme and to approve the HRA Capital Programme for 2016/17.

11. STATUTORY POWER

- 11.1 Housing Acts 1985, 1996, 2004. This is a Cabinet function.

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Consultees:

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Appendices:

Appendix 1: Community Sequence Changes

Appendix 2: Re-profiled Investment Strategy

Appendix 3: HRA Capital Programme 2016/17