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Contents

Summary report

The majority of tenants' homes remain below the Welsh Housing Quality Standard due to longstanding inefficient and ineffective programme management and the Council is unlikely to achieve the Standard by 2020 4

Recommendations 5

Detailed report

The majority of tenants' homes remain below the WHQS and the Council is making insufficient progress to achieve the Standard by 2020 7

There are weaknesses in the Council's arrangements to meet its statutory landlord responsibilities 10

The Council has not met all the minimum requirements of the Welsh Government's WHQS policy because it lacks a comprehensive programme that sets out to stakeholders how it will meet the Standard by 2020 11

The Council does not have adequate and up-to-date stock condition information to enable it to shape its housing investment programme 13

The Council has a range of mechanisms to engage with tenants about WHQS but these are ineffective and are not being used to shape planning and drive performance 14

The Council is unable to ensure that it is achieving value for money in delivering its WHQS works 16

Arrangements to oversee, challenge, monitor and scrutinise the progress of the WHQS programme are weak and fail to provide sufficient oversight of the totality of the programme 19

Summary report

The majority of tenants' homes remain below the Welsh Housing Quality Standard (WHQS) due to longstanding inefficient and ineffective programme management and the Council is unlikely to achieve the Standard by 2020

- 1 In 2001, Welsh Government set out its long-term vision for housing in Wales entitled Better Homes for People in Wales. The Welsh Housing Quality Standard (WHQS) is the Welsh Government standard of housing quality. The WHQS was first introduced in 2002 and aims to ensure that all dwellings are of good quality and suitable for the needs of existing and future residents. The Welsh Government set a target for all social landlords to improve their housing stock to meet the WHQS as soon as possible, but in any event by 2020.
- 2 To achieve the standard, all social landlords are expected to:
 - have up-to-date information on the condition of their stock gathered via a rolling programme of stock condition surveys; and
 - work to a comprehensive strategy for planned maintenance and improvement based on this information and taking into account the views and aspirations of its tenants, with the aim of keeping all homes in compliance, as far as practicable, with the standard.
- 3 The WHQS measures 42 individual elements within the following seven categories:
 - In a good state of repair
 - Safe and secure
 - Adequately heated, fuel efficient and well insulated
 - Contain up-to-date kitchens and bathrooms
 - Well managed (for rented housing)
 - Located in attractive and safe environments
 - As far as possible suit the specific requirements of the household (eg specific disabilities)
- 4 In 2012, Caerphilly County Borough Council's (the Council) tenants voted to keep the Council as their housing landlord. The Council was required by the Welsh Government, therefore, to ensure its housing stock met the WHQS by 2020.
- 5 During March and April 2017, as part of our 2016-17 performance audit plan, we undertook a review of the Council's arrangements to deliver the WHQS by 2020. We sought to answer the question: does the Council have effective arrangements in place to enable it to meet the WHQS by 2020?
- 6 We concluded that **the majority of tenants' homes remain below the Welsh Housing Quality Standard (WHQS) due to longstanding inefficient and**

ineffective programme management and the Council is unlikely to achieve the Standard by 2020. We came to this conclusion because:

- the majority of tenants' homes remain below the WHQS and the Council is making insufficient progress to achieve the Standard by 2020;
- there are weaknesses in the Council's arrangements to meet its statutory landlord responsibilities;
- the Council has not met all the minimum requirements of the Welsh Government's WHQS policy because it lacks a comprehensive programme that sets out to stakeholders how it will meet the Standard by 2020;
- the Council does not have adequate and up-to-date stock condition information to enable it to shape its housing investment programme;
- the Council has a range of mechanisms to engage with tenants about WHQS but these are ineffective and are not being used to shape planning and drive performance;
- the Council is unable to ensure that it is achieving value for money in delivering its WHQS works; and
- arrangements to oversee, challenge, monitor and scrutinise the progress of the WHQS programme are weak and fail to provide sufficient oversight of the totality of the programme.

Recommendations

- 7 To assist the Council in making the required improvement we have set out some recommendations in the table below. The Council is required by the Local Government Measure to prepare a statement of any action that it proposes to take as a result of this report, and its proposed timetable for taking that action. This must be prepared within 30 days of receipt of this report.

Exhibit 1: Recommendations on action to achieve the WHQS by 2020

Recommendations	
	<p>The Council should take urgent action to achieve WHQS by 2020. It should:</p>
R1	<p>By September 2017, develop a comprehensive, overarching, financial and operational programme setting out how the Council will achieve WHQS by 2020. This programme should:</p> <ul style="list-style-type: none">• establish the full scope of investment needed in the Council's housing stock based on accurate, comprehensive and up-to-date stock condition information;• set out how the Council, by March 2018, will:<ul style="list-style-type: none">– review its procurement arrangements to ensure value for money;– provide clear and transparent information to members and tenants about the current position of the programme and a commitment to stakeholders with accurate projected completion dates; and– secure the resources needed to deliver the programme by 2020.• contain clear and measurable milestones and relevant performance measures for delivering the programme up to 2020; and• set out the programme management, governance and accountability responsibilities and arrangements so that urgent remedial action can be taken if further slippage occurs and those tasked with delivering the programme can be held to account at appropriate decision making levels.
R2	<p>Assure itself that it is meeting its statutory landlord responsibilities by ensuring that:</p> <ul style="list-style-type: none">• all properties have a valid gas safety certificate in place, or are having the Council's non-compliance arrangements applied to them fully; and• arrangements for undertaking asbestos surveys and recording the results of these surveys are robust.
R3	<p>Ensure it has sufficient project management capacity to deliver the Council's WHQS programme effectively by 2020.</p>

Detailed report

The majority of tenants' homes remain below the WHQS and the Council is making insufficient progress to achieve the Standard by 2020

- 8 In line with the approach agreed by the Caerphilly Homes Task Group in September 2012, the Council adopted a community based approach whereby internal and external works are undertaken concurrently in different communities. The aim is for all housing communities to benefit from the WHQS works rather than focusing on completing all WHQS works in one community at a time. The work is split between the Council's in-house work force and contractors and, with the exception of sheltered housing, there are separate sequences for internal and external works.
- 9 In February 2017, the Council reported to its Policy and Resources Scrutiny Committee that as at December 2016, it had completed the internal works on 1,567 houses against an annual target of 1,692 (93%). The Council also reported that it had completed external works on 584 houses against an annual target of 1,992 (28%). For both internal and external works, this is an improvement on its 2015-16 end-of-year performance when the Council completed internal works to 1415 properties and external works to 203 properties.
- 10 The Council acknowledged that there was a slight underachievement in its 2016-17 quarter three performance for completing internal works and that external works completions were lagging well behind target.
- 11 Therefore, it is evident that the Council's approach has not been implemented as intended and internal works are being completed prior to external works in most cases. Interviewees informed us that this approach has posed some issues for the Council. For instance, we were informed of examples where contractors were arriving at properties to install kitchens but were unable to do this due to problems with damp. The Council informs us that this only relates to approximately 110 houses but the Council has not yet completed its surveys to fully understand the extent of external works required.
- 12 The Council tells us that as at May 2017, it has completed the internal works on 5,500 properties (50%) and external works on 1,300 properties (12%). However, the Council has not reported publicly this cumulative performance for internal and external completions since the start of the programme. The Council has not yet reported its 2016-17 end-of-year performance. The Council must complete both the internal and external works to meet the WHQS.
- 13 In our national report on progress in delivering the WHQS, published in January 2012, we reported that the Council had estimated that 10% of its housing stock would meet the WHQS by 31 March 2013, with 20% by 31 March 2017 and 100% compliance by 31 March 2020.

- 14 However, the Council did not start the WHQS works on its properties until 2015. As at March 2016, after the WHQS programme had been running for two years, the Council declared to Statistics for Wales¹ that only 252 out of its 10,852 properties (2.53%) were fully compliant with WHQS, meaning that 97% of properties were not yet up to the required standard.
- 15 **Exhibit 2** below also shows that the Council's performance compares poorly with other Welsh Councils in meeting the WHQS.

Exhibit 2: Welsh Housing Stock owning councils' WHQS comparative performance as at 31 March 2016

The following table illustrates the comparative situation as at 31 March 2016 for Welsh Housing stock owning Councils².

Council	Housing stock at 31 March 2016	Fully WHQS compliant as at 31 March 2016	Compliant stock subject to acceptable fails as at 31 March 2016	Non-compliant stock at 31 March 2016	Percentage of compliant stock at 31 March 2016
Caerphilly	10,852	252	22	10,578	2.53
Isle of Anglesey	3,780	2,461	1,319	0	100
Denbighshire	3,411	3,286	125	0	100
Flintshire	7,176	24	0	7,152	0.34
Wrexham	11,226	2,170	534	8,522	24.1
Powys	5,348	4,690	0	658	87.7
Pembrokeshire	5,659	4,986	673	0	100
Carmarthenshire	9,003	8,014	989	0	100
Swansea	13,493	377	2,057	11,059	18.04
Vale of Glamorgan	3,881	1,614	148	2,119	45.41
Cardiff	13,452	10,088	3,364	0	100
Total Local Authorities	87,281	37,962	9,231	40,088	54.08

¹ Statistics for Wales (Stats Wales) is a free-to-use service that allows you to view, manipulate, create and download tables from Welsh data.

² Source: Statistics for Wales: **Statistical first release: Welsh Housing Quality Standards**: 6 October 2016: SFR 135/2016.

- 16 During our fieldwork in March and April 2017, officers informed us that there was little dialogue between the Council's WHQS and the Housing Repair Operations teams in the first two years of the Council's WHQS programme. More recently, the Council has integrated the management of the WHQS and Housing Operations teams. Housing teams outside the WHQS Delivery Team are now contributing to the delivery of the programme. For example, the Council informs us that its Building Consultancy team are undertaking feasibility studies to some of the Council's sheltered housing schemes. Members and officers informed us that they felt the integration of the housing teams was having a positive impact on progress. However, the Council's overall performance in meeting the WHQS is such that tenants are not yet receiving the tangible benefits from the integration of the housing teams.
- 17 As at 13 April 2017, the Council's Keystone asset management system shows only 33 properties currently meeting the WHQS for external WHQS elements, and 3,730 properties currently meeting the WHQS for internal WHQS elements. The Council acknowledges that there is a delay in updating WHQS completion data into Keystone and that officers use other methods to understand performance. However, at the time of our fieldwork during March and April 2017, members and officers were unable to tell us how many properties currently meet WHQS and evidence how they were going to ensure the significant backlog of work to achieve WHQS by 2020 was going to be addressed.
- 18 As a result of repeated slippage in delivering the Council's planned schedule of works, the Council has reprofiled its WHQS programme a number of times, most recently in February 2017. We accept that in a programme of this size, there will be a need to review and update the level of works required but the Council's progress continues to fall behind its own schedule, particularly for its external works.
- 19 The Council has recently implemented a new contractual process, the Dynamic Purchasing System (DPS), to attract a wider cohort of contractors. The arrangement will provide contingency options borough-wide and cover both internal and external works. At the time of our fieldwork in March and April 2017, the Council still did not have a contractor in place to undertake the external works to tenants' homes in the Lower Rhymney Valley. The Council hopes that the recent introduction of the DPS will help resolve this issue.
- 20 The Council has a number of sheltered housing schemes that suffer from low demand due to their design and location. The Council has taken six schemes out of the WHQS programme as it has identified these for possible remodelling as they are not fit for purpose. Feasibility studies are ongoing to establish if the schemes could be improved, but the Council has yet to make a decision on these. The Council has incorporated the remaining sheltered housing schemes into its WHQS programme.
- 21 We also found that the Council's arrangements to engage with leaseholders are underdeveloped. The Council has 419 leasehold properties. The Council no longer has a leaseholders' forum. The Council informed us that this was due to forum

members not fully engaging in the forum. In February 2017, members of the Caerphilly Homes Task Group suggested that such a forum should be set up and officers confirmed that this could be explored.

- 22 The Council feels that it has appropriate procedures in place for liaising with leaseholders but during our fieldwork in March and April 2017, interviewees informed us these procedures were not always being followed resulting in tenants subsidising leaseholders for works being carried out. Arrangements to schedule and complete WHQS works to leasehold properties, for example works to common roofs, and external property elements, are unclear. This could potentially hold up the delivery of WHQS work to other Council properties unless resolved. The Council recognises that its approach to leasehold properties is not captured in an integrated strategy. We believe this is key to ensure that improvements to leasehold properties are undertaken effectively.
- 23 The Council set aside £10.6 million to deliver the requirements set out in Part 6 of the WHQS to ensure that 'all dwellings should be located in an environment to which residents can relate and in which they can be proud to live'. This is a key aspect of the Council's wellbeing objective 'Investment in Council homes to transform lives and communities'. The Council's report to the Policy and Resources Scrutiny Committee in February 2017 states that over 100 small local schemes have been approved and it is in the process of consulting tenants to identify further schemes. However, the Council acknowledges that it has been slow to deliver these improvements. Work at Lansbury Park, which includes some hard and soft landscaping, a community garden and removal of a footbridge, has recently started.

There are weaknesses in the Council's arrangements to meet its statutory landlord responsibilities

- 24 At the time of our fieldwork in March and April 2017, there were over 400 Council properties, which did not have a valid CP12 gas safety certificate. As at 28 April 2017, the Council has improved this position as just over 98% of the Council's properties have a valid CP12 gas safety certificate, meaning that 221 tenanted properties do not.
- 25 The Council has procedures in place to address issues of non-access but at the time of our fieldwork in March and April 2017, we were concerned that there were delays in taking action in accordance with these procedures. As at 28 April 2017, there were 12 properties where gas safety checks were over six months overdue, with three of these being more than a year overdue. The Council needs to assure itself and its tenants that it is taking all reasonable steps to meet the requirements of The Gas Safety (Installation and Use) Regulations 1998 and associated statutory landlord responsibilities.

- 26 Given that we have previously raised concerns about the Council's gas servicing performance, this long-standing issue is of serious concern. In 2008-09 we undertook a review of the Council's voids and concluded that the Council's systems for managing gas servicing had some significant weaknesses and we made six related recommendations³. Our recent review suggests these issues have still not been fully resolved.
- 27 The Council has decided to service its solid fuel appliances twice per year, although it only has a legal responsibility to provide an annual service. We understand the Council has recently appointed new contractors to undertake its gas service testing and that this has impacted upon performance as the new contractors become familiar with the Council's procedures.
- 28 We also found that the Council's arrangements for undertaking and recording of asbestos surveys of its housing stock are flawed. Some properties have been surveyed more than once due to inadequate recording of information. This is not only inefficient but also dangerous as there is a risk properties are not being surveyed for asbestos and contractors undertaking works in properties without understanding if asbestos exists. This poses significant health risks for contractors and tenants and underlines the need for up to date and accurate stock condition information.

The Council has not met all the minimum requirements of the Welsh Government's WHQS policy because it lacks a comprehensive programme that sets out to stakeholders how it will meet the Standard by 2020

- 29 Since the tenants' vote in 2012, the Council has undertaken very limited works during the first two years, due in part to it facing procurement challenges, when getting contracts in place took longer than expected. The Council's senior management informed us that the Council did not commence WHQS works on its properties until 2015.
- 30 Achieving the WHQS is a key priority for the Council with a budget of about £220 million. The Council's senior management feel it has taken steps to accelerate the programme during the last two years, including making management changes and integrating the Council's WHQS and housing maintenance teams.

³ Our report is available on the Council's [website](#):

- 31 With two and a half years to go, the Council is confident it will meet the WHQS by 2020. We do not share this view. The Council has not met the key WHQS milestones set by the Welsh Government⁴:
- the Council lacks accurate stock condition survey data to base investment decisions on; and
 - the Council has not finalised its programme for investment to achieve the WHQS based on accurate stock condition information.
- 32 The Council makes reference to its Local Housing Strategy in its WHQS related reports but this strategy was developed in 2008 and expired in 2013. The Council has a WHQS investment strategy and business plan. There are also regular reports setting out the reprofiled programme of works. However, because of the fragmented nature of these documents, we do not believe that they provide a strategic, comprehensive and integrated approach setting out clearly to tenants, councillors, officers and other stakeholders how it will meet the WHQS by 2020. The Council's approach has been reactive and tactical rather than planned and strategic. This is evident by the frequent reprofiling of the WHQS programme due to ongoing slippages.
- 33 The lack of a comprehensive programme and strategic approach, which is collectively owned by Members and officers, means that common integrated arrangements and policies for dealing with empty void properties, responsive and planned maintenance, housing allocations, pre-inspections of forthcoming empty properties, actions to deal with non-traditional house types and other key housing issues are not well defined.
- 34 We believe that the Council would benefit from an integrated programme plan which sets out:
- all the key activities which contribute to meeting the WHQS and the wider outcomes the Council is aiming to achieve. This would help the Council consider the relationships and dependencies between all these activities in an integrated way.
 - clear expectations for stakeholders including accurate timescales for when tenants can expect work to be undertaken on their homes.
 - the key milestones for delivery and required resources and inputs to do this.
 - how the Council will monitor and control the programme, including how the Council will monitor its progress in achieving its desired objectives and outcomes (in line with Council's wellbeing objective).
 - the full level of investment needed based on up to date, accurate and comprehensive stock condition information.

⁴ [Welsh Government and Housemark Cymru, **The Welsh Housing Quality Standard, Revised Guidance for Social Landlords on Interpretation and Achievement of the Welsh Housing Quality Standard**, July 2008](#)

- 35 It is important that stakeholders, including members and tenants, understand and own the plan.
- 36 During our fieldwork in March and April 2017, members of the Caerphilly Homes Task Group expressed considerable frustration about the delivery of the WHQS programme and raised concerns about the quality of some of the works undertaken.

The Council does not have adequate and up-to-date stock condition information to enable it to shape its housing investment programme

- 37 The Council has spent £110 million from 2012-13 to 2016-17 in delivering its WHQS programme yet it still does not have a comprehensive understanding of the condition of its housing stock. This significantly impacts on the Council's ability to plan, procure and give accurate programmes of work to contractors and the Council's internal Housing Repair Operation to deliver WHQS works effectively.
- 38 The Council commissioned a stock condition survey in 2008 to inform its housing ballot. The survey only covered a 15% sample of the Council's housing stock. The Council started the WHQS programme without knowing accurately the extent of non-compliance with the WHQS in its housing stock.
- 39 During our interviews, members and officers acknowledged that the 2008 survey information is insufficient and out of date but it is still using this to cost and direct WHQS works. Our fieldwork in March and April 2017, found that the Council had been aware of this concern for some time. Tenant representatives have raised frustrations about this, including to the Policy and Resources Scrutiny Committee in February 2017. In 2016, the Council's WHQS Board decided against undertaking a new stock condition survey. We have not seen evidence that there was a robust assessment of the costs, practicalities, impact and benefits to this decision to not undertake a new survey. We have not seen evidence that this issue was considered by Council or Cabinet.
- 40 In the past 12 months, the Council's in-house Direct Labour Organisation (DLO) team has been undertaking surveys on internal WHQS works of the Council's housing stock in order to provide more accurate information to help base future work projections on actual costs. The Council is also undertaking surveys to better understand the level of external works needed. The Council has informed us that as at June 2017, it has completed surveys for approximately 75% of internal works and 50% of the external works. It is aiming to have a 100% stock condition survey by 2019.
- 41 Given that the Council only has 2.5 years left to meet WHQS, it is concerning that it did not undertake these surveys earlier. It underlines our view that the Council lacks a strategic approach to managing the WHQS programme.

- 42 The Council feels that the most recent survey work together with the condition survey undertaken in 2008 provides them with reliable estimates to plan and undertake the necessary WHQS works. However, we found that the information from the Council's surveys is not always being recorded accurately and in a timely way on the Council's housing management system, Keystone.
- 43 At the time of our fieldwork in March and April 2017, the Council was unable to tell us how many of the Council's 10,852 properties have been surveyed by its in-house team, because of delays in loading information into Keystone. The Council's Keystone asset and contract management system does not provide fully accurate information to enable the Council to keep track of progress on the WHQS programme in a timely way, and there are gaps in recording information.

The Council has a range of mechanisms to engage with tenants about WHQS but these are ineffective and are not being used to shape planning or drive performance

- 44 The Council has a tenant communication strategy and a range of ways to engage with tenants and their representatives.
- 45 The Council has 14 Tenant Liaison Officers (TLOs), who are seen by officers and members as a valuable resource for the WHQS programme. It is positive that these officers have been trained on areas such as safeguarding, mental health and domestic abuse. The TLOs can advise tenants on wider issues and they provide the link across the Council and with partner agencies to support tenants. Two of the 14 TLOs provide specific support to tenants receiving work as part of the Council's sheltered housing programme. In addition to the 14 TLOs, the Council has two Specialist TLOs who are qualified Occupational Therapists.
- 46 The primary role of the TLO is to act as the interface between tenants and the in-house team or contractor undertaking the improvement works and to support the tenants whilst the work is underway. TLOs provide face-to-face contact with tenants and individual letters are sent to properties to inform tenants of forthcoming improvement works. The Council also informs us that every tenant receives a visit from the relevant TLO before the work starts.
- 47 The Council's 2016-17 customer satisfaction survey shows that 92% of respondents acknowledged that a TLO visited their home to discuss the work that would be undertaken. However, the Council's satisfaction survey only measures the satisfaction of those tenants who have received works to their homes. The Council does not survey those tenants who were due to receive works, but did not.
- 48 Tenants' representatives expressed some dissatisfaction with the TLOs to us during our fieldwork in March and April 2017, suggesting that they were not always available when works were underway. Councillors and tenants have also

expressed concern about the quality of improvement works undertaken, for example, at meetings of the WHQS Board and Caerphilly Homes Task Group.

- 49 The Council would benefit from reviewing its methods of measuring customer satisfaction so that it can capture feedback raised elsewhere. Given that the TLOs are intended to be the interface between the contractor and the tenant, the issues around the quality of works undertaken suggests that there is scope to improve the effectiveness of the TLOs.
- 50 Other mechanisms the Council has available to engage tenants include the Caerphilly Homes Task Group (CHTG), which consists of seven councillors and seven tenants. Whilst this is not a decision making group it can make recommendations to the Council. All Council reports relating to WHQS go through the CHTG including scrutiny reports, monthly WHQS board reports and WHQS quarterly monitoring reports. It was positive to observe tenants' representatives having the opportunity to share their views with the Council's Policy and Resources Scrutiny committee in February 2017. However, despite the tenants' representatives stating that the WHQS programme was having a detrimental rather than transformational impact on people's lives, the Scrutiny Committee did not sufficiently consider the concerns raised by the tenants' representatives at the meeting about elements of the programme.
- 51 One of the Council's 2017-18 wellbeing objectives is investment in Council homes to transform lives and communities, specifically 'to take steps to ensure the physical standard and condition of our housing stock, be improved and maintained to the Welsh Housing Quality Standard (WHQS), helping to improve the quality of life for the people who live in those homes'. This has been one of the Council's improvement objectives for a number of years. 'Investing in our council homes and their communities to transform lives. Rebuilding and refurbishing Council homes so they meet the Welsh Housing Quality standard by 2020' is one of the Council's corporate priorities.
- 52 However, it is evident that tenants and their representatives are frustrated with the Council's progress in delivering the necessary improvement works to their homes. They have raised their concerns about this and the quality of works undertaken with members and officers, but these are not always fully reflected in reports. For example, the report to the Council's Policy and Resources Scrutiny Committee in February 2017 states that 'customer satisfaction levels remain high'. This differs from the views of tenant members of the CHTG which expressed considerable concern to us about the quality of work being completed by the external contractors. Our review of a sample of the minutes of the meetings of the WHQS Board shows that this also differs from the information reported to the WHQS Board by senior members. As stated in paragraph 48, the way the Council measures tenant satisfaction is flawed. It only measures the satisfaction of those tenants who have just received works to their homes. It does not include those who were due to have works undertaken but did not.

- 53 The Council produces a tenants' newsletter twice a year. However, the information the Council has provided to tenants about the expected completion dates of works within its newsletters has been misleading and unhelpful. For example, the Council's summer 2016 tenants' newsletter included a schedule of works where the projected completion dates were 2013-14, 2014-15 and 2015-16 with no explanation of why they did not happen, or an indication of when the works would now be completed. Tenants' representatives are not aware of the Council's plans for delivering the WHQS and the Council's frequent changes to the programme have left them disillusioned. Tenants are largely unaware of when their homes will be brought up to an acceptable standard.
- 54 In addition to the newsletters, the Council uses other forms of media to share information about WHQS, including the Council's Newsline, community roadshows and social media. It has run a number of borough-wide and community events, where there are boards which display the programme timeline, and the public have the opportunity to discuss it with officers. The Council often runs these events in partnership with other agencies, such as Gwent Police, Communities First and the Gwent Association of Voluntary Organisations (GAVO).
- 55 The Council is also about to review its tenant communications strategy and plans to hold a session with tenants to understand what information they want from the Council.

The Council is unable to ensure that it is achieving value for money in delivering its WHQS works

- 56 The Council has a budget of approximately £220 million to meet the WHQS. From 2012-13 to 2016-17 it has spent nearly £110 million in delivering the WHQS programme. As at the end of March 2016, only 2.53% of the Council's homes met the WHQS. As at 16 May 2017, the Council has not reported how many of its homes met the WHQS by the end of 2016-17 or been able to provide us with this information. We recognise that the Council has focused its attention on undertaking works to the internal elements of its properties to date, but the Council has yet to bring 10,578 properties up to the WHQS and has two and a half years remaining to do this.
- 57 As shown in [Exhibit 3](#) below, the Council has underspent against its annual WHQS budgets over the last four years. This suggests that tenants have continued living in housing that does not meet the WHQS, while the Council has been unable to deploy its resources to deliver an effective programme of improvements. In the last four years, the Council's underspends have ranged between 6% and 47%. For the financial year 2016-17, it underspent by 18.7% on WHQS investment programmes. Poor management and delivery of investment are continuing to hinder the Council achieving the WHQS by 2020. At the time of our fieldwork during March and April 2017, the Council still did not have any certainty about what elements of the

properties it needed to address until the survey of each property had been completed.

- 58 Although it has underspent, the Council has spent substantial financial resources on the WHQS programme to date without effective progress being made. Whilst the Council is making progress on completing the necessary internal works, progress on external works is significantly behind schedule. The Council believes that it can complete the external works by 2020 but according to the information the Council provided to Statistics Wales, as at March 2016 only 2.53 % of its homes are fully compliant with WHQS. As a consequence of uncertainty about what elements of properties needed addressing, resources were not used effectively during the first two years of the WHQS programme. For example, we were told by members we interviewed that 'roofs were replaced that didn't need it'.

Exhibit 3: Caerphilly County Borough Council's WHQS expenditure and budget over the past four years.

Financial year	Budget	Total expenditure	Underspend	Proportion underspent
2013-14	£15.553 m	£14.649 m	£0.903 m	6.1%
2014-15	£28.813 m	£15.344 m	£13.469 m	46.7%
2015-16	£36.29 m	£28.623 m	£7.657 m	21.1%
2016-17	£38.591 m	£31.4 m	£7.2 m	18.7%
Total	£119.247 m	£90.016 m	£29.2 m	24.5%

* In addition to the expenditure above, the Council spent £20 million in 2012-13 on WHQS.

- 59 The Council does not have a grasp of how much WHQS work costs or whether that represents value for money. The Council's reporting on value-for-money issues relating to WHQS has been very limited. The Council has allocated work to its Housing Repair Operation (HRO) without understanding the competitive aspects of the work, and in a situation where the HRO does not have basic information, for example, about the cost of materials that it purchases.
- 60 The Council entered into a single source supply arrangement for all materials in relation to Council-house maintenance and the WHQS programme in 2012. This arrangement has provided some benefits in terms of economies of scale, consistent product specification and quality, and enabled the Council to close its own stores and use the buildings for other purposes.
- 61 The Council undertook a benchmarking exercise of this arrangement in 2014, which resulted in price renegotiations. Internal Audit also undertook a review in May 2016 to ensure compliance with the terms and conditions of the contract and to establish whether in-house processes and procedures are adequate to ensure

that the correct benefits and liabilities of the supply arrangements are calculated and agreed.

- 62 The single source supply contract is a contract where a price list is used, which includes incentivisation in the form of a pain/gain mechanism. The prices as tendered become the target price for that period and the Supply Partner will be paid the defined cost of the goods and materials supplied. If the defined cost is less than the prices, the supply partner will be paid 30% and the Council 70%; this is in effect the gain. If the defined cost exceeds the target prices, the Supply Partner will contribute 30% towards the extra cost; this is in effect the pain.
- 63 Internal Audit concluded that the systems and procedures in place were, in the main, unsatisfactory and a number of control weaknesses existed. Internal Audit also found that the pain/gain aspect of the contract was providing money for the Council but not to the level expected, in part due to insufficient ordering of materials being undertaken in advance. We understand that the Council's response to the Internal Audit report explained that the contract was only open to the WHQS and HRO spending, so the Council could only order materials required by these two teams. Nevertheless, we believe this again supports our view that the Council lacks a strategic approach underpinned by robust stock condition information that would enable it to forward plan the level of works and materials needed in order to maximise the benefits of its contractual arrangements.
- 64 The Council has recently commissioned consultants to undertake a review of its single source supply arrangement.
- 65 Contract performance reports are provided periodically to the WHQS Board and the Board has called in contractors to discuss and challenge performance. The Council has been concerned about the progress and quality of works undertaken by one of its external contractors. The Council has explained to us that it previously had issues with the other contractors, but is confident that it has now addressed these.
- 66 The in-house team is now also responsible for delivering the WHQS works to the Council's sheltered housing schemes. Tenants have been positive about the quality of the works undertaken by the in-house team. The Council informs us that it decided to use its in-house team for its sheltered housing schemes following a comparison against the tendered works and considerations of other factors such as the vulnerability of its tenants. It is not clear if this constituted a formal competitive process to ensure that the use of the in-house team provides value for money. The Council also tells us that it had previously compared the costs and value of its in-house team against contractors but the Council has not provided us with the evidence to demonstrate that this was the case.
- 67 The lack of a strategic programme also suggests that the Council has not yet considered if the increasing use of its in-house team is sustainable or provides value for money.

- 68 The Council has undertaken workshops with local companies to help them understand the Council's procurement process so as to facilitate greater take-up/use of local contractors. As part of their community benefit clauses, the Council's contractors are also required to undertake six Meet the Buyer events during the course of the contract.

Arrangements to oversee, challenge, monitor and scrutinise the progress of the WHQS programme are weak and fail to provide sufficient oversight of the totality of the programme

- 69 The Council has a number of arrangements to oversee and challenge its progress in meeting WHQS. This includes the WHQS Board, Caerphilly Homes Task Group (CHTG), a Tenants Council, Cabinet and scrutiny committees. However, these governance arrangements have not been fully effective and roles and responsibilities have become blurred. Both the WHQS Board and the CHTG have been focused on operational detail and there has been a lack of corporate overview of the WHQS programme. Because the Council felt these arrangements were sufficient, WHQS is not part of its Business Improvement Board arrangements set up in 2016 to provide corporate oversight of its major projects.
- 70 Performance management and reporting of the WHQS programme have been poor. WHQS performance and progress reports do not show progress of the WHQS programme in a clear and understandable way. Significant amounts of information are presented, but officers do not report progress against the programme as a whole to show the numbers of properties which meet the WHQS. Reports tend to focus on progress against the internal and external works and due to a number of 're-profiling' exercises the exact current position is difficult to identify. This hampers members' and tenants' ability to understand the true up-to-date picture and to challenge performance effectively.
- 71 Members are not providing sufficient leadership or challenge to the WHQS programme to ensure that tenants live in homes that are in line with the WHQS. Whilst members of the Policy and Review scrutiny committee did ask some relevant questions at the meeting in February 2017, for example, about accessing properties, they did not take the opportunity to rigorously challenge the Council's poor performance in meeting WHQS. A number of members thanked the officers for their hard work and improvement, despite acknowledging issues about quality and having listened to tenants' representatives express frustration.
- 72 Reasons for the lack of progress with achieving WHQS are not well understood or reported in a clear and transparent way. Officers have reported to members that one of the reasons for the slippage of the internal works programme is the inability to gain access to properties. However, the Council's data systems do not capture this information, and reports to Cabinet, the CHTG and the Policy and Resources

Scrutiny Committee do not quantify the extent of the problem or provide adequate reasons for what is being done to mitigate the issue. At the Policy and Resources Scrutiny Committee in February 2017, councillors asked officers to provide this access to properties information so that they could understand the issue better and see what they could do as ward members to help address this. Officers did not have this information to provide to the members at the meeting. In their response to our draft report, officers stated that the issue of no access had not had any major impact on the Council's progress and relates to internal works only. Nevertheless, it is important that officers and councillors fully understand the reasons for no access so works can be planned and undertaken effectively.

- 73 The Council has set itself the objective that delivering WHQS works will 'transform people's lives'. In February 2017, officers provided a report to the Policy and Resources Scrutiny Committee on the Council's progress in meeting its wellbeing objective WO5 – 'Investment in Council homes to transform lives and communities'. The report emphasises that the Council's investment in its council houses was not just about delivering the WHQS but also to aspire to transform homes, lives and communities. The report highlights the employment opportunities that have been created through the inclusion of community benefit clauses in WHQS contracts. For example, the report states that as at December 2016, 68 permanent full-time opportunities with contractors and 83 full-time opportunities within the Council had been created, as well as the creation of 53 apprenticeships. The report also highlights other benefits that have been delivered.
- 74 However, the measures that the Council is using to monitor progress in achieving its 'Investment in Council homes to transform lives and communities' wellbeing objective are primarily focused on delivering the WHQS rather than delivering wider benefits and outcomes to tenants and communities. The Council informs us that it has information to demonstrate that its work is having a positive impact on people's lives, such as case studies of tenants who have benefitted from adaptations. However, currently the Council is not reporting this to members and the public effectively.
- 75 The Council has lacked robust and effective programme management of its WHQS works. Primarily as a result of problems awarding contracts, the Council was slow to start its WHQS works and we feel the Council has been catching up with issues rather than taking a considered and strategic approach. It has spent £110 million to date on WHQS but it still has significant work to do to achieve WHQS by 2020. The Council is confident that it will complete the required internal works ahead of schedule but recognises there is a risk it may not complete the necessary external works. The Council tells us that it is working hard to take steps to mitigate this risk, but based on the Council's performance to date and the findings from our review, we are not assured that the Council will meet WHQS by 2020.
- 76 The Council has reduced its risk rating of failing to achieve WHQS by 2020 from 'red' to 'amber'. This is despite the Council's poor performance and the absence of a comprehensive strategic approach to address this. Given our findings, we feel this remains a significant risk for the Council.

- 77 We have concerns about the capacity of the directorate to manage the WHQS programme. WHQS now sits within the Directorate of Communities, which also covers other large priority service areas including waste and leisure. We understand teams are working hard to try to deliver WHQS but they do not have adequate direction and oversight to accelerate progress.
- 78 As the Council is aware, we have previously raised concerns about the Council's overview and management of its large priority programmes, including leisure. Our findings about WHQS have escalated these concerns.

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