



## CAERPHILLY HOMES TASK GROUP – 14TH FEBRUARY 2019

**SUBJECT: RE-PROFILING OF WHQS PROGRAMME AND HRA CAPITAL PROGRAMME 2019/2020**

**REPORT BY: INTERIM CHIEF EXECUTIVE**

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

- 1.1 This report provides members with proposals for re-profiling the final stages of the WHQS programme with the aim of ensuring full compliance by 2020, prior to the report being considered by Policy and Scrutiny Resources Committee and thereafter Cabinet for approval.

### **2. SUMMARY**

- 2.1 Whilst good progress has been maintained on the delivery of the programme during 2018/19, it has been necessary to review and re-align the programme to take account of changing circumstances to ensure that full compliance is achieved by 2020. One of the main changes affecting the programme, has been the loss of our second contractor who was delivering part of the internal works. This report sets out the revised programme.
- 2.2 Based on current and projected performance of the internal and external WHQS works programme (as confirmed in the recent WHQS Progress Report on the Final Stages to CHTG on 6<sup>th</sup> December 2018 and subsequent Welsh Audit Office (WAO) WHQS Follow up report issued December 2018) the achievement of full compliance is achievable prior to the deadline of December 2020.
- 2.3 A separate programme of works was established for our sheltered housing schemes with agreement that both internal and external works would be undertaken by our in-house workforce. This work is also on programme, however there has been a requirement to re-profile a number of the schemes as a result of additional external works being added to schemes, along with ecological surveys which have delayed some contracts by a number of months. In addition one sheltered housing scheme (Ty Isaf Risca) containing twelve units is now being suspended from the programme following a recent survey due to health and safety grounds. This will be accounted for as an acceptable fail in line with the WHQS guidance document issued by Welsh Government (WG) pending a feasibility study which is required to determine the future viability of the scheme.
- 2.4 The HRA Capital Programme budget has been revised based on surveyed costs projected forward to the end of the programme. Where surveys have yet to be finalised, average costs have been used based on rates from most recent tender submissions. This data has replaced the previous Savill's estimates and demonstrates that the housing business plan and the WHQS programme remains financially viable.

### **3. RECOMMENDATIONS**

- 3.1 The CHTG note and provide views on the contents of the report prior to it being forwarded to the Policy and Resources Scrutiny Committee and Cabinet.
- 3.2 That members consider the revised WHQS programme and projected increased investment totalling £250m
- 3.3 That members note the borrowing requirement necessary to complete the programme (currently £43m) with the proviso that the borrowing amount remains affordable within the Business Plan and the HRA.

### **4. REASON FOR RECOMMENDATIONS**

- 4.1 To inform members/stakeholders of proposed changes to the WHQS Programme and the HRA Capital Programme.

### **5. THE REPORT**

- 5.1 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 for completion by the WG deadline of 2020. The work is split between the in house work force and contractors and, with the exception of sheltered housing, there are separate sequences for internal and external works.
- 5.2 In relation to our sheltered housing schemes, members previously approved an additional programme of works where internal and external works would be undertaken simultaneously by the Caerphilly Homes in-house team. These schemes have been incorporated within the programme for completion by 2020, with the exception of those schemes that have been identified for remodelling or potential demolition.
- 5.3 During the course of the programme there will inevitably be issues that will impact on its delivery given the volumes of properties and works involved. There are occasions where tenants are unable to proceed with the works due to a variety of reasons e.g. ill health, personal circumstances or simply they may not want the disruption that some of these works can cause. There have also been some issues in relation to contractor performance where outputs have not achieved the expected levels as well unforeseen additional work being encountered (e.g. replacement of roofs where originally repairs were identified) in addition to ecologist surveys detecting bats where these factors can all give rise to delays with the programme and subsequent slippage.
- 5.4 Members will be aware that two sheltered housing schemes have been classified as 'acceptable fails' in line with the WHQS guidance document, due to structural and design limitations. These two schemes are planned to receive major improvements post 2020 which will include remodelling works to make them fit for purpose. In addition, a further three sheltered schemes were removed from the programme as they are being considered for demolition subject to a new older persons development being provided to meet demand. One Sheltered Housing scheme (Ty Isaf Risca) containing 12 units has also recently been suspended from the programme as a result of health and safety concerns around the detection of Asbestos Containing Material (ACM's). Following this discovery, a full feasibility study will now be undertaken to determine the future viability of this scheme. This decision was based on the need for all residents to be decanted into temporary accommodation in order for these works along with the proposed WHQS works to be completed.

- 5.5 In August 2017 one of our main internal works contractors (Contract Services) ceased trading, along with the more recent termination of a second contractor (Vinci) in September 2018. The loss of the first contractor had previously impacted on the progress of internal works in the Lower Rhymney Valley. The recent loss of the second contractor has now impacted on progress of the Upper Rhymney Valley therefore the future programme has had to be amended to take account of the impact of these fundamental changes.
- 5.6 At the time of writing this report the internal planned programme for 2019/20 (including sheltered schemes) indicates that 849 properties will be remaining for the final year, however based on current performance at the end of quarter 3 and projecting this forward, there will also be approximately 784 properties carried over from 2018/19. Therefore a total of 1633 properties will be programmed into the final year. When considering that 1370 properties are anticipated to be completed by the end of 2018/19 with only one main contractor and the in-house team, the delivery of 1,633 properties during 2019/20 is considered achievable, particularly as additional contractors are now being utilised through the DPS.
- 5.7 This projection is based on a current compliance rate of 27 properties per week and our assumption that 85% of the total internal works will be compliant by the end of 2018/19. Projections will vary if the weekly compliance rate/level for the remainder of the year fluctuates. This weekly output if maintained into 2019/20 suggests full internal compliance will be achieved by 29<sup>th</sup> May 2020 however interventions are in place with the aim of hitting full compliance by 31<sup>st</sup> March 2020.
- 5.8 The existing external planned programme for 2019/20 (including sheltered schemes) indicates that 1,534 properties will be remaining, however based on current performance as at quarter 3 and projecting this forward, an estimated 1,735 properties will be carried over to 2019/20 which leaves a revised figure of 3,269 properties to be completed in the final year (30% of the total stock). When considering that 2,523 properties are anticipated to be completed in the financial year 2018/19, the completion of a further 3,269 during 2019/20 will be challenging to complete by the end of March 2020. However if current levels of performance are maintained, external compliance is anticipated to be achieved by April, 2020.
- 5.9 In addition to the above, we are also completing external works to 412 leasehold properties, however the completion of these are not measured within our compliance figures as they are no longer recorded as part of the councils housing stock.
- 5.10 We are now entering the final 2 years of the programme and significant work has been undertaken to validate the compliance data and accuracy of information recorded within the Keystone database. At officers' request, the validation process has also been independently verified by Internal Audit with some medium risk housekeeping issues being identified that we are currently addressing. This will provide us with greater assurance of the full achievement of WHQS by the end of December 2020. Based on current and projected performance of the internal and external main WHQS programme full compliance is anticipated to be achieved by 29<sup>th</sup> May 2020 which allows a considerable timescale contingency to account for any further slippage and therefore gives confidence that the achievement of full compliance is achievable prior to the deadline of December 2020.
- 5.11 In addition to bringing the council's housing stock up to WHQS, major improvements have also been undertaken to a number of our non-traditional housing which has included major structural changes to Precast Reinforced Concrete (PRC) properties, as well as energy efficiency improvements to no-fines concrete properties, over and above WHQS requirements. A separate report has been provided on the environmental programme.
- 5.12 Given the various delays and issues that have occurred over previous years, contingency arrangements have been put in place to increase momentum and to provide a safeguard for any unforeseen changes to ensure the programme continues to be deliverable. These include maximising the use of the DPS (Dynamic Purchasing System), Housing Repair Operations In House mop up teams and the Private Sector Housing team undertaking contracts to leasehold properties, with other options also being considered.

- 5.13 Taking account of various factors impacting on the programme a revised property profile is shown in the table below, which includes the sheltered schemes but excludes leasehold properties.
- 5.14 The property 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. An overriding concern is to limit the amount of slippage from 2018/19 as the scope to catch up in the last year is limited. Slippage has been assumed from 2018/19 and 'built in' to the forward work programme below:-

#### **Revised Property Profile**

<b>Year</b>	<b>Internal Work</b>	<b>External Work</b>
2017/18 Compliant	7,739 (72%)	4,950 (46%)
2018/19 Projected	1,370 (85%)	2,523 (70%)
2019/20 Programmed	1,633 (100%)	3,269 (100%)

- Based on current stock count of 10,742

- 5.15 The revised internal works programme allows for properties that are remaining in the LRV, which were originally planned to be undertaken by the main external contractor, in 2017/18, to now be carried out by the in-house workforce or tendered using the Dynamic Purchasing System during the 2018/19 financial year. Likewise properties that are remaining in the North area for 2018/19 following the termination of the second contractor will be packaged to create a number of smaller contracts which will be tendered using the Dynamic Purchasing System.
- 5.16 A copy of the amended re-profiled programme is attached as Appendix 1.
- 5.17 The expenditure estimates in previous years have been derived from the Savills cost plan which was provided in 2008, based on a 15% stock condition survey. The programme provided in Appendix 1 is now based on more accurate costs, utilising average outturn costs from recent contracts and more up to date surveys. There will continue to be regular reviews of the cost plan based on trend data from valuations and tender prices, although all surveys should be completed by end of February 2019 which will override previous estimates. The latest assessment indicates that the programme currently remains within the limits of affordability set by the 2018/19 HRA business plan.
- 5.18 The 2019/20 HRA business plan is due to be submitted to WG by the end of March 2019 and will incorporate the re-profiled programme along with any changes since the 2018/19 business plan, such as new legislation (Right to Buy suspension), updates to interest rates, rent increases etc. Initial tests of these costs and assumptions have been carried out and the Business Plan still remains viable.
- 5.19 Due to the ongoing variances to the budget a contingency sum has been included. Given the size of the programme and the unknown work content this contingency sum is a best assessment based on the knowledge to date.

#### **Conclusion**

- 5.20 The re-profiled programme has been developed to inform members and stakeholders on the anticipated timescales for bringing the Council's housing stock up to the WHQS. The programme also aims to demonstrate that full compliance will be achieved by the deadline set by WG of December 2020.

## 6. ASSUMPTIONS

- 6.1 The main WHQS programme has been set out in communities which are then broken down into streets and account for the full council housing stock.
- 6.2 In order to re-profile the programme to account for slippage and ensure compliance with WHQS by the end of 2020, a number of assumptions have been made:-
- Resources currently employed will be maintained or replaced if necessary through recruitment.
  - No significant unforeseen work will be encountered which could delay the programme and increase costs.
  - Performance is maintained at current levels or improved.
  - No contractual disputes or challenges are encountered which could result in delays and/or increased costs.
  - No legislative challenges are made which could delay the awarding of contracts.
  - Reasonable weather conditions have been assumed for the remainder of the programme, as significant adverse weather could impact on external works in particular.

## 7. LINKS TO RELEVANT COUNCIL POLICIES

### Corporate Plan 2018-2023

- 7.1 ***The Caerphilly We Want (CCBC, 2018-2023) - Well-Being Plan Objective 2: Enabling Employment*** – Use investment in the housing stock to increase the number of skilled, qualified workers and tackle worklessness by providing apprenticeship, training and work placements with our in-house workforce and building contractors.
- 7.2 ***The Caerphilly We Want (CCBC, 2018-2023): Well-being Objective 3: “Address the availability, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people’s well-being.”***
- 7.3 ***Caerphilly Homes Service Plan (2018-2023): Priority 1A: All Council housing is improved to meet the Welsh Housing Quality Standard by 2020.***

### Welsh Government Policies

- 7.4 ***Improving Lives and Communities: Homes in Wales (Welsh Government, 2010)***, which sets out the national context for improving homes and communities, including the energy efficiency of existing homes;
- 7.5 ***The Welsh Housing Quality Standard: Revised Guidance for Social Landlords on Interpretation and Achievement of the Welsh Housing Quality Standard (Welsh Government, 2008).***

## 8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 The underlying principles of the WHQS programme, which includes the provision of good quality affordable housing, energy efficient homes and carbon reduction, sustainable communities, health and wellbeing, targeted recruitment and training, clearly links to 5 of the 7 well-being goals in ***The Well Being of Future Generations (Wales) Act 2015***. It is consistent with the five ways of working as defined within the sustainable development principle in the Act:-

- 8.2 **Long-term** - Since the Housing Ballot (2012) we continue to make substantial investments and improvements to both the internal and external environments of our social housing stock (Public Sector), including specialised adaptations in accordance with the needs of some of our tenants. Adaptations are also supported and implemented in the Private Sector (often referred to as Disability Facilities Grants).
- 8.3 These fundamental changes and improvements are being achieved through; the implementation of the Welsh Housing Quality Standards; housing adaptations in accordance with tenants and homeowners needs; enhancing the quality of product installations and repairs; improving environments around homes; all aiding the well-being of our communities, its infrastructure and citizens alike, providing homes and communities for now and the future.
- 8.4 **Prevention** - The works undertaken through Housing Services helps to improve lives and communities, by securing local employment either in-house or through supplier, contractor and partnership arrangements.
- 8.5 Works undertaken by our services make significant visual improvements to housing stocks and their surroundings environments (improved the look and feel) helping to prevent anti-social behaviour and enviro-crime.
- 8.6 By raising standards and conditions with improved quality materials and appropriate service response, should aide and ease future maintenance schedules and requirements, better controlling costs, levels of deterioration/depreciation, improve safety and accessibility, while also reducing disruption to our tenants in the future, and aiding quality of life in both Private and Public Sectors, through intervention and support actions that are fit-for-purpose.
- 8.7 **Involvement** - Through established governance and performance frameworks, tenants and local residents are consulted on proposed property and environment improvements works along with various initiatives, and they are periodically informed of progress as part of for example, the WHQS delivery programme.
- 8.8 Numerous working groups are established and well embedded with periodic reporting and feedback opportunities exploited. Welsh Government, Environment Standards, Regulatory Controls and Checks, Tenant Engagement are all part of our daily business.
- 8.9 **Collaboration** - The programme delivery focused on internal collaboration, wider partnership arrangements with suppliers and contractors, joint working with the community and various other interested parties/groups. The delivery of community benefits and tenant engagement by all involved with the WHQS programme is a key focus for the success and delivery of this objective.
- 8.10 **Integration** - The programme looks to integrate property and environmental improvements that will benefit and transform lives and communities throughout the county borough. It further brings together a variety of stakeholders to deliver long term sustainable benefits for lives and communities including Social Services & Health.
- 8.11 Housing Services and our outlined priorities, contributes to a minimum of 6 out of the 7 well-being goals within the *Well-being of Future Generations Act (Wales) 2015*, including:-
- A prosperous Wales
  - A resilient Wales
  - A healthier Wales
  - A more equal Wales
  - A Wales of cohesive communities
  - A globally responsible Wales.

## **9. EQUALITIES IMPLICATIONS**

- 9.1 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.
- 9.2 The implementation of the WHQS Programme will ensure compliance where appropriate with current Building Regulations and Equality Act requirements. The Council's procurement processes include equalities requirements and compliance by contractors undertaking WHQS work.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The projected spend on the programme up to 31<sup>st</sup> March 2017 was £152m .The budget set for the WHQS programme for 2018/19 is £55.8m. This includes provision for internal and external works for general needs dwellings and sheltered schemes as well as environmental works, garages, fees, standard adaptations and void works. There is also an element for 2017/18 contracts that had not been financially completed by 31<sup>st</sup> March 2018.
- 10.2 The provision is based on actual survey information for those contracts that have been surveyed in advance of the financial year. Where contracts were yet to be surveyed, an average cost per element was used based on historical contract spends. This is updated throughout the year as survey data is confirmed and works identified.
- 10.3 The same principle applies for setting the 2019/20 budget and this has been estimated at £50m to complete the programme, although the carry over works will not be fully confirmed until March 2019.
- 10.4 Based on the first nine months expenditure profile this year, it is projected that the WHQS spend for 2018/19 will be some £48m and will be the highest annual spend since the commencement of the programme.
- 10.5 The WHQS programme was originally approved by Council in 2011 where borrowing was approved up to £61.3m based on an estimated spend of £220m over the term of the programme that was accounted for in the Housing Business Plan. The remainder of the funding is met from the HRA and the Welsh Governments annual Major Repairs Allowance (MRA). The expenditure was originally based on a 15% survey carried out by external consultants Savills. In July 2014 Cabinet agreed a revised Business Plan which required borrowing of up to £55m
- 10.6 To complete the programme, expenditure has now been estimated at £250m which is £30m higher. Projected spend at the end of 2018/19 is £200m with a final year estimated spend of £50m.
- 10.7 For a programme of this magnitude, changes are inevitable, and officers are constantly reacting on a daily basis to ensure the programme is completed by its deadline and the business plan remains financially viable. Re-profiling reports have been submitted to Cabinet, throughout the programme. Also, during the programme a borrowing cap was introduced by Central Government as part of the HRAS buy out which placed a limit on Local Housing Authorities on the amount they could borrow. It has since been confirmed in the November Budget Statement that the cap will be removed and Welsh Government are currently liaising with Local Housing Authorities to begin this process.
- 10.8 Although the expenditure has increased, the borrowing requirement based on the current business plan has reduced to £43m. This is due to more funding being available from the HRA as a result of in year surpluses and savings made within the service, also delaying the need for borrowing until further into the programme. The spend of £250m and the borrowing of £43m remains viable within the current housing business plan.

## **11. PERSONNEL IMPLICATIONS**

- 11.1 The timetable pressure is increasing and there has to be the capacity within the staff resources to cope with the volume of work. Staff movement and recruitment will continue to meet changing demand and risks to the programme.
- 11.2 A restructure of Caerphilly Homes has been undertaken within the WHQS and Housing Repair Operations (HRO) in order to improve integration and maximise the skills. This has involved centralising the Planning team, Ordering team and Gas team along with creating a Technical Administration team. This is to ensure there is experience and capacity within the service area creating a consistent approach to not only deliver the WHQS programme by 2020, but to also ensure the required resources are in place to continue to maintain the standard post 2020.
- 11.3 Elements of the programme have also been allocated to third parties as a means to spread the risk and create extra capacity. These relate to the HRA garages and the proposed re-modelling of a number of sheltered schemes allocated to Building Consultancy and the external works to various leaseholder properties throughout the authority being allocated to the Private Sector Housing Team.
- 11.4 A separate report will be provided on the Environmental Programme which is also being delivered with in-house support being provided by Grounds Maintenance and the Highways Operations Group.

## **12. CONSULTATIONS**

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

## **13. STATUTORY POWER**

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

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Consultees:

Cllr Lisa Phipps	- Cabinet Member for Homes and Places
Dave Street	- Corporate Director of Social Services & Housing
Nicole Scammell	- Head of Corporate Finance and S151 Officer
Stephen Harris	- Interim Head of Business Improvement Services
Robert Tranter	- Head of Legal Services/Monitoring Officer
Shaun Couzens	- Chief Housing Officer
Jane Roberts Waite	- Strategic Co-ordination Manager
Rhys Lewis	- Systems and Performance Manager
Fiona Wilkins	- Public Sector Housing Manager
Colin Roden	- WHQS Project Manager
Alan Edmunds	- WHQS Project Manager
Steve Greedy	- WHQS Project Manager
Lesley Allen	- Housing Accountant

Appendices:

Appendix 1: Re-profiled Investment Strategy