



CAERPHILLY HOMES TASK GROUP – 11TH DECEMBER 2014

SUBJECT: REVIEW OF WHQS INVESTMENT STRATEGY AND HRA CAPITAL PROGRAMME 2015/16

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To advise on a revised investment strategy and set out the HRA capital programme budget for 2015/16. The report is seeking the views of Members prior to its presentation to Cabinet.
- 1.2 To advise on a revised investment strategy and set out the HRA capital programme budget for 2015/16. The report is seeking the views of Members prior to its consideration at Policy and Resources Scrutiny Committee and thereafter, Cabinet.

2. SUMMARY

- 2.1 Major slippage during the 2014/15 financial year has necessitated a review of the investment strategy over the remaining five years of the programme. The slippage will cause additional pressure due to the increase in the volume of properties that will need to be completed over a shorter timescale. In order to maintain the principle of separation of internal and external works there are a large number of community area sequence changes, mainly affecting the external works. The HRA capital programme budget allocates the necessary resources based on the Savills cost plan to deliver the programme during 2015/16 to meet the revised WHQS Investment Strategy.

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 aim:-
“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 Programme Review

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 During 2014/15 the programme has faced major slippage arising from delays in the commencement of the internal works contracts, the decision to retender the external works contracts in the Upper Rhymney Valley, the curtailment of the small lots programme in the Eastern Valleys to a more manageable number of contracts; and surveying issues that have slowed the external works in the Lower Rhymney Valley.
- 4.3 The report which outlined the HRA capital programme for 2014/15 submitted to the CHTG in October 2013 envisaged that either internal or external works would be completed to 3,713 properties. Due to the factors outlined above it has been necessary to revise the programme downwards for the current financial year to 1683. This reflects the number of works packages that will have been committed. However a number of the works packages are expected to run on into the 2015/16 financial year and the out turn position in March 2015 is likely to be between 1200 and 1300 properties completed. The implications of the over run on the 2015/16 programme will be assessed in April 2015.
- 4.4 An acceleration of the programme is now required to incorporate the 14/15 slippage over the remaining five years of the programme.
- 4.5 A revised profile in terms of total numbers of properties is shown in the table below:-

Year	Internal Wks	External Wks	Total
12/13	359	0	359
13/14	790	39	790
14/15	937	834	1683
15/16	2242	2275	4517
16/17	1705	2471	4176
17/18	1629	2488	4117
18/19	1695	2051	3746
19/20	1576	1182	2758
Cornish flats	22	32	32
Totals	10955	11372	22178

(NB Figures do not necessarily add to the totals due to leasehold properties only featuring in external works column and some non-traditional constructed properties only counted once due to internal and external works being undertaken at the same time).

- 4.6 From April 2015 the average rate of completions over the remaining five years of the programme needs to achieve 77 properties a week. The profile shown in the table is deliberately front loaded to retain some flexibility for unforeseen events towards the end of the programme. This will mean that target for 15/16 will be 90 completions a week. This is an extremely challenging target requiring effective planning and organisation, timely and accurate information and appropriate resourcing.
- 4.7 One of the key principles agreed with tenants is that there should be separate sequences of internal and external works across the community areas. To avoid overlaps arising in the review of the programme it has been necessary to make changes to the community running order. There are 40 sequence changes but this mainly impacts on the external works. It is essential to avoid overlaps due to the contract structure as this will prevent conflict between different contractors trying to work on individual properties at the same time.

4.8 The revised investment strategy is shown in Appendix 1 together with all the sequence changes.

4.9 **HRA Capital Programme 2015/16**

The HRA capital programme for 2015/16 flows from the revised WHQS investment strategy. The community areas that will receive either internal or external work in 15/16 are shown in Appendix 1. This also shows whether the works will be undertaken by contractors or the in house team. 4517 properties will be scheduled into the programme. Work packages (i.e. the rate at which blocks of properties will be issued to either the contractors or the in house team) will be determined following the surveys to individual properties. The surveys identify those works necessary to bring the property to WHQS, or conversely confirm where compliance has already been achieved as a result of work carried out in previous years.

4.10 The capital programme makes provision for a number of other items including adaptations undertaken on a response basis; major repairs to void properties prior to re letting; and continuation of the improvement programme to the HRA garages.

4.11 Opportunities for energy efficiency grant funding continue to be pursued but progress with the Energy Company Obligation (ECO) scheme is very slow and the priority is more towards private sector housing. Furthermore future ECO grants are unlikely to provide 100% grant funding in the future. It will be prudent to set aside match funding to pursue any opportunities that do arise.

4.12 Given the scale of the programme variances to budget provision could be large depending on actual circumstances on the ground and a significant contingency sum has been included.

5. **EQUALITIES IMPLICATIONS**

5.1 An EqIA has been completed in accordance with the Council's Equalities Consultation and Monitoring Guidance and no potential for unlawful discrimination and for low level or minor negative impact have been identified, therefore a full EqIA 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 third party contractors undertaking WHQS work.

6. **FINANCIAL IMPLICATIONS**

6.1 It is anticipated that as the programme progresses there will be significant variations from the Savills cost plan figures shown in Appendix 1 to reflect circumstances on the ground.

6.2 Appendix 2 summarises the budget estimates for the 2015/16 HRA capital programme which totals £36,219,180. The estimates for the improvement works are based on the Savills cost plan (see Appendix 1) but adjustments have been made in Appendix 2 to reflect new budget estimates associated with more extensive work at Rowan Place, Rhymney, and an increased budget has been made for the small lots in the Eastern Valleys based on experience during 14/15 when tender costs were above the Savills cost plan.

6.3 The target of 90 properties completed each week equates to an expenditure of in excess of £600,000 a week on improvement works.

6.4 In previous years there has been a significant unbudgeted expenditure on emergency heating installations. It has always been possible to absorb this expenditure due to under spends and contingencies within the budget. As the WHQS Programme is progressed the number of emergency heating installations should decline. No separate budget has therefore been

included and as in previous years costs incurred will be absorbed within the overall budget allocation for the year.

7. PERSONNEL IMPLICATIONS

- 7.1 The need to accelerate the programme to accommodate the slippage in 14/15 will increase the pressure on the WHQS Team. The current area based project team approach has given rise to inconsistencies in service standards. The project teams are being reconfigured around the contract arrangements to ensure a consistent approach across the County Borough and to make the accountabilities of the managers clearer. The senior management has been strengthened to help drive performance. Staff resources in critical areas are under review to ensure there is the capacity to cope with the volume of work that has to be delivered within a finite timescale.

8. CONSULTATIONS

- 8.1 Comments received have been incorporated into the report.

9. RECOMMENDATIONS

- 9.1 The CHTG recommend to Policy and Resources Scrutiny Committee and Cabinet the revised investment strategy and the capital programme for 2015/16 that flows from the strategy to be approved.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To appraise the Task Group of changes to the investment strategy and the implications for the HRA capital programme in 2015/16

11. STATUTORY POWER

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

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Appendices:

Appendix 1 Revised Investment Strategy

Appendix 2 Capital Programme 2015/16