

Report To: Communities Scrutiny Committee

Date of Meeting: 15 May 2014

Lead Member / Officer: Lead Member for Customers and Communities

Report Author: Head of Housing and Community Development

Title: Council Housing Stock Refurbishment Programme

1. What is the report about?

The report details the approach taken to bringing the Housing Stock up to the Welsh Housing Quality Standard (WHQS) and outlines the issues encountered in contract 8 and lessons learnt from this experience.

2. What is the reason for making this report?

This report shall enable members to review the progress which has been made in relation to WHQS and to reflect upon the issues encountered in contract 8 and recommendations to avoid a repetition of such problems on future contracts.

3. What are the Recommendations?

That Scrutiny note and comment upon the lessons learned from the Welsh Housing Quality Standard programme and the specific issues identified during contract 8.

4. Report details.

4.1. Background

The Welsh Housing Quality Standard (WHQS) is a key requirement from Welsh Government and following an options appraisal in 2004 the Council determined that the best way to achieve the standard was by retaining the stock in house and undertaking a capital programme which broke down the refurbishment contracts into a number of manageable "lots".

The Housing refurbishment programme commenced in 2005 and was allocated into 8 "lots" in order to spread the work more evenly across the geography of the county, to provide better value for money and to ensure the works could be effectively programmed by the building industry. Eight housing contract "lots" have been successfully tendered through the housing refurbishment framework contract.

Due to the level of resources required for this project (over £4 million) corporate procurement advised that the process would need to go through an OJEU route and a full tender process in line with a Framework Agreement. A ballpark figure of 200 properties per lot was identified and a list of the successful contractors and contract sums is attached at appendix 1 for information. Contract 8 was won by Bramall Construction now known as Keepmoat.

Contracts 1-7 have resulted in very high levels of customer satisfaction (averaging over 90% per contract) and have generated a significant boost to the local economy through the

utilisation of local contractors and local supply chains (Howden's in Denbigh have supplied kitchens for all WHQS contracts). All properties from contract 1-8 that meet the standard have benefitted from being provided with modern kitchens, bathrooms, rewiring and improved energy efficiency. Denbighshire are on track to become one of only 4 Councils in the whole of Wales to meet the standard, the number of refusals for WHQS are lower than any other authority and given the investment rents are low compared with other landlords.

There has been a great deal of good work that has been done and the overwhelming majority of tenants have been very happy and satisfied with the works which have been done. However some significant problems have been experienced on contract 8 particularly in relation to the quality of subcontractors employed by the principal contractor. This contract has seen operatives travelling excessive distances with often poor quality of workmanship. The securing of local labour has always been promoted throughout the programme for each particular contract although it is not a contractual requirement and has been seen more of a gesture of goodwill.

One potential reason why Keepmoat failed to use local contractors was because a significant number of local contractors required for this type of work were already being utilised on earlier contracts (namely 5, 6 & 7 which were on site simultaneously with Contract 8) coupled with Keepmoat also having a similar refurbishment programme on site in the Wrexham area.

Delays and poor progress from the outset has been a significant issue for this project which has not been helped by some survey information issued by DCC to the contractor being inaccurate or lacking sufficient information and detail. This situation was rectified by re-surveying properties and re-issuing the information however this did have a knock on effect in terms of time taken to complete the works.

Concerns raised by Housing Services that some members of the contractor's management team were underperforming and allowing the project to slip led to a complete change of all contractor site personnel and to avoid any further delays Housing Services also appointed an additional member staff to the site team. Following these changes there followed a distinct improvement in performance throughout December 2013 and into January 2014. Unfortunately the contractor has not maintained this level of improvement and project performance dipped once again.

Some of this delay is attributable to a considerable amount of additional works being directed since the New Year which has ultimately had a direct impact on the contractors' progress. Several requests were also provided to Keepmoat by DCC to increase the provision of subcontractors as this appeared to be the compounding the problem. Towards the end of the contract Keepmoat significantly increased the number of their own workforce to complete the works given their dissatisfaction with the quality and reliability of some of the sub-contractors they were using.

4.2 Lessons Learned for Future Housing Capital Contracts

4.2.1 That explicit use of social clauses relating to the utilisation of local labour and local supply chains are inserted into future Housing capital works contracts.

4.2.2 That greater weighting be provided to quality rather than cost in scoring future bids for major capital repair programmes.

4.2.3 That major capital programmes of work to be agreed in advance of contract commencement to enable sectional completion of works which shall allow the client more control over the construction or refurbishment programme.

4.2.4 That project and programme management arrangements clearly spell out respective roles and responsibilities in relation to contract administration, management and quality control with serious issues or concerns regarding contractor performance being formally logged at project meetings and escalated to the Head of Service and the contractor's Senior Executive to provide high level commitment to address unacceptable performance.

4.2.5 That improved quality control through the random sampling of surveys provided by the Clerk of Works are undertaken to ensure optimum accuracy and minimise delay and dispute with the contractor.

4.2.6 To ensure that there is a single point of contact for instructing the contractor and all verbal instructions are formally confirmed to the contractor in writing.

4.2.7 That consideration is given to maximizing the use of the DLO on future contracts.

4.3 Contractual Clauses allowing termination of Contract

One question that is asked often is why did we not terminate the contract with Keepmoat? Under the contract there are clauses that deal with termination (these are attached for information) however they can be viewed under the following general headings:

Where the Contractor:

- Suspends the carrying out of the work
- Failed to proceed regularly and diligently with the works
- Refused to comply with a notice or instruction from the Architect / Contract administrator

Unfortunately, contractually none of these clauses were technically breached. The only clause that could possibly be actioned would have been "Failed to proceed regularly and diligently with the works" however as the only contract date specified within the contract is the end date, it is difficult to demonstrate that they have failed to proceed regularly with the works.

The recommendations in relation to section completion of contracts and improved quality control in relation to survey data should avoid this problem reoccurring.

4.4 Next Steps

Keepmoat finished the contract on 17th April and now have responsibility to complete any outstanding snagging. Housing Services have recommended that Keepmoat work to the Council's response times in relation to any emergency, urgent works or routine works (copy of the schedule at Appendix 2) and failure to meet the target timeframes shall result in the DLO completing the works and recharging Keepmoat under the terms of the contract.

There remain 8 properties to be brought up to the WHQS standard and a decision has been taken to remove them from the programme and to provide 5 of them to the DLO and 3 to local contractors to bring them up to the standard. Once completed this will result in all the Housing Stock being compliant with WHQS, making Denbighshire one of only 4 authorities to have achieved this requirement.

5. How does the decision contribute to the Corporate Priorities?

The provision of good quality housing is a corporate priority with the effective and efficient management of the Housing Service being key to ensuring this objective is achieved for tenants and residents.

6. What will it cost and how will it affect other services?

The costs of delivering the Welsh Housing Quality Standard are contained within the Housing Revenue Account Business Plan and include a combination of Major Repairs Allowance, Usable Capital Receipts and prudential borrowing. The works are funded through a capital works programme and a recent stock condition survey has identified that the Housing Revenue Account is viable and sustainable over the 30 year business planning period.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

Not Applicable

8. What consultations have been carried out with Scrutiny and others?

The Capital Programme has been discussed and agreed with the Tenants Federation.

9. Chief Finance Officer Statement

The improvement programme is funded within the Housing Stock Business Plan. The Plan itself remains robust and financially viable over its 30 year span.

10. What risks are there and is there anything we can do to reduce them?

The main risk is in relation to procurement of new contracts and to ensure that the problems experienced in this contract are not repeated. Adoption of the recommendations contained within the report should go some way to prevent these problems re-occurring.

11. Power to make the Decision

Article 6.3.4(c) of the Council's Constitution sets out Scrutiny's powers with respect to this matter.

Contact Officer:

Head of Housing and Community Development
Tel: 01824 712955