

The Highland Council
Community Services Committee
3 November 2016

Agenda Item	16
Report No	COM 51/16

Review of the Delivery of the Scottish Housing Quality Standard Programme

Report by Director of Community Services

Summary

This report provides a summary of the Council's experience of the delivery of the Scottish Housing Quality Standard (SHQS) through the HRA Capital Programme. It provides information on the investment made to achieve this target and identifies lessons learned.

1 Introduction

1.1 In 2004, the (then) Scottish Executive defined the criteria for meeting the Scottish Housing Quality Standard (SHQS). This set a minimum standard for all Council and Housing Association housing to meet the following requirements:

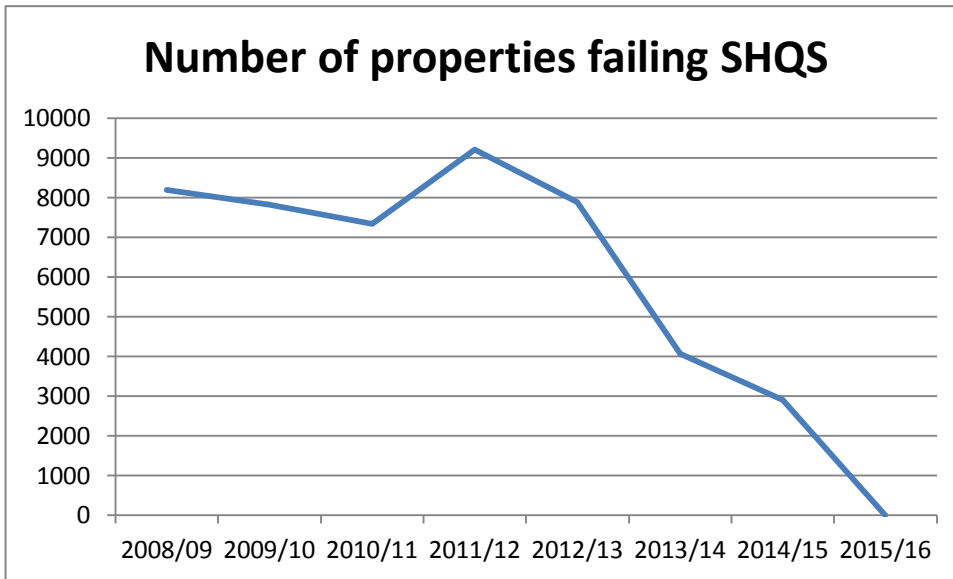
1. They must meet the tolerable standard
2. They must be free from serious disrepair
3. They must be energy efficient
4. They must have modern facilities and services
5. They must be healthy, safe and secure.

1.2 As part of the reporting requirements, the Council was required to provide a Standard Delivery Plan each year to the Scottish Housing Regulator. The first Standard Delivery Plan was submitted in 2007. This, and subsequent annual plans, were reported to the relevant Committee. These annual plans detailed the then current assessment of SHQS compliance as well as costs and projections associated with bringing all property up to the Standard.

1.3 This report provides a commentary on the progress and challenges in achieving the Scottish Housing Quality Standard. It also provides some lessons for future HRA Capital Programme management.

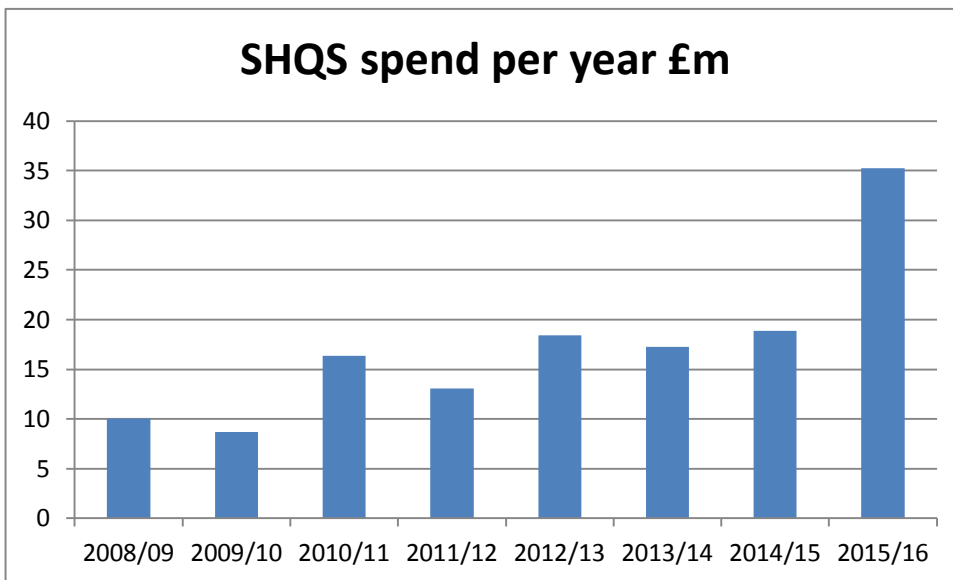
2 Summary of progress and main issues

2.1 The graph below indicates progress over the life of the Standard Delivery Plan in terms of achieving the Scottish Housing Quality Standard:

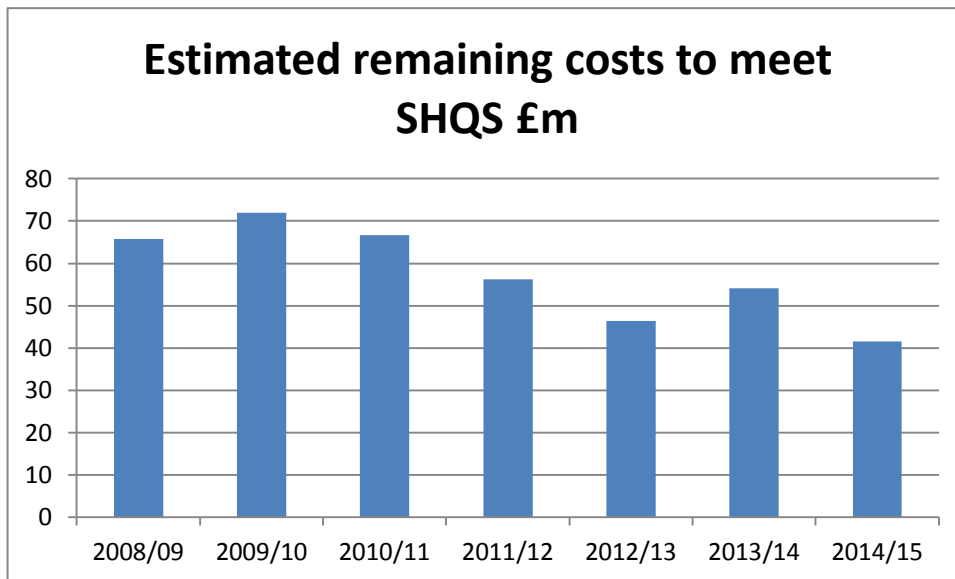


This excludes properties which are 'exempt' from the Standard due to tenants opting not to have improvements carried out. We currently have 1275 properties in this category.

2.2 The original cost estimate for meeting the Standard was £126m (at then current prices). Total investment to 2015/16 was £139m, with around £4m in outstanding commitments in relation to retentions against defects liability. The profile of spend is shown in the graph below:



2.3 Cost increases in relation to the programme were reported in annual Standard Delivery Plan updates to strategic committees and through HRA Capital Programme reports. Changes in the profile of expenditure required are summarised in the chart below:



- 2.4 Establishing and maintaining information on housing stock conditions in relation to the Scottish Housing Quality Standard (SHQS) was a significant challenge for many Councils. This was partly because in most cases information was based on sample survey information extrapolated across the whole housing stock, and this is not a completely reliable method. The other main difficulties were that housing stock condition can change over time, and there is a degree of subjectivity involved in the assessment of whether an individual property passes or fails on some elements of the SHQS. A survey of the same house undertaken at different times can result in different assessments.
- 2.5 In Highland, a stock condition survey was commissioned from an external consultant in 2006. This involved analysis based on visits to approximately 30% of our housing stock. Although the survey was principally aimed at costing the works required to reach SHQS for the purpose of stock valuation, it did contain comprehensive data on the properties surveyed. However there were concerns raised by some managers and staff at the time about the quality and validity of the data.
- 2.6 As a result of this a comprehensive stock survey commenced in 2009, conducted by locally-based in-house staff. The comprehensive stock survey 2009-2013 resulted in approximately 85% of the housing stock being surveyed, equivalent to around 11,500 properties. Analysis was then undertaken to determine a detailed breakdown of the number of properties that failed against each of the 5 criteria set out in the SHQS.
- 2.7 This survey formed the basis of the Council's SHQS Capital Investment programme. The programme itself was reviewed annually. This involved issuing a list of property failures against the main SHQS criteria to Area Managers, and asking them to validate and develop local programmes based on the data. The Council also undertook work to bring properties up to the Standard when they were empty for re-letting. Finally, where local staff were carrying out fresh inspections, they had the opportunity to amend / correct inaccurate or out-of-date survey information. This mainly had the effect of identifying properties previously thought to pass the Standard but which were

now considered to fail, through deterioration. Details of work carried out were used to update the Council's HRA property database.

- 2.8 In addition to changes in the number and type of elements failing the SHQS as outlined above, there were also developments in the technical measures identified as being the best method to bring properties up to the Standard, particularly in relation to heating and energy efficiency.
- 2.9 The volume and cost of installing new heating systems has consistently been the major challenge in achieving the SHQS. Where properties are out-with the gas network, heating options that provide the correct balance of capital cost, reliability, maintenance cost and expected lifecycle are limited. In many cases the choice of the "best" heating may vary depending on the lifestyle and preference of current tenants. However compliance with the SHQS involved a property-based assessment with limited tenant choice.
- 2.10 Advice on the most appropriate heating system changed over the course of the programme. Original heating choices were agreed by the Housing and Social Work Committee on 27 May 2009 as:
1. Gas central heating, where feasible.
 2. Air source heat pump.
 3. Electric wet system.

At that time biomass boilers and closed solid fuel appliances were not recommended due to concerns about the high capital cost of installation and potential running costs / fuel supply.

- 2.11 Following detailed analysis by the Energy and Sustainability Section, the heating options were expanded to include the installation of biomass systems and closed wood-burning appliances. This was based on information from pilot addresses and advances in renewable technology. It also reflected where alternative renewable systems were better suited to both the property type and tenant needs but still allowed SHQS compliance to be met. The change to a focus on renewable technology had a major impact on cost and delivery as it involved a shift in emphasis to new types of heating systems which were relatively untested at this scale in the social rented sector.
- 2.12 Given changes to heating types and numbers, and costs associated with this, and as a result of changes to procurement routes for this part of the programme, a more comprehensive review was undertaken in 2013. This was reported to Finance, Housing and Resources Committee on 9 October 2013.
- 2.13 The review identified risks associated with delivery of the programme within time and proposed the use of the Scape framework as an alternative procurement route for the majority of the remaining heating contracts. The Scape framework is not based solely on lowest price but instead focuses on providing value for money through collaborative working.
- 2.14 At the Community Services Committee on 5 February 2015, it was reported that, due to a number of factors, there had been cost variation and slippage on some projects. These factors included contractor capacity and availability,

price inflation since initial estimates were established, changes in heating type and additional works being required. As a result, compliance with the SHQS was delayed into 2015-16.

- 2.15 The Council's Annual Return of the Scottish Social Housing Charter to 31 March 2016, reported that the Council had reached compliance with the Scottish Housing Quality Standard (SHQS). However, 9.1% of houses were exempted from SHQS reporting as a result of tenant opt-outs, with most of these cases being a result of tenants unwilling to face the disruption of works or unwilling to accept a change in heating particularly in off-gas areas. These houses will be revisited in future years.

3. Tenant satisfaction

- 3.1 As part of the Council's Annual Charter Return to the Scottish Housing Regulator, Community Services has to provide details of tenant satisfaction. This includes satisfaction with capital works. The Council carries out these satisfaction surveys on an ongoing basis at all properties where it has carried out capital works. Questions are based on guidance from the Scottish Housing Regulator. The core format of the surveys is a phone survey but the Council has also carried out postal questionnaires. Survey feedback is used to help identify any performance issues or tenant concerns relating to capital works.

- 3.2 The survey results reported in 2015-16 indicate:
- 79.7% of respondents were very/fairly satisfied with the information they got from the Highland Council before work started;
 - 93.3% of respondents considered the contractors helpful if they had to speak to them;
 - 88.7% of respondents were very/fairly satisfied with the quality of the completed works; and
 - 94.2% of respondents who had heating installed would recommend their system to other tenants.

4. Lessons learned

- 4.1 The SHQS programme presented a number of challenges. In particular the programme saw an unprecedented volume of work, including the use of new procurement methods and the introduction of relatively untested renewable heating technology.
- 4.2 Although overall satisfaction levels with the programme are high, there have been a number of tenants who have not had a positive experience. The main issues have been:
- tenants "missing out" on new heating. The programme was based on SHQS failures identified following in-house property surveys. However a number of properties were subsequently identified as requiring new heating as a result of fresh property inspections. Any individual properties which were not addressed in the SHQS programme will be prioritised in future capital programmes. These will be in line with the principles of the HRA Capital Plan 2016-2021 which was approved at Committee on 20 August 2015;

- tenants unhappy about not receiving the heating they would have preferred. The system design options focused on the most appropriate heating system for a property rather than individual tenant choice;
- individual complaints over the quality of the work and the effectiveness of the heating installed; and
- running costs of installed systems. In these cases we offered independent energy advice to tenants on how to run their heating system and on the choice of energy tariffs.

4.3 These issues highlighted the need to tighten the governance arrangements relating to the HRA Capital Programme and these were reviewed in 2015 in line with the Council's Project Management Guidance and in accordance with the Council's Contract Standing Orders and Financial Regulations. As part of the review it was agreed that:

- all proposed delivery/procurement methods should be approved by the HRA Capital Programme Board;
- all estimated and ongoing project expenditure should be provided to the Board and monthly reports must highlight variances and reasons for these; and
- the Board must be made aware of all major variations to individual projects and seek Committee approval for any proposed programme changes.

4.4 As detailed in the HRA Capital Programme 2017-18 papers to this Committee, the priority for future investment is based on a number of post-SHQS Capital Plan principles:

- a life-cycle based approach to major component replacement, which targets replacement of kitchens, bathrooms, windows and doors;
- a programme of heating and energy efficiency work based on compliance where feasible with the Scottish Government's new Energy Efficiency Standard for Social Housing (EESH);
- an allowance for structural work to roofs, chimneys and external fabric of properties;
- an allowance for environmental improvement works; and
- continued funding of equipment and adaptations to allow disabled and elderly tenants to remain in their current tenancy.

4.5 It is anticipated that this approach will allow capital investment work to be more targeted to localised needs as identified by staff, Members and tenants, compared to the SHQS programme which did not take into account the age of elements within or stock, or allow for investment in the external fabric of our stock.

4.6 Members should note that in addition to this report a more detailed assessment into SHQS project management delivery is included in the Council's Internal Audit Plan, and this will be reported to Audit & Scrutiny Committee when completed.

5. Implications

- 5.1 Resources
The cost of the SHQS Programme is outlined in the report.
- 5.2 Legal
There are no specific implications arising from this report.
- 5.3 Equalities
There are no specific implications arising from this report.
- 5.4 Climate Change/Carbon Clever
The report refers to the SHQS investment in heating and energy efficiency in Council housing which helps meet Council objectives in relation to fuel poverty and climate change.
- 5.5 Risks
There were risks associated with the delivery of the SHQS capital programme. Monitoring reports on the HRA Capital Programme are provided to each meeting of the Committee. Future Capital Plan and HRA revenue estimates will be reviewed annually and may need to be revised subject to changes in assumptions or risk analysis.
- 5.6 Gaelic and Rural
There are no specific impacts arising from this report.

Recommendations

The Committee is asked to note the achievement in meeting the SHQS and the commitment to ensure effective programme delivery in the future HRA Capital Programme.

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Date: 6 October 2016

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