GRŴP CYNEFIN

WELSH HOUSING QUALITY STANDARD COMPLIANCE POLICY

Management Board Approval	23 March 2016
Scrutiny and Resources Committee Approval	13 September 2017

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1.0 Introduction

When Grŵp Cynefin builds new housing, it is to the very latest standards applicable at the time. The main benchmarks are Building Regulations (which apply to all housing) and Design and Quality Requirements (which are specific to social and affordable housing providers). Housing that was built even a few years ago will not match all the latest requirements, and the older the stock, the more likely it is to fall short in some way.

However, not achieving the very latest standards does not mean that existing housing cannot achieve a high standard. Through careful maintenance and upgrading parts of the building (referred to as components) as they become due for renewal, our older stock can also provide warm, safe, desirable homes. The Welsh Government's 'Welsh Housing Quality Standard' (WHQS) is the benchmark minimum standard for existing housing provided by social landlords such as Grŵp Cynefin. This compliance policy document sets out what we believe to be our current WHQS position, our plans for achieving the WHQS standard, and any higher standard we aspire to reach as resources become available.

The policy is based on the compliance guidance issued to social landlords by Welsh Government in March 2015.

2.0 Summary position on WHQS compliance

Grŵp Cynefin aims to provide warm, safe, and desirable homes to a high standard, using the Welsh Housing Quality Standard (WHQS) as a guiding benchmark. We assess that our properties have achieved WHQS allowing for acceptable fails. We will continue to achieve the WHQS by applying a strategic, rolling programme approach to investing in the repair and renewal of our housing stock. This applies to fixtures and heating and electrical systems as much as to the fabric of the building and its external space.

We realise, however, that some of our dwellings, mainly older properties, will not be able to fully achieve WHQS due to physical or cost benefit constraints. Nevertheless, our plan is to achieve the best possible standard that physical circumstances and

financial resources allow. Where substantial investment would still leave the property well short of WHQS, the property will be sold off when vacant unless suitable redevelopment or another use for it is possible.

3.0 Our interpretation of WHQS

3.1 'Pass and Fail' benchmarking

Our interpretation is based on *The Welsh Housing Quality Standard: Revised Guidance for Social Landlords* issued by Welsh Government in July 2008. It includes both primary and secondary elements (aspects of the property) that contribute to meeting each category of the Standard and has due regard to both the age and condition of those elements. A 'pass' or 'fail' approach is applied to each element either when the property is surveyed or when the results are analysed (see part 4).

Our interpretation also takes account of the *Household Health and Safety Rating System* (HHSRS), the assumption being that a category 1 health and safety hazard under HHSRS would automatically count as a failure in meeting the WHQS.

If a property falls below the WHQS, a failure will be recorded against the property, and remedial plans made to bring the property back up to the Standard. If the work required is assessed as being longer term renewal or upgrade, the failure will be classed as an 'acceptable fail' for the time being.

Where WHQS is not achievable in a property because one or more of the pass criteria physically cannot be met, the fail is counted as an 'acceptable fail', and an assessment is then made, based on the criticality of the fail, to determine whether the property should be retained sub-WHQS standard, or sold.

The meaning of 'acceptable fail' is discussed in more detail in part 4.0 below.

3.2 Component renewal lifecycles

A component is a collection of elements. For example, the typical 'bathroom component' contains the bathroom suite with associated plumbing, the shower unit, extractor fan, associated electrical wiring, bathroom cabinet, shower screen, and slip resistant flooring. Components together make up the dwelling.

Some components will require more regular renewal than others. They have an expected lifecycle which is determined by their function and exposure to wear and tear. For example, the average life of a modern kitchen is around 15 years, while a pitched roof should last at least 70 years before needing to be re-covered.
Component life expectancy and renewal timetables play a central part in our WHQS compliance measurement, together with their condition. To take the kitchen example, in our financial projections, we will plan to renew a 2005 kitchen after 15 years in 2020. If after 15 years, the kitchen remains in good condition, we may extend its life for up to a further 5 years. Another kitchen may face greater wear and tear, and based on its

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condition, we may decide to renew it before the 15 years are up. Across our stock, at any given time, we will have kitchens being renewed and others at some stage in their lifecycle, with 15 years as their average life. This sort of pattern will be repeated for all components in our dwellings.

The following table sets out the life cycles we have built into our financial projections for renewing the main perishable components, together with the average current costs of doing so.

Component	Life years	Average cost	13/11/2020 Review
Kitchen (all elements)	15	£4,100	
Bathroom (all elements)	30	£3,050	
Mid cycle bathroom shower and fan	30	£860	
Gas and oil-fired boilers	13	£2,100	2500
Oil Boiler			3000
Air source heat pumps	15	£5,000	
Wet central heating (excluding boiler)	30	£3,250	
Electrical heating	25	£3,080	
Electrical rewiring and upgrading	30	£3,100	
Smoke, heat and carbon monoxide detectors	10	£370	
Internal doors	25	£1,000	£2000
Windows	30	£2,820	£3000
External doors	15	£1,560	
Gutters and fascia	30	£1,500	£2500
Garden sheds	10	£820	
Boundary fences, gates, and walls	15	£1,300	
Paths and driveways	30	£1,000	
Pitched roof re-covering	70	£3,600	£5000
Internal Plaster			

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The lifecycles are based on a mixture of our maintenance experience over many years, external advice, and industry norms. The average costs are based on actual costs from renewal programmes over the past 2 years, our Undod consortium's framework procurement prices 2015, and industry data. These average life and cost assumptions are reviewed annually, and the results fed into short term budgeting and longer-term stock investment plans and projections.

Renewal of other component elements that are particular to certain schemes, such as car parks, communal facilities, and lifts, is built into the investment modelling as a 'miscellaneous' provision.

3.3 Current WHQS compliance position

Our WHQS position as of 31 March 2017 is analysed in the tables in Appendix 1. **It shows that we have achieved the Standard allowing for acceptable fails.** The emphasis now is on maintaining the Standard and reducing the acceptable fails. The way in which we measure 'acceptable fails is explained in section 4 below.

We are in the middle of a 5-year rolling programme of inspecting all our dwellings. The survey results will update our database and may mean that we will need to adjust our component life-cycle investment projections a little, and reconcile our WHQS compliance position, when the results come together.

By combining component history and stock condition data across our stock, we will be able to profile what expenditure is likely to be needed, and when, to maintain our housing to the required standard in future.

4.0 Our approach to 'acceptable fails'

As discussed in 3.1, a 'pass or fail' approach is applied to each applicable element during the survey. The survey methodology then re-assesses each fail to determine whether it is to be recorded as a 'fail' or 'acceptable fail' or 'pass' for WHQS compliance reporting purposes.

In order to ensure objective assessment and consistency between survey officers, the software-based survey methodology is detailed and logical, and the results are subject to quality assurance supervision and independent checks (explained further in part 6 below).

The acceptable failure categories built into the survey methodology, and their interpretation for WHQS purposes, are set out below.

4.1 Physical constraints

These are situations where achieving the Standard is impossible because of constraints on the building. They fall into three groups:

- Space constraints: these occur in older properties which were bought for rehabilitation or conversion. Examples include:
    - not enough storage space in a kitchen;
    - no space for a garden shed by the house;
    - no space for a downstairs toilet in a family home;
    - where two WHQS criteria clash and one needs to be set aside –

e.g. storage space or dryer space; a shed or a rotary clothesline?

- Legal constraints: these are situations where meeting WHQS would break the law. Examples include:

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- a breach of Planning or Highway conditions e.g. erecting a boundary fence which would block a visibility splay;
- constraints on upgrading a building that is listed or in a designated Conservation Area e.g. single glazed windows and doors;
- where improvements would interfere with or block a neighbour's right to light or another amenity.

- Risk constraints: where the changes would be detrimental to the building or place its residents in danger. Examples include:
  - where making room for a shed would undermine a retaining wall;
  - where fitting external or internal insulation would create condensation problems.

Following validation, acceptable fails due to physical constraints will be classed on our records as permanent acceptable fails as the situation is final. They will be counted as 'passes with acceptable fails' in WHQS compliance reports.

4.2 Occupants' circumstances or wishes (Residents choice)

This is where the scheduled renewal or improvement work is postponed until the residents' circumstances allow the work to proceed, which may be when the dwelling is vacated. Until then, the component will be classed as a temporary acceptable failure on our records, as full WHQS compliance is only a matter of time. Such a failure will be counted as a 'pass with acceptable fail' for WHQS reporting purposes. The reasons for postponing the work include the following:

- Short term inconvenience: where one of the persons living in the dwelling is ill at the time, or sitting exams, and we agree to re-programme the work.

- Reasonable longer-term requests: where the tenant or resident's reason for postponing the work indefinitely is sincere and will not cause a health and safety hazard or be detrimental to the building in the meantime. The work will be done when the dwelling is vacated. Examples include:
  - An elderly tenant cannot face the upheaval of a new kitchen, and the existing one is not a danger.
  - We agree to leave a matching carpet in the bathroom rather than resurface with a slip resistant vinyl.
  - The tenant wishes to keep a particular shed and maintain at his/her own cost rather than get the standard garden shed we install.

- Medical condition: where one of the persons living in the dwelling has a medical or debilitating condition, and time is needed to assess the best long-

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term solution. The work is postponed until the position is clear, which may be when adaptations are done, or the dwelling is vacated.

- Refusals: where the tenant or resident refuses to allow the work to be done despite advance notice and attempts at persuasion. In such situations, a risk assessment will determine whether legal action under the tenancy is taken to gain access to make necessary improvements, or the work is postponed until the tenant either grants access voluntarily or vacates the dwelling.

4.3 Timing of remedy

This is where an element fails to meet WHQS, but the work would mean premature replacement of a component or cutting across work in a planned programme. In such cases, the work is postponed until it is due, or windfall resources may allow replacement programmes to be brought forward. Until then, the element or component will remain classed as a temporary acceptable fail on our records, as compliance is again only a matter of time. The situation will be counted as a 'pass with acceptable fail' for WHQS reporting purposes. Examples to explain the decision include:

- Where there is no overhead shower in the bathroom and installing one would require re-plumbing and fitting a new slip resistant bath too, even though the bath is in good condition, and the bathroom is not due for renewal for at least 5 years.
- Where the radiators do not have thermostatic valves, but the heating system is due for overhaul in the next 5 years.
- A property with an energy efficiency rating of less than 65 which will achieve 65 or over when component renewal works are done.
- Where the work is already scheduled in a forthcoming renewal programme.

4.4 Cost of remedy

This is where the cost of the improvements to bring the element or component up to WHQS is excessive compared to the benefit of carrying them out. An 'extra over cost' of £1,000/unit will be used as a guiding 'No' benchmark.

Above that sum, the decision will be either to sell the dwelling, or to defer the work indefinitely until additional funding becomes available. Additional funding will either be funding from an external source towards the improvement, or windfall internal money which is available without having to under source ongoing maintenance work to other properties or distort the component renewal timetable.

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Failing properties in this category which are not to be retained will remain in the reporting figures and carry a failure rating in WHQS compliance reports until they are withdrawn from our housing register when they become vacant.

In the case of properties in this category which are to be retained, the failing element or component will be classed an indefinite acceptable failure on our records, as compliance can only be achieved if remedy opportunities outside our ability to plan or control them become available. The situation will be counted as a 'pass with acceptable fail' for WHQS reporting purposes.

Examples in this 'no, unless' category include:

- Expenditure on building an extension to improve kitchen and storage provision (see Physical Constraints above) – even if a failure can be overcome in building terms, it nevertheless faces a cost benefit test;
- Expenditure on remodelling the dwelling internally because rooms in an otherwise functional building fall short of WHQS space standards;
- Changing the heating system from electrical to gas (where gas connection is available), rather than supplementing the existing electrical heating, which is in mid-cycle, in order to bring the energy efficiency rating to 65 or over;
- Rebuilding internal walls and ceilings in a flats scheme to improve sound insulation, unless the whole property is being remodelled and refinanced;
- Providing external cladding (where the property is suitable), unless there is at least 70% grant support, and windfall internal resources available to meet the balance.

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5.0 Data collection and storage

Our historical WHQS compliance reports have been based on component life cycle targets supported by sample stock condition inspections and pre-renewal programme surveys. As part of merger due diligence, we concluded that the depth, quality, and consistency of our stock data should be improved, in order to profile our future stock investment provisions more accurately and our WHQS compliance position. We are therefore undertaking a 5-year rolling programme to survey our entire housing stock using our area maintenance officers. There will be no cloning.

The survey methodology is set up in a bespoke software programme on an iPad and structured as a questionnaire, which incorporates the standard primary and secondary WHQS elements / components and additional sections to assist Grŵp Cynefin's maintenance service. Historical maintenance data are downloaded into the programme beforehand as background for the surveying officer. Each question offers a standard choice of answers supported with interpretational guidance, and space for

additional data or comment. There are built in commands to safeguard against erroneous entries or omissions.

Each element is given a ‘pass’ or ‘fail’ score. Elements which are not present in the property are given a ‘not applicable’ score, which converts into an ‘assumed pass’ in accordance with WHQS guidance to allow the methodology to continue and calculate the position. The surveying officer assesses Physical Constraints on site and is able to convert the failure entry for some elements to an acceptable failure during the survey, based on the actual position. The same applies in respect of Residents Choice for some elements. All other acceptable fail assessments are made during post-survey analysis.

The post survey data then calculate into a WHQS compliance score for each property. Data can be interrogated and analysed by element, component, and property to enable accurate detailed reporting, profiling, and expenditure planning.

By July 2017, we had inspected close to half our stock. The data from this substantial sample will assist in refining our WHQS compliance assessment, our renewal programme priorities, and our 30-year investment assumptions. We have reached a position where we can settle on a standard 20% / annum cycle of stock condition inspections.

At present, historical data are held in the two existing housing management systems, *Open Housing* and *QL*. These data are exported into the surveying software *Kykloud*, before the inspections, with the intention then of re-loading it into the new housing system (MIS) when active.

Data will be maintained by various methods, and WHQS data is part of an overall picture of our housing stock that is being collated. As well as data from the stock condition survey via the *Kykloud iPad App*, links are made to job requests and completions, new properties coming on stream, and to adaptation projects.

We are aware that the longer the stock condition data are held outside the mainstream system, the more work will be required to update our records. It is possible, however, that we will still need a separate asset management software programme after MIS is operational. With that in mind, the discrete *Kykloud* software we have developed helps to keep our options open and covered as matters progress.

Responsibility for maintaining stock data is included in the job descriptions of key personnel.

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6.0 Data validation

The stock condition survey methodology will systematically update historical property data, so that past inaccuracies and gaps in information are corrected. The process incorporates validation of data at various stages, including the data that enable us to measure WHQS compliance.

We have implemented measures to ensure the consistency and accuracy of the survey information at various levels. A programme of training for field officers using the software methodology and guidance was held before the survey programme started, with refresh and review sessions are held between the 3-month survey.
'terms. Officers who are administering the process have been part of these discussions, as well as more senior quality assurance coordinators for the field and desktop work.
A sample of reports for each field officer is validated for accuracy and consistency and feedback given to officers. Validation is also undertaken across surveys of comparable properties, and across components, to review consistency across the team. This helps to benchmark results and identify anomalies. In this manner we can be confident the chance of uploading inaccurate data and misguided interpretation is minimal.

7.0 WHQS+ ambitions

We are currently concentrating on bringing our stock up to WHQS, and our uplifted renewal programme over the next 2 years is fully committed to that objective. Over that period, we will investigate our financial capacity to aim higher. We have identified two categories of upgrading that we could focus on:

Reducing the 'indefinite acceptable fails' in the Cost of Remedy category (see 4.4 above), particularly in relation to energy efficiency; ii. Bridging the gap between WHQS and new build standards, in areas such as energy harnessing, more power sockets for appliances, and opportunities to add sprinklers when renewing wet heating systems.

Plans for retro fitting solar panels have been set back by the cuts made to Feed in Tariff.

Our assumption for future planning is that any new standards, whether statutory or implied via good practice, will become part of the WHQS benchmark at some stage.

8.0 Summarised planned investment in our stock

Our calculation, based on our current and projected stock, is that an average annual provision of some £3.7 million based on today's costs should be made to renew and upgrade components, and thereby maintain our stock at WHQS compliance levels. This calculation stems from component age and life cycle profiling and average component renewal costs, together with improving data about stock condition.

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On this basis, based on current costs without inflation, we have projected in our Business Plan making an investment of some £110 million over 30 years to maintain our stock to Standard, which equates to around £29,000 per unit.

Our repair and re-letting standards and cyclical work also contribute to maintaining our housing to WHQS. The latest 30 financial forecasts (approved by the Management Board in July 2015) also include annual budgets for these maintenance programmes. The summary position in our latest financial forecasts is as follows:

Responsive maintenance (repairs and voids)	£709 per unit per annum
Planned cyclical maintenance	£250 per unit per annum.
Planned renewal and upgrading work	£995 per unit per annum.

Again, these figures are based on today's costs but are increased with inflation in the 30-year forecasts.

The data from ongoing stock condition surveys will help refine our financial calculations for future years.

In this manner, our stock condition assessments, our maintenance programmes, and our investment provisions, all come together and interact so as to enable us to stand the best chance of maintaining the Standard across our housing stock in future.

9.0 WHQS progress monitoring and reporting

Our renewal programme for the next 2 years has been directed towards continuing to achieve WHQS, and we will be producing regular reports about our renewal and upgrading activities, and our maintenance expenditure. With regard to reducing acceptable fails, there will be more emphasis than has been the case on the following fields:

- External works to dwellings and estates (e.g. fences, sheds, paths, parking areas, walls, communal spaces, hedges, and trees),
- Upgrading older single dwellings (e.g. heating systems, appropriate insulations, dealing with condensation, and so on),
- Upgrading larger older properties converted in to flats (e.g. heating, fire, smoke, and sound insulation).

The cumulative stock condition data will be analysed at the end of each survey term, and the results cast against the traditional component renewal assessment. An annual appraisal will be made to determine whether the component based WHQS report should be adjusted as we move forward.

An annual report will be presented to Board to include our WHQS annual return to Welsh Government. The report will analyse acceptable fails, separating those which are permanent and those which are temporary or indefinite. The temporary failure data (life cycle and residents' choice) will always fluctuate as work is done to some

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properties but components in other properties then become due for renewal. The analysis will illustrate that movement in arriving at an overall position.

By the end of 2019/20, the aim is that the component renewal and stock condition data sets will be fully up to date and meshed, and compliance reports will derive systematically from the property data base.

We aspire to achieve a position of being able to report WHQS compliance at any point in time. This will depend on the software capability of the new housing management system currently being procured.

10.0 Informing tenants and residents about WHQS

We have previously included articles in our tenants' newsletters and annual reports about WHQS, our WHQS position, and renewal programmes for achieving it. We will do so annually to let tenants know our compliance position and our targets for achieving and maintaining the Standard. We will also discuss the results and our Policy with the Maintenance Group of tenant representatives.

In relation to individual properties, when we re-let a dwelling, we will provide the new tenant with a WHQS compliance statement as we do with an energy performance certificate. The statement will set out component compliance and indicate when any fails due to timing are likely to be addressed.

If existing tenants ask for a WHQS update for their dwelling, we will provide them with the most up to date analysis we hold, but we will not carry out a specific individual inspection. We will not be writing to all our tenants individually to give them a WHQS statement either.

11.0 Community benefits

We have two main routes for commissioning our maintenance programmes. Outsourced responsive repairs and some of our job based (rather than programme based) renewal work is undertaken by a panel of small local contractors, usually selected through a tender exercise. The main and direct community benefit from this activity is that the business proprietors and craftsmen are local, and materials are bought locally. Apprenticeship opportunities will be encouraged, but not set as a target for this activity.

We will also use larger framework contractors for our packaged renewal programmes. The terms for accessing the framework include community benefit targets, and we have adopted the Value Wales measurement toolkit as a basis for levering and monitoring take up. A menu of benefits is used with expectations linked to the nature and volume of work.

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The information that contractors need to provide on a regular basis will range from apprenticeship opportunities and training, local recruitment, local sub-contractor sourcing, and local sourcing of materials, to voluntary community work and donating towards a community cause.

12.0 DATA VERIFICATION

Our internal auditors (TIAA Ltd) have independently checked the methodology and objective analysis of our stock condition and WHQS compliance. Their report recognised the thoroughness of our process. The next inspection will be held in 2018. Independent financial auditors will also check the financial plans that underpin the maintenance work to ensure component renewal and stock condition data are correctly informing forthcoming maintenance budgets and 30-year investment projections.

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