

<b>Report Version No:</b>	<b>1</b>
<b>REPORT SIGNED OFF BY?</b>	<b>Date:</b>
1) Service Manager – Christopher Brown	YES – 29/09/2020
2) Legal – Lesley Dolan SHAPE	YES – 09/09/2020
3) Finance/s151 – Paul Fitzgerald	YES – dd/mm/yyyy
4) Governance Team - <b>Name</b>	YES/NO/TBC – dd/mm/yyyy
5) SMT	YES – 07/10/2020
6) Informal Executive	YES/NO/TBC – 20/10/2020
7) Governance Team - <b>Name</b>	YES/NO/TBC – dd/mm/yyyy

## Somerset West and Taunton Council

Scrutiny – 11<sup>th</sup> November 2020

Executive Committee – 18<sup>th</sup> November 2020

Full Council – 1<sup>st</sup> December 2020

## Seaward Way, Minehead - New Build HRA Low Carbon Homes

This matter is the responsibility of Executive Councillor Member  
Councillor Francesca Smith

Report Author: Wendy Lewis, Housing Development Manager Specialist

### 1. Executive Summary / Purpose of the Report

- 1.1 The Site is owned by Somerset West and Taunton Council (SWT), and currently has a planning consent for residential development. It adjoins a SWT scheme under construction for light commercial development of two industrial units.
- 1.2 It is proposed to develop the site as an exemplar scheme of 54 new homes for the Council to showcase an innovative approach to house building and its commitment to affordable housing throughout the district and addressing climate change.
- 1.3 The scheme will re-purpose an existing Council asset into much needed housing stock for our residents in the former West Somerset area, together with community benefit from high performing houses that are cost efficient to

maintain. It will also result in the improved general appearance of the area and the gateway to Minehead.

## 2. Recommendations

2.1 The recommendations are as follows:

- (a) Approve the development of 54 Affordable Homes built to very low carbon standards, subject to planning approval.
- (b) To approve the supplementary budget as stated in confidential appendix A.
- (c) To approve the transfer of land from the general fund to the housing revenue account for the use of social housing development and to delegate authority to the Section 151 officer to approve the final land transfer amount.
- (d) Delegate authority to the Section 151 Officer to determine the final funding profile for this scheme once the finalised design has received planning approval and tenders have been received.
- (e) Note the use of affordable rents for these new build HRA homes in line with the 2020 Rent Setting Policy. The affordable rents will be set to ensure scheme viability at between 60% and 80% of market rates.

## 3. Risk Assessment

3.1 A risk assessment can be found at appendix B however the main schemes risks are:

Risk	Score out of 25 based on probability x impact	Mitigation
Tendered construction costs are significantly higher than anticipated	9 (probability 3 x impact 3)	Initial appraisals have been carried out based traditional vs low carbon. Site constraints have been carefully examined. Full investigations will be carried out prior to commencing the procurement exercise.
Location of the scheme 23 miles from SWT HRA services, could make the scheme harder to manage and maintain.	4 (probability 2 x impact 2)	The Council has welfare facilities in Minehead and the housing and maintenance service would need to flex their delivery to accommodate the scheme which could include additional travel time and mileage.
Satisfactory planning permission is not obtained	8 (probability 2 x impact 4)	Planning consent exists for 40 units. Early advice has been sought from the planning team regarding the enlarged scheme. An experienced employers agent, energy consultant and architect are appointed
Unexpected site constraints are identified	6 (probability 3 x impact 2)	Our Engineer is advising on all site constraints. Many are also associated with the adjoining commercial site, where the Engineer is also instructed
Flood alleviation measures are insufficient on the site	5 (probability 1 x impact 5)	The scheme has been designed to recognise site constraints including seasonal water levels and changing climate weather patterns. The

Risk	Score out of 25 based on probability x impact	Mitigation
		scheme includes maintaining the existing rhynes and attenuation pond and increasing the height of the land.
Highways adoption	12 (Probability 4 x impact 3)	The access road leading through the commercial site is in the process of adoption and this will need to be completed prior to adoption of the road for the residential development
Construction costs rise significantly at the procurement stage and during scheme delivery	6 (Probability 3 x impact 2)	Full site investigations will be carried out prior to entering into contract. All costs will be carefully assessed by our employer's agent.
Delay in project progress at any stage resulting from a further COVID-19 outbreak and subsequent lockdown, or similar occurrence	12 (probability 3 x impact 4)	There are a range of ways in which covid could affect the scheme from site lockdown to supply chain interruption to workforce and material inflation. The scheme will review Covid risks on a daily basis.

#### 4. Background and Full details of the Report

- 4.1 The site is located to the east of Minehead town centre close to the A39 and Butlins holiday camp. The site adjoins Minehead Cricket Club and is accessed via a roundabout on to Luttrell Way from Seaward Way which also serves a new Premier Inn hotel, Brewers Fayre and the Minehead Community Hospital as well as adjoining the sports pitches for West Somerset College to the South West of the site. There is modern residential development to the East and open space to the North.
- 4.2 The site is rectangular in shape and slopes gently to the north. It is divided with approximately half being developed for commercial and the remaining land for residential development. The Residential site is a disused plot of open land. A footpath is located to the south of the site and a bus stop is available approximately 2 minutes' walk to the south with services into the town centre, Taunton, Porlock and Bridgwater.
- 4.3 The site is the first new housing development in the former West Somerset area since stock transfer to Magna Housing Association took place, and as such is outside of SWT's current housing stock area, however the quantum of properties being proposed will enable cost effective services to be provided to tenants.
- 4.4 The site has been considered for development by West Somerset District Council since 2007. The site was marketed on two occasions but there was a lack of interest from house builders due to the high level of abnormal costs. Magna Housing Association did however show an interest and terms were agreed to transfer the land to Magna. Following a public consultation, Magna obtained planning consent using their own house types.

- 4.5 The residential part of the site has the benefit of a full planning consent for 40 dwellings (ref: 3/21/18/020) which was submitted by Magna Housing Association and granted in October 2019, and a S106 entered into to secure the Travel Plan arrangements.
- 4.6 The site was due to be sold to Magna Housing Association under a previous agreement with West Somerset District Council. Earlier this year Magna withdrew their interest in developing the site and it was then added to the HRA programme to appraise for a 100% affordable housing scheme with low carbon criteria. Their original scheme did not meet their viability tests due to abnormal costs and their scheme being at lower density to our proposed scheme. The higher numbers spreads the abnormal costs over a greater number of homes, and notwithstanding additional costs due to the low carbon specification our assumptions show that the scheme will perform better.
- 4.7 A new planning application will be submitted to increase the density of the scheme to 54 homes for affordable rent and to use the learning from the Zero Carbon Affordable Homes Project to deliver low carbon homes on this site.
- 4.8 Local consultation will be carried out prior to submitting the new planning application, as well as consultation with the Police regarding secure by design.
- 4.9 In October 2019 consent was also granted for the commercial part of the site for development of two industrial units (ref: 3/21/18/021). SWT is currently developing the commercial site with works progressing well. The access road and services from this part of the site will connect into the residential land and capacity has been allowed for the 54 dwellings.
- 4.10 As part of the Section 106 Agreement entered into by EDF for Hinkley Point C power station a fund to support housing delivery was set up. A bid was submitted to this fund and was approved in the sum of £470,000 by Full Council on 25<sup>th</sup> August 2020 (Appendix D Table 6 of the Hinkley Point C Housing Strategy Phase 3 - 2020- 2023).
- 4.11 A commuted sum of £58,204 was secured as a financial contribution in lieu of affordable housing at Ellicombe Meadow has been approved for use at Seaward Way and is included in the funding for this scheme.
- 4.12 The land is included in the SWT General Fund and will be transferred to the HRA for development, at an appropriate land value to be determined by a Valuer. SHAPE are advising on the legal provision to enable this.
- 4.13 The site size is 2.8 Acres (1.15 Ha) but only 2.1 Acres (0.85 Ha) can be developed due to rhynes (drainage ditches/canals) on two sides of the site. The site is in Flood Zone 3 and needs to be raised in height to avoid flooding. The soil to raise the land is being used from surplus on the commercial site. The foundations will be piled.
- 4.14 An attenuation "pond" is included to take any excessive flood waters from both the commercial and residential sites, this will generally contain an inch or two of water and only fill up when there is excessive rainfall, when full water is drained into the rhyne and then down to the sea. This pond is separated from the housing land by an acoustic fence, which is already constructed. Our

Engineers will be following advice from the Environment Agency during the technical design stage.

4.15 The scheme has been modelled for 100% affordable rented units. The affordable rents give flexibility between 60-80% of open market rents according to viability. The modelling has been carried out assuming 80%. The cost estimate for the works cost has been calculated as far as possible with the information we have to date, and the total scheme cost current estimate is set out in Confidential Appendix A. Our Energy Advisor is advising on the specification for very low carbon criteria, which will be reflected in the pre-tender estimate when issued.

4.16 The scheme mix is based on the housing need for Minehead, and will be built to SWT adopted space standards, which are between 5% & 14% larger than many developer house types. The mix is:

1b2p Flat	17	31%
2b3p Flat	15	28%
2b4p Flat (wheelchair adapted)	1	2%
2b4p Chalet Bungalow (wheelchair adapted)	2	4%
2b4p House	10	18%
3b5p House	7	13%
4b7p House	2	4%
<b>TOTAL</b>	<b>54</b>	<b>100%</b>

4.17 The current housing need for Minehead on Homefinder Somerset requiring rented accommodation is a total of 429 households. Of these 62% is for 1 beds, with 25% for 2 beds, 8% for 3 beds and 5% for 4 beds. The proposed mix reflects not only the existing need in the town but allows for different sized households across the development to encourage a diverse and sustainable community and allow socially supportive networks to develop on the site. The 1 bedroom units are clearly needed and will significantly increase the provision in Minehead. However this size of property tends to be a short term solution for many people as either their household size grows or their circumstances change and the mix of 2, 3, and 4 bedroom homes will enhance the stability of the community. There is no specific policy in the former West Somerset area for wheelchair accessible homes, however we are providing three properties which is greater than the SWT requirement (2 units) for developers for this size of scheme.

4.18 The HRA does not currently manage stock in the former West Somerset area, therefore there is an extra housing management and maintenance commitment required by the HRA. However the potential risks and costs associated with managing dispersed stock is mitigated in part as the development is of a good size and SWT does have offices close to the site.

4.19 The scheme aims to deliver 54 zero carbon affordable homes in occupation and low embodied carbon in their construction and maintenance. The London Energy Transformation Initiative (LETI) standards are being applied to achieve this. (See Appendix C).

- 4.20 Space for a play area is included in the scheme in a central location.
- 4.21 Once the scheme design and budget are finalised a planning application will be submitted, and competitive tenders for contractors invited.
- 4.22 When the planning application has been approved a new S106 will be required for the updated Travel Plan and Play requirements.
- 4.23 Indicative timescales are set out below. Key consultants have been appointed to support the viability work including Architect, Principal Designer, Employers Agent, Engineer and Energy/Carbon Consultant.

Planning Application	Winter 2020
Start on Site	Spring / Summer 2021
Build Completion	Spring / Summer 2023

## 5. Links to Corporate Strategy

- 5.1 In 2019, the council declared a climate emergency and committed to working towards achieving carbon neutrality and climate resilience by 2030. In relation to the councils development sites the councils Carbon Neutrality and Climate Resilience Plan Framework Document states “The Council commits to ensuring that these sites are all low carbon and energy efficient, but also exploring where we can make the most of technological and design innovations to develop specific exemplar schemes to showcase the art of the possible. These requirements will need to be carefully balanced against other demands and requirements placed on these sites to ensure they remain viable.
- 5.2 The Council’s HRA Business Plan includes the development of 1000 new homes over 30 years, which is approx. 30 new homes per year over the period
- 5.3 The District has significant demand for affordable homes with a current target of 264 units per year. SWT new build through the HRA complements the affordable homes delivered through housing association partners and planning gain.

## 6 Finance / Resource Implications

- 6.1 Members are being asked to approve a capital budget to fund the delivery 54 new zero carbon homes to be let at an affordable rent on the Seaward Way Site, Minehead. This scheme will support the aspiration to deliver new homes into the community over the next 30 years as per the approved HRA 2020 Business Plan.
- 6.2 A thorough investment appraisal of this individual scheme has been undertaken using a viability appraisal tool as well as an internal budget impact assessment. A comparison to the original business plan assumptions has also been undertaken to assess the affordability and viability of this scheme overall and also in conjunction with the other schemes that are also being put forward

for consideration. Appendix A provides a detailed narrative and outcome of this review.

- 6.3 The business plan is also being review on a continuing basis as new information comes to light (e.g. new inflation and borrowing rates) and further independent professional advice has been received to provide further assurance that these schemes collectively are deliverable and contribute positively to the overall 30 year business plan.

## **7 Legal Implications**

- 7.1 The land is currently vested in the General Fund and will be transferred to the HRA at the valuation figures. SHAPE are advising on the legal provision to enable this. (Ref: SW2020/0598)
- 7.2 Title searches have been carried out for the whole site area.

## **8 Climate and Sustainability Implications**

- 8.1 The scheme will be constructed using the London Energy Transformation Initiative (LETI) standard, with four key criteria:
- Carbon capture and energy use in the manufacture/construction of homes
  - Fabric first / well insulated and air tight buildings with insulation nearly twice the thickness of the current standard.
  - Renewable heat and energy
  - Data collection and analysis
  - Details of the LETI standard are illustrated in Appendix C.
- 8.2 There will be no gas on site.
- 8.3 There will be electric car charging points, one per property and shared points for the flats.
- 8.4 The location is well served with public transport.
- 8.5 A Travel Plan will be agreed and ample cycle storage provided.
- 8.6 Photovoltaic panels are proposed for the roof of the flats and houses.
- 8.7 We have employed an Energy/Carbon consultant to advise on how best to achieve very low carbon objectives, and the specification worked up for the Zero Carbon Affordable Homes Pilot will be used for this scheme.
- 8.8 The council has been exploring off-site manufacturing which meet the council's carbon neutral ambition. Of-site manufactured homes can be delivered quicker than traditional housing as the site preparation and build process can take place simultaneously. Officers believe that panelised construction methods are the most appropriate form of off-site manufacture for this scheme.

- 8.9 Minehead is outside the hydrological catchment of the Somerset Levels and Moors Ramsar Site, and therefore there is no risk associated with phosphates and housing development in this area.

## **9 Safeguarding and/or Community Safety Implications (if any)**

- 9.1 There are no safeguarding or community implications.

## **10 Equality and Diversity Implications**

- 10.1 The scheme has considered the districts housing needs. The homes will all be rented at affordable rent levels.
- 10.2 The blend of homes includes 1, 2, 3 and 4 bedroom family houses. There are also two 2 bedroom chalet style homes and a 2 bedroom ground flat that are wheelchair accessible.
- 10.3 An Equality Impact Assessment is being prepared to reflect the benefits of the HRA development programme.

## **11 Social Value Implications**

- 11.1 The procurement process will consider the benefit contractors can contribute in terms of social value in particular local labour, use of local contractors and supply chain.
- 11.2 The LETI approach encourages the use of local material and labour to minimise carbon and energy used in the construction of homes.

## **12 Partnership Implications**

- 12.1 Establishing very low carbon exemplar housing in the Minehead area will show commitment and leadership within SWTs affordable housing partnership.

## **13 Health and Wellbeing Implications**

- 13.1 Very low carbon homes which are well insulated, have good levels of airtightness and use ventilation systems are considered healthy homes. The construction methods remove the opportunity for condensation and damp. Fuel poverty is reduced where onsite renewable energy is incorporated and a fabric first approach is adopted.
- 13.2 Two of the homes will be wheelchair accessible on the ground floor to allow greater independent living.

## **14 Asset Management Implications**

- 14.1 The scheme proposed to make use of vacant building land currently held by the Council.



- 14.2 The scheme will utilise Modern Methods of construction and zero carbon technologies which will introduce some new components and materials to the council which will need maintaining.

### **15 Data Protection Implications (if any)**

- 15.1 No data protection considerations.

### **16 Consultation Implications (if any)**

- 16.1 Not applicable

### **17 Unitary Authority Considerations**

- 17.1 The report has reflected on the potential consequences of the impact of unitary authority status when considering its recommendations
- 17.2 The increased supply of affordable housing is a district priority and a Somerset wide priority. This is evidenced in the Somerset wide housing strategy and through the Somerset wide Homefinder Somerset Lettings system
- 17.3 The HRA business plan is a thirty year business plan approved in February and set out an ambition to build homes to increase the supply of affordable homes in the district and in the county. The HRA business plan is ring fenced and therefore applies HRA rules and the councils HRA business plan discipline.
- 17.4 The four District authorities have different structures to manage their housing responsibilities including stock transfer organisations, ALMO and SWT has retained its stock. It is difficult and not possible at this moment to make assumptions of how a unitary authority(s) would manage its housing duties or the emphasis it would place on new development. We therefore consider the business plan is a relevant guide to support the council's decision making
- 17.5 All authorities within the unitary proposal are subject to the government climate change policies and targets including net carbon zero by 2050.
- 17.6 Seaward Way has had an existing planning approved development scheme in excess of 12 months.

### **Democratic Path:**

- **Scrutiny / Corporate Governance or Audit Committees – Yes**
- **Cabinet/Executive – Yes**
- **Full Council – Yes**

**Reporting Frequency:**  **Once only**  **Ad-hoc**  **Quarterly**

**Twice-yearly**       **Annually**

### List of Appendices

Appendix A	CONFIDENTIAL Finance/Resource Implications
Appendix B	Risk Register
Appendix C	LETI Analysis of Carbon reduction
Appendix D	Plans & Elevations of the proposed scheme and location plan
Appendix E	Current photos of the site and attenuation pond

### Contact Officers

Name	Wendy Lewis	Name	Christopher Brown
Direct Dial	01823 785030	Direct Dial	01823 219764
Email	<a href="mailto:w.lewis@somersetwestandtaunton.gov.uk">w.lewis@somersetwestandtaunton.gov.uk</a>	Email	<a href="mailto:c.brown@somersetwestandtaunton.gov.uk">c.brown@somersetwestandtaunton.gov.uk</a>