

# Somerset West and Taunton Council

## Special Full Council – 1 December 2020

### Oxford Inn New Build HRA Zero Carbon Homes, Taunton

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

**Report Author: Shane Smith, Housing Development Manager Specialist**

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

- 1.1 The report recommends the development of 11 new council HRA homes on the Oxford Inn site, Taunton.
- 1.2 The scheme will be built to the specifications being developed as part of the Zero Carbon Affordable Homes Pilot approved by members in July 2020 which is now at procurement and planning pre application stage
- 1.3 This site in the Halcon and Lane area of Taunton is owned by Somerset West and Taunton Council (SWT) and falls under the HRA and was formerly operated as a public house,
- 1.4 The scheme will demolish the existing buildings and new homes will be built broadly on the existing footprint. The development will result in the improvement of the appearance of this prominent corner site and deliver very energy efficient housing with low energy bills for the residents in line with the benefits envisage of the Council's Zero Carbon Affordable Homes Pilot.

#### **2. Recommendations**

- 2.1 Full Council are recommended to:
  - (a) Approve the use of the vacant SWT public house for new zero carbon affordable homes.
  - (b) Approve the demolition of the Oxford Inn
  - (c) Approve the development of 11 affordable homes built to standards emerging from the Zero Carbon Affordable Homes Pilot, subject to planning approval.
  - (d) Allocate a total budget and borrowing requirement in line with confidential Appendix A.

- (e) 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.
- (f) 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
Insufficient market interest to engage in the tender process.	8 (probability 2 x impact 4)	To mitigate this scheme is being included within larger procurement opportunities being carried out by the HRA.
Satisfactory planning permission is not obtained	10 (probability 2 x impact 5)	Early advice has been sought from the planning team regarding proposals and designs have been altered to incorporate this advice. Planning permission will need to consider the change of use (from A4 to C3). The dwelling has been vacant for some time and the current covid situation is likely to have reduced the viability of the current vacant public house. An assessment of the developments phosphates impact is being commissioned to support the planning application.
Unexpected site constraints are identified	8 (probability 2 x impact 4)	Engineers and geotechnical consultants are being appointed to undertake the relevant surveys and investigations prior to entering into a build contract. The scheme will broadly use the same footprint of the exiting public house and therefore services are likely to be present and in suitable locations.
The blend of house types and sizes may change	2 (probability 2 x impact 1)	The final blend will be agreed through the planning process. The current blend is 9 x 1b flats and 2 x 2b houses. The final blend will be agreed through the planning process but the current mix has been included in the costs
Construction costs rise significantly at the procurement stage and during schemes deliver	4 (probability 1 x impact 4)	To mitigate this scheme is being included within larger procurement opportunities being carried out by the HRA and schemes costs will be known in advance of appointment. Consultants will be engaged in advance of procurement to minimise unexpected additional costs. The schemes will benefit from the learning and procurement of the Zero Carbon Affordable Homes Pilot. There is flexibility in the start date of the scheme as the HRA has front loaded its new homes delivery programme and the schemes start date can be

Risk	Score out of 25 based on probability x impact	Mitigation
		flexible to ensure procurement efficiencies and subsidy can be maximised.
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.

#### 4.0 Background and full details of the report

- 4.1 The Oxford Inn scheme would build eleven (11) new council zero carbon affordable homes and be an additional phase within SWT Zero Carbon Affordable Homes Pilot approved July 2020
- 4.2 The scheme will apply lessons learnt from the Councils zero carbon pilot and its procurement process.

#### The proposed development site

- 4.3 The site is located approximately 1 mile to the east of Taunton town centre within the Halcon and Lane ward. The site sits on the corner of Roman Road and Outer Circle.
- 4.4 The site is currently occupied by a vacant public house (The Oxford Inn) which has a history of poor performance for the leaseholders as a business and for the Council as landlord. This poor performance has led to neglect and the building is in a poor state of repair.
- 4.5 In examining options for the future of the property SWT have considered:
- The financial viability of refurbishing the existing building for continued use as a PH.
  - The cultural / community value of the building being retained as a PH.
  - The financial and practical viability of refurbishing the existing building as housing.
  - The financial viability of redeveloping the site for affordable housing.
  - The financial viability of providing a community facility as part of a new build development.
- 4.6 The options appraisal reached the following conclusions;
- That the Oxford Inn has limited value as a community facility
  - That the loss of the Oxford Inn as a public house would have a negligible effect on local access to similar community facilities.
  - That renovating the Oxford Inn and continuing to operate the property as a public house is significantly unviable and in no way sustainable.
  - That renovating the existing building and converting to residential is not financially viable and would result in poor quality accommodation.
  - That redeveloping the site for affordable low carbon housing is viable at an estimate scheme costs of £437k which has been included in the costs.
  - That the development of a community facility as part of the development is not viable and need for this facility has not been demonstrated.

- 4.7 An architect was appointed to explore feasibility and capacity designs for the site. A number of options were explored and presented to the planning team in order to seek pre-application advice. This advice indicated preference for a scheme of 11 homes (9 flats and 2 houses)
- 4.8 Local consultation will be carried out prior to submitting the new planning application.
- 4.9 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.

#### Building zero carbon homes

- 4.10 The Council in July 2020 approved the Zero Carbon Affordable Homes Pilot which brought together the Council's ambition to build 1000 new homes over 30 years and its declaration of a climate change emergency in 2019.
- 4.11 The pilot, at the time of this report being written, has created site capacity drawings, incorporated low energy requirements within the Councils Employers Requirements, commenced pre planning discussions, commenced a procurement process which has led to two modern methods of construction organisations (MMC) being chosen for final consideration, created an assessment criteria against the London Energy transformation initiative (LETI) which will allow new council homes to be benchmarked for their low carbon qualities.
- 4.12 The Oxford Inn development will benefit from the learning and procurement processes already in place.
- 4.13 The scheme aims to deliver 11 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).
- 4.14 To understand the performance of homes ongoing data collection and analysis is required. One of the aims of the pilot is to incorporate a rigorous data collection regime which will allow the carbon and energy performance to be measured and therefore allow the Council to evidence carbon and cost benefits. Ensuring the Council is able to evidence carbon and fuel benefits will increase the opportunity for customers and development partners to support and adopt a higher standard.
- 4.15 The scheme mix is based on the housing need for Taunton and is influenced by site constraints and feedback from the planning team as a result of pre-application enquiries. The new homes will be built to SWT adopted space standards, which are between 5% & 14% larger than many developer house types. The mix is:
- 9 x 1 bedroom flats
  - 2 x 2 bedroom houses
- 4.16 The current housing need for Taunton on Homefinder Somerset requiring rented accommodation is a total of 2305 households. Of these 54% is for 1 beds, with 29% for 2 beds, 13% for 3 beds and 3% for 4 beds. The 1 and 2 bedroom homes are clearly needed and the development will help to meet this demand in Taunton. While

it would have been ideal to also include a 3 or 4 bedroom home in this development the small size of the site makes this unviable

- 4.17 The HRA manages a significant number of homes in the immediate area, therefore there is little in the way of extra housing management and maintenance commitment required by the HRA.
- 4.18 Indicative timescales are set out below. The start on site date will be agreed with the Director of Housing and Communities, Portfolio Holder for Housing and the Section 151 Officer to ensure financial commitments are closely aligned with HRA considerations. Key consultants have been appointed to support the viability work including Architect, Principal Designer, Employers Agent, Engineer and Energy/Carbon Consultant.

Planning Application	Spring 2021
Start on Site	Spring 2022
Build Completion	Spring 2023

What benefits will the Council gain as a result of the development of the Oxford Inn?

- 4.19 The Council will benefit from:
- Eleven (11) new zero carbon council owned and managed homes which are close to Passivhaus standard (high quality low carbon homes)
  - Eleven (11) HRA affordable rented homes with on-site renewable heating and energy (no gas)
  - Neighbourhoods where SWT's Garden Town and Design Guide and checklist have been applied
  - Better use of council assets and the removal of a blighted site
  - An additional show home opportunity in the district to encourage SWT residents and partners to understand at first hand zero carbon development.

Phosphates and housing development within the hydrological catchment of the Somerset Levels and Moors Ramsar Site

- 4.20 This scheme falls within the water catchment area of the Somerset Levels and Moors Ramsar Site. A significant issue has arisen in relation to the consideration required by the planning authority if the schemes will give rise to additional phosphates within the catchment.
- 4.21 This schemes is within the water catchment area and advice is being sought from the planning authority on the steps the developer (SWT) must take to gain planning approval. It appears likely that there will be a need to establish through expert opinion if the scheme will give rise to additional phosphates within the area and therefore some study will need to take place possibly through the undertaking a Habitats Regulations Assessment.
- 4.22 The assessment will establish if the development will give rise to additional phosphates and if so propose a compensation strategy as part of the scheme to offset the increase so as to avoid either permanent, or temporary increases in phosphate loads to the designated site. The requirement will be for the development to be phosphate neutral.

- 4.23 The ultimate risks to the scheme of not resolving this matter to the satisfaction of the planning authority is for the scheme to fail to gain planning permission. The requirement for additional studies and mitigation will add expense and time to the scheme, potentially challenging the scheme viability or require the scheme to compromise on design quality or outcomes.
- 4.24 It is understood that SWT is working as planning authority and competent authority to make arrangements for strategic compensation. This strategic solution may allow developers including SWT to manage any compensation efficiently.

## **5 Links to Corporate Strategy**

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.

The Council’s HRA Business Plan includes the development of 1000 new homes by 2049, 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.

### Unitary Authority Considerations.

- 5.4 The report has reflected on the potential consequences of the impact of unitary authority status when considering its recommendations. The following statements provide comfort that the recommendations of the report are appropriate:
- 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 demand recorded through the Homefinder Somerset lettings system
  - 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.
  - 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 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
  - All authorities within the unitary proposal are subject to the government climate change policies and targets including net carbon zero by 2050.

## **6 Finance / Resource Implications**

- 6.1 Members are being asked to approve a capital budget to fund the delivery 11 new zero carbon homes to be let at an affordable rent on the Oxford Inn Site, Taunton. 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 A Report on Title has been obtained from SHAPE legal services and this has identified no significant issues.

## **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 which will include “active” fully equipped points and “passive” points where infrastructure will be provided to enable easy installation of charging equipment in the future.
- 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.

## **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. An equality impact assessment for the Councils new build aspirations is being prepared.

## **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 Taunton 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.

## **14. Asset Management Implications**

14.1 The scheme proposes to make use of vacant, poor performing property currently owned by the Council.

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

15.1 No data protection considerations.

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

16.1 Consultation will take place with the community and neighbouring property prior to planning permission being submitted.

## **17.1 Scrutiny/Executive Comments / Recommendation(s) (if any)**

*Scrutiny questions:*

- *Has the council carried out an alternative viability assessment approach to consider the sale of land and the additional benefits which a capital receipt could achieve compared to on site scheme delivery*



- *What is the cost without zero carbon on this scheme?*
- *Can rents be modelled on 60% and 70% of market value as well as 80%*

Democratic Path:

- Tenants Strategic Group – Yes
- Scrutiny / Corporate Governance or Audit Committees – Yes
- Cabinet/Executive – Yes
- Full Council – Yes

## List of Appendices

Appendix A	Finance Report (CONFIDENTIAL)
Appendix B	Risk Register
Appendix C	LETI Analysis of Carbon reduction
Appendix D	Plans of the proposed scheme and location plan
Appendix E	Photographs of site

## Contact Officers

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