

Somerset West and Taunton Council

Executive – 20 July 2022

Oake Woolaway Housing Refurbishments

This matter is the responsibility of Executive Councillor Francesca Smith, Portfolio Holder for Housing

Report Author: Chris Brown, Assistant Director Development & Regeneration, Ian Shoemark, Project Manager

1 Executive Summary / Purpose of the Report

- 1.1 Somerset West and Taunton Council (SWT) owns a number of houses and bungalows in Oake Village of which 12 are Woolaway homes. Woolaway homes are classified as defective non-traditional homes and are the same archetype as those homes being demolished or refurbished in North Taunton.
- 1.2 Ten Woolaway homes will be refurbished using an all walls out and fabric first low carbon approach.
- 1.3 Alternative options to refurbishment have been considered but are not economic and contain risks including the costs of purchasing properties sold under the Right to Buy and the ability to intensify the scheme due to planning constraints.
- 1.4 The scheme will be funded from the Housing Revenue Account (HRA) with a contribution from the Social Housing Decarbonisation Fund (SHDF) Wave 1. The properties will also be included in a SHDF Wave 2 bid. This scheme requires tenants to be decanted on a temporary basis.
- 1.5 The scheme has the support of the portfolio holder for Housing and Executive are being requested to formalise the supplementary budget.

2 Recommendations

That Executive recommends the following to Full Council:-

-Full Council approves the refurbishment and associated works for ten Woolaway homes at Oake which are currently classified as defective non-traditional dwellings.

-Full Council approves a Supplementary Budget as noted in Confidential Appendix C within the Housing Revenue Account Capital Programme, which is planned to be funded primarily through capital borrowing plus available capital grants.

-Full Council delegates authority to the S151 Officer in consultation with the Director for Housing and Communities to determine the final optimum financing arrangements for expenditure incurred.

3 Risk Assessment

3.1 Below are the main risks relating to the proposal:

Risk	Score out of 25 based on probability x impact	Mitigation
Insufficient funds within the HRA approved budget	4 (2x2)	Council in February 2022 approved the HRA budget and capital programme for 2022/23 and a refresh of the HRA 30-Year Business Plan. Whilst this budget approval will increase the current capital budget, the outturn for 2021/22 reports a reduction in previous budget approvals of £11.847m based on 2021/22 underspends. Adding this approval would therefore not adversely affect the overall business plan capital expenditure assumptions. The grant contributions slightly reduced the business plan commitment for this specific investment.
Poor consultation may result in resistance and disconnection from tenants	10 (2x5)	Good communication with tenants, neighbours and the Parish Council will maximise the opportunity for tenant support for the scheme. Early communication is important and housing needs assessments are to be undertaken and decant opportunities are to be identified as close to the tenant's current home as possible.
Limited alternative accommodation for tenants during temporary decanting.	8 (2x4)	Officers have analysed the availability of alternative accommodation to support the decanting of tenants. We have created a route for the contractor which allows all tenants to be temporarily decanted within the estate. Consultation has identified that some households could benefit from a single move to a refurbished property on the estate to better meet their needs. There are currently five voids on the estate and three of these voids will be refurbished under the scheme with the other two being used for temporary decant and site welfare and then demolished in preparation for a new build proposal.
Tenants experience a substandard service as they wait to be decanted	8 (2x4)	Tenants will continue to benefit from the Council's comprehensive compliance, repairs, and maintenance service as they wait for works and whilst they are in temporary accommodation.
Social Housing Decarbonisation Funding (SHDF)	9 (4x2)	SHDF Wave 1 funding has been received to contribute £12k to each of the first four homes. SWT will bid for Wave 2 funding for the remaining six units. Successful bidders for Wave 2 will be informed in January 2023. Wave 1 funding is to be spent by 31 st January 2023. This creates a risk should the low carbon elements of the project not be complete.
Inability to secure a contractor to deliver works within budget	15 (3x5)	Officers have prepared the specification for works and the market will be engaged July 2022 with appointment in September.

Risk	Score out of 25 based on probability x impact	Mitigation
Commercial environment/ economic environment	15 (3x5)	There are several external factors which continue to create difficulties when delivering projects in a timely way. SWT and other landlords have experienced challenges in securing contractors and materials to deliver projects in the most timely and economic way. The service is proposing to go to market in July 2022.

4 Background and full details of the report

- 4.1 SWT owns several houses and bungalows in Oake Village of which 12 are Woolaway homes. Woolaway homes are classified as defective non-traditional homes and are the same architype as those homes being demolished or refurbished in North Taunton. A plan may be found at Appendix A.
- 4.2 Officers have carried out a feasibility study and gained support for its project initiation document from the Director of Housing and Communities at its Housing Programme Board and the Portfolio Holder for Housing. The most appropriate and economic option is for ten of the twelve Woolaway homes to be refurbished and two homes demolished in preparation for a small new build scheme. The feasibility study considered retaining and refurbishing all twelve non-traditional homes however the demolition of two homes has the potential to create four (4) new homes on the same site (appendix A, highlighted in red). The new build scheme will come forward to Members in a separate report at some point in the future.
- 4.3 The ten (10) Woolaway defective non-traditional homes will be refurbished using an 'all walls out' and 'fabric first' low carbon approach. Properties will be made structurally robust and provided with a minimum 60 year life.
- 4.4 The heat demand for these homes will reduce from circa 190 kWh/m2/yr to circa 39 kWh/m2/yr. Heat demand is used as a more appropriate measure than EPC bands to understand a property's carbon footprint and potential fuel usage. Heat demand is a key measure being proposed to help the Council's objective for its housing stock to be zero carbon. A retrofit home (existing home receiving low carbon works) with a heat demand of circa 50 kWh/m2/yr will create the opportunity of renewable heat and power to be more affordable to the tenant as they switch fuel from gas, over the next 20 years, to a system powered by renewable electricity and in so doing create a zero carbon home.
- 4.5 Alternative options to refurbishment have been considered including do nothing, greater demolition with a number of more intensive new build options but these are not economic and contain risks including the costs of purchasing properties previously sold under the Right to Buy scheme and the limited ability to intensify the scheme due to spacial and planning constraints.
- 4.6 The costs of the scheme are accounted for within the Housing Revenue Account (HRA), and it is proposed to fund the costs through a combination of HRA capital resources (e.g. capital borrowing or capital reserves) and capital grant obtained through Social Housing Decarbonisation Fund Wave 1 funding. The properties will also be included in a SHDF

Wave 2 bid to try and secure additional external funding to support the project. This scheme requires tenants to be decanted on a temporary basis.

- 4.7 The scheme has been approved in principle by the Portfolio Holder for Housing. Formal approval for the scheme and Supplementary Budget is required from Full Council.
- 4.8 The properties are the most challenging properties in the district and the cost of resolving the structural problems of these homes is reflected in the substantial work and costs. The Housing service is working on opportunities for new funding such as SHDF Wave 2 and ECO4 to help fund a greater proportion of works going forward to some of our more challenging and expensive to retrofit properties.

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.
- 5.2 These properties are defective due to their structure and most are in EPC band E or D. SWT must consider not only the investment in the structure to resolve the defects but investment to achieve 2030 and 2050 low and zero carbon standards.
- 5.3 These properties will be exemplar 'fabric first' homes and examples of what is possible.
- 5.4 The Council have a commitment to the provision of affordable homes. As new home developers have to resolve concerns relating to phosphates in order to obtain planning permission it is increasingly important that the existing affordable homes are retained wherever possible.

6 Finance / Resource Implications

- 6.1 The scheme is expensive due to the 'all walls out' approach in order to resolve structural concerns. The costs estimated costs of the scheme can be found in confidential appendix C. The cost estimates have been obtained by the Council's Employers agent Wellings with Council's direct costs and contingency included. It is recognised that the risk of cost increases is currently significant due to price inflation and stresses in the supply chain and labour markets. The cost estimates include contingencies but the procurement through competitive process will secure a fixed price design and build contract which will mitigate price risk. The delivery of the project will be managed through existing project management resources.
- 6.2 The estimates assume that the 10 units would be void for a period of 6 months each resulting in income loss of approximately £22k. Tenants are decanting on a temporary basis and would remain on a social rent and their secure tenancy will be continuous.
- 6.3 Members are therefore being asked to approve a supplementary capital budget as outlined in Appendix C to be added to the HRA Capital Programme to fund the delivery of an exceptional and extensive refurbishment of 10 Woolaway defective non-traditional homes using an 'all walls out and fabric first' low carbon approach. This scheme is proposed to be delivered during 2022/23 and 2023/24.

- 6.4 The Council has successfully bid for and received SHDF Wave 1 funding which will contribute £12k to each of the first four homes; a total subsidy of £48k towards the scheme. A further bid will be submitted for Wave 2 funding for the remaining 6 units which we hope will provide further subsidy towards this scheme though this will not be confirmed until January 2023. The remainder of the scheme will likely be funded through borrowing whilst options to utilise HRA capital reserves will also be explored in order to optimise the financing arrangements and costs.
- 6.5 The HRA 30-year Business Plan is reviewed on a continuing basis as new information comes to light (e.g. new inflation and borrowing rates) and as new capital schemes are developed. Independent professional advice is also obtained to provide further assurance that new schemes are deliverable and contribute positively to the overall 30 year business plan. The affordability and viability of this scheme on the 30-year business plan has been reviewed and key metrics are being maintained. The impact of the supplementary budget are outlined in Confidential Appendix C.

Unitary Council Financial Implications and S24 Direction Implications

- 6.6 A Section 24 Direction issued by the Secretary of State in May 2022 requires SWTC to obtain consent of Somerset County Council's (SCC) executive to enter capital contracts where the cost is, or terms allow costs to increase to, more than £1,000,000. As the costs of this scheme are projected above this amount then consent will be required to enter a contract if the scheme is approved.
- 6.7 As the scheme is not included in the approved capital budget that was approved in February 2022 a specific consent will be needed. SCC has delegated authority to the SCC Lead Member for Resources in conjunction with the SCC Section 151 Officer for all specific consents between £500,000 and £5,000,000.
- 6.8 In terms of ongoing implications, the works are expected to continue across this year and the first year of the new unitary. Continued management and oversight of the project will therefore continue beyond vesting day. The Council's housing stock and all of the ongoing assets, liabilities, costs and income, and rights and obligations will transfer to the unitary on 1 April. The new council will be required to maintain a Housing Revenue Account for this service, as SWTC does currently.

7 Legal Implications

- 7.1 No legal issues to report.

8 Climate and Sustainability Implications

- 8.1 In 2019, the Council declared a climate emergency and committed to working towards achieving carbon neutrality and climate resilience by 2030.
- 8.2 These properties are defective due to their structure and most are in EPC band E or D. SWT must consider not only the investment in the structure to resolve the defects but investment to achieve 2030 and 2050 low and zero carbon standards.
- 8.3 These properties will be exemplar 'fabric first' homes and examples of what is possible.

9 Equality and Diversity Implications

- 9.1 The existing tenants and community will be retained. Temporary decanting will be provided within the scheme boundaries wherever possible. Tenants needs have been assessed and all customers have completed a Housing Needs Assessment. Tenants do not lose their home and the expectation is that tenants will return to their refurbished home. However, the Council's Decant Policy additional relocation choices during their short decant window. This could include a one move to a refurbished home within the scheme.

10 Social Value Implications

- 10.1 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 Health and Wellbeing Implications

- 11.1 Very low carbon homes which are well insulated, have good levels of airtightness and use ventilation systems are considered healthy homes. The properties at Oake do not currently possess low carbon qualities and the construction techniques continue to encourage cold bridging which is a significant contributory factor for damp and mould in homes. The new specification will make the properties healthier homes, well insulated with improved ventilation.
- 11.2 One three bedroom home will be converted into a four bedroom home. The conversion will be beneficial for the District as large family accommodation is in high demand.

12 Asset Management Implications

- 12.1 The scheme will improve the Council's residential portfolio and the properties will be provided an expected lifecycle to that expected of other council homes.

13 Consultation Implications (if any)

- 13.1 Consultation has begun with the tenants, neighbours, and Oake Parish Council. There has been support and very little concern raised from tenants. Housing needs assessments have been carried out which identify opportunities for households to manage their housing needs better through the decant process and opportunities identified for moves within the scheme.
- 13.2 Communication with tenants and all other parties remain critical and will continue as the proposals are progressed.
- 13.3 Tenants are updated on developments through letters, phone calls, periodic estate visits and presentations at open Parish Council meetings.

14 Scrutiny/Executive Comments / Recommendation(s) (if any)

- 14.1 This paper is not scheduled for community scrutiny due to the timeline for approval and summer recess.
- 14.2 A briefing with the Chair of the Community Scrutiny has been offered.

Democratic Path:

- Executive – 20th July 2022
- Full Council – 6th September 2022

Reporting Frequency: Once Only

List of Appendices

Appendix A	Map of Oake Acres highlighting the homes for refurbishment
Appendix B	Images of the type of works required on the woolaway homes
Appendix C	CONFIDENTIAL Finance Commentary

Contact Officers

Name	Christopher Brown	Ian Shoemark
Direct Dial	01823 219764	
Email	c.brown@somersetwestandtaunton.gov.uk	i.shoemark@somersetwestandtaunton.gov.uk